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

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2021

FINANCIAL INDICATORS

	2021	2020	% Change
Revenue (R'000)	**4 909 528**	4 812 068	2
Net Profit (R'000)	**43 880**	29 366	49
Operating profit (R'000)	**113 518**	93 733	21
Cash generated from operations (R'000)	**35 964**	145 944	(75)
Earnings per share (cents)	**10.61**	8.08	31
Headline earnings per share (cents)	**10.36**	10.13	2

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 months to 28 February 2021 R'000	12 months to 29 February 2020 R'000
Revenue	**4 909 528**	4 812 068
Cost of sales	**(4 455 906)**	(4 397 947)
Gross profit	**453 622**	414 121
Other operating income	**11 267**	15 333
Other operating (losses)/gains	**(3 848)**	5 323
Other operating expenses	**(347 523)**	(341 044)
Operating profit	**113 518**	93 733
Investment revenue	**2 227**	577
Finance costs	**(53 736)**	(49 692)
Income from equity-accounted investments	**2 621**	3 157
Profit before taxation	**64 630**	47 775
Taxation	**(20 750)**	(18 409)
Profit for the year	**43 880**	29 366
Total comprehensive income for the year	**43 880**	29 366
Profit attributable to:	**43 800**	29 366
The owners of the parent	**43 880**	32 789
Non-controlling interest	**–**	(3 423)
Total comprehensive income attributable to:	**43 880**	29 366
Owners of the parent	**43 880**	32 789
Non-controlling interest	**–**	(3 423)

EARNINGS AND HEADLINE EARNINGS PER SHARE

	12 months to 28 February 2021 R'000	12 months to 29 February 2020 R'000
Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
Reconciliation of profit or loss for the year to basic earnings:		
Profit for the year	**43 880**	29 366
Loss for the year attributable to non-controlling interest	**–**	3 423
Profit for the year attributable to equity holders	**43 880**	32 789
Reconciliation of weighted average number of shares:		
Weighted number of shares in issue at the end of the year ('000)	**440 000**	431 370
Less: Weighted number of treasury shares held in a subsidiary at the end of the period ('000)	**(26 440)**	(25 517)
Weighted average number of shares ('000)	**413 560**	405 853
Headline earnings are determined by adjusting basic earnings by excluding separately identifiable remeasurement items. Headline earnings are presented after tax and non-controlling interest.		
Reconciliation between earnings and headline earnings:		
Basic earnings, adjusted for:	**43 880**	32 789
- (Profit) or loss on sale/scrapping of assets	**(1 032)**	(62)
- Gain on bargain purchase	**–**	–
- Impairment of goodwill	**–**	5 730
- Impairment of Intangible assets	**–**	2 661
Headline earnings	**42 848**	41 118
Earnings per share (cents)	**10,61**	8,08
Headline earnings per share (cents)	**10,36**	10,13
Diluted earnings per share (cents)	**10,02**	7,79
Diluted headline earnings per (cents)	**9,79**	9,77

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	12 months to 28 February 2021 R'000	12 months to 29 February 2020 R'000
Assets		
Non-current assets		
Property, plant and equipment	**436 017**	458 628
Goodwill	**170 484**	170 484
Intangible assets	**7 611**	10 582
Investments in joint ventures	**1 609**	1 169
Lease receivable	**2 846**	3 490
Deferred taxation	**14 457**	7 299
	633 024	651 652
Current assets		
Inventories	**198 418**	197 068
Lease receivable	**191**	113
Trade and other receivables	**719 962**	489 508
Derivatives	**–**	1 909
Current taxation receivable	**4 104**	4 381
Cash and cash equivalents	**68 451**	92 994
	991 126	785 973
Total assets	**1 624 150**	1 437 625
Equity and Liabilities		
Equity		
Share capital	**208 502**	**208 850**
Reserves	**50 737**	**49 726**
Retained income	**253 186**	**210 317**
Non-controlling interest	**–**	**–**
	512 425	**468 893**

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	12 months to 28 February 2021 R'000	12 months to 29 February 2020 R'000
Liabilities		
Non-current liabilities		
Financial liabilities at amortised cost	**292 589**	367 385
Lease liabilities	**10 181**	15 239
Deferred taxation	**44 306**	38 022
Contingent consideration	**870**	870
	347 946	421 516
Current Liabilities		
Trade and other payables	**330 840**	214 829
Financial liabilities at amortised cost	**419 677**	329 535
Derivatives	**723**	–
Lease liabilities	**848**	1 227
Current tax payable	**11 691**	1 625
	763 779	547 216
Total liabilities	**1 111 725**	968 732
Total equity and liabilities	**1 624 150**	1 437 625

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Treasury Shares R'000	Total share capital R'000
Balance at 28 February 2019	217 935	(20 064)	197 871
Profit for the year	–	–	–
Transactions with non-controlling interests	–	–	–
Shares issued	12 692	–	12 692
Purchase of own/ treasury shares	–	(1 713)	(1 713)
Dividends	–	–	–
Total changes	12 692	(1 713)	10 979
Balance at 29 February 2020	230 627	(21 777)	208 850
Profit for the year	**–**	**–**	**–**
Transfer between reserves	**–**	**–**	**–**
Purchase of own/ treasury shares	**–**	**(348)**	**(348)**
Total changes	**–**	**(348)**	**(348)**
Balance at 28 February 2021	**230 627**	**(22 125)**	**208 502**

	Revaluation reserve R'000	Share based payment reserve R'000	Retained Income R'000
Balance at 28 February 2019	44 819	3 598	199 638
Profit for the year	–	1 309	31 480
Transactions with non-controlling interests	–	–	(4 691)
Shares issued	–	–	–
Purchase of own/ treasury shares	–	–	–
Dividends	–	–	(16 110)
Total changes	–	1 309	10 679
Balance at 29 February 2020	44 819	4 907	210 317
Profit for the year	**–**	**–**	**43 880**
Transfer between reserves	**–**	**1 011**	**(1 011)**
Purchase of own/ treasury shares	**–**	**–**	**–**
Total changes	**–**	**1 011**	**42 869**
Balance at 28 February 2021	**44 819**	**5 918**	**253 186**

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Non-controlling Interest R'000	Total Equity R'000
Balance at 28 February 2019	(1 268)	444 658
Profit for the year	(3 423)	29 366
Transactions with non-controlling interests	4 691	–
Shares issued	–	12 692
Purchase of own/ treasury shares	–	(1 713)
Dividends	–	(16 110)
Total changes	1 268	24 235
Balance at 29 February 2020	–	468 893
Profit for the year	**–**	**43 880**
Transfer between reserves	**–**	**–**
Purchase of own/ treasury shares	**–**	**(348)**
Total changes	**–**	**43 532**
Balance at 28 February 2021	**–**	**512 425**

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months to 28 February 2021 R'000	12 months to 29 February 2020 R'000
Cash flow from operating activities		
Cash generated from operations	**35 964**	145 944
Interest income	**1 833**	196
Tax paid	**(10 347)**	(12 019)
Net cash from operating activities	**27 450**	134 121
Cash flow from investing activities		
Additions to property, plant and equipment	**(16 560)**	(24 335)
Proceeds on disposal of property, plant and equipment	**2 972**	2 407
Expenditure on intangible assets under development	**–**	(495)
Business combinations acquired (net of cash)	**–**	(55 226)
Dividend from investment in joint venture	**2 181**	2 851
Net cash utilised in investing activities	**(11 407)**	(74 798)
Cash flow from financing activities		
Purchase of treasury shares	**(348)**	(1 713)
Proceeds from financial liabilities	**40 000**	194 233
Repayment of financial liabilities	**(27 034)**	(129 399)
Repayment of shareholder's loan*	**–**	(7 297)
Proceeds from shareholder's loan*	**–**	9 686
Dividends paid	**–**	(16 110)
Finance costs	**(52 014)**	(47 004)
Principal elements of lease payments	**(1 190)**	(2 302)
Net cash (utilised in)/from financing activities	**(40 586)**	93
Total cash movement for the year	**(24 543)**	59 415
Cash at the beginning of the year	**92 994**	33 579
Total cash at end of the year	**68 451**	92 994

** The prior year numbers have been reclassified to improve disclosure. In the 2020 Annual Results, the amount was disclosed on a net basis, as R2 389 million*

SEGMENT REPORT

2021	Non-ferrous R'000	Ferrous R'000	Refractory R'000	Plastics R'000	Total R'000
Revenue					
Sale of goods – Local	**2 106 049**	**1 893 130**	**119 782**	**43 583**	**4 162 544**
Sale of goods – Exports	**687 397**	**22 213**	**3 511**	**–**	**713 121**
Rendering of services – transport and insurance	**19 842**	**13 534**	**52**	**–**	**33 428**
Rendering of services – sample analysis	**435**	**–**	**–**	**–**	**435**
	2 813 723	**1 928 877**	**123 345**	**43 583**	**4 909 528**
Cost of sales	**2 512027**	**1 804 410**	**110 155**	**29 314**	**4 455 906**
Gross profit	**301 696**	**124 467**	**13 190**	**14 269**	**453 622**
Other income	**628**	**6 791**	**–**	**–**	**7 419**
Profit before operating and administration expenses	**302 324**	**131 258**	**13 190**	**14 269**	**461 041**
Operating and administration expenses and operating losses					
Communication	**2 911**	**584**	**37**	**71**	**3 603**
Employment costs	**133 123**	**43 666**	**2 485**	**6 023**	**185 297**
Motor vehicle expenses	**24 804**	**4 729**	**153**	**563**	**30 249**
Occupancy	**25 645**	**16 689**	**69**	**4 129**	**46 532**
Other expenses	**57 651**	**21 979**	**138**	**2 074**	**81 842**
	244 134	**87 647**	**2 882**	**12 860**	**347 523**
Operating profit	**58 190**	**43 611**	**10 308**	**1 409**	**113 518**

SEGMENT REPORT CONTINUED

2020	Non-Ferrous R'000	Ferrous R'000	Refractory R'000	Plastics R'000	Total R'000
Revenue					
Sale of goods – Local	2 593 894	959 987	147 558	39 575	3 741 014
Sale of goods – Exports	982 035	60 479	–	–	1 042 514
Rendering of services – transport and insurance	25 319	3 131	72	–	28 522
Rendering of services – sample analysis	18	–	–	–	18
	3 601 266	1 023 597	147 630	39 575	4 812 068
Cost of sales	3 301 345	939 668	129 308	27 626	4 397 947
Gross profit	299 921	83 929	18 322	11 949	414 121
Other income	18 351	1 316	–	989	20 656
Profit before operating and administration expenses	318 272	85 245	18 322	12 938	434 777
Operating and administration expenses and operating losses					
Communication	2 983	341	47	144	3 515
Employment costs	136 491	26 726	2441	7258	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

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

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

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

COMMENTARY

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 28 February 2021.

1. Basis of Preparation and Accounting Policies

The results for the year ended 28 February 2021 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), IAS 34 - Interim Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act, No. 71 of 2008, and the JSE Listings Requirements. The principle accounting policies applied by the group in the provisional reviewed condensed consolidated financial statements for the year ended 28 February 2021 are consistent with those applied in the consolidated financial statements for the year ended 29 February 2020.

These provisional reviewed condensed consolidated financial statements do not include all the information for full annual financial statements and have not been audited, but are based on the reviewed results. The condensed consolidated financial statements presented in this SENS announcement do not include the information required pursuant to paragraph 16A(j) of IAS 34. The provisional condensed consolidated financial statements have been reviewed by Moore Cape Town Inc. who expressed an unmodified review conclusion, which is available for inspection at the company's registered office or on our website, www.insimbi-group.co.za. The directors take full responsibility for the preparation of this provisional condensed consolidated financial statements for the year ended 28 February 2021. These provisional condensed consolidated financial statements have been prepared on a going concern basis, under supervision of the Chief Executive Officer, Mr. F Botha CA(SA) and the Chief Financial Officer, Mrs. N Winde CA(SA). The going concern basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

2. Review of activities

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

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

3. Financial Review

Since December 2019, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, businesses were 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 nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and 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 most 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 6 weeks that followed the announcement. Staff that could work from home were encouraged to do so, while others were placed on paid leave. 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, and increased back to full capacity as the country moved to more relaxed levels of lockdown.

Group revenue increased by 2% from R4,8 billion to R4,9 billion. This increase is attributable to accounting for a full year of the Treppo Group. The growth has however been offset by the significant loss of income as explained above. Gross profit however increased by 9% from R414 million to R453 million as a result of improved margins.

Operating profit of R114 million was achieved, compared to R94 million in the previous year. The savings on variable costs in the lockdown period, along with significant cost saving measures implemented by all operations, resulted in an increase in operating expenses of only R6 million, or 2%, this despite the inclusion of Treppo group for a full year. When

the effect of Treppo's contribution to expenses (R72.5 million) is excluded, the group pre-acquisition actually achieved savings of R37.5 million, or 11%.

Finance costs increased from R50 million to R54 million, mainly as a result of debt funding raised for the acquisition of and overdraft facilities for the Treppo Group that was acquired in the 2020 financial year. The increase has however been offset by the decrease in the prime lending rate, which moved from 9.75% at the end of February 2020, to 7% at the end of February 2021. The group minimises interest paid externally by redistributing funds through a centralised treasury.

Only R20 million (2020: R145 million) was added to property, plant and equipment, of which R5 million is attributable to the properties from which Minerals2Metals Proprietary Limited operate, which is located in eMalahleni.

Trade and other receivables at year end amounted to R720 million, compared to R490 million at the previous financial year-end. With the last working day of the year falling on a Sunday, it is not uncommon for debtors to delay payment to the following working day. Trade receivables remain well managed and an Expected Credit Loss of only 1% was provided for. The Group has not experienced any major defaults as a result of the Covid-19 pandemic. Inventories at year end amounted to R199 million (2020: R197 million). Trade and other payables increased from R215 million in the previous year to R331 million.

Cash generated from operations decreased from R146 million in 2020 to R36 million, largely due to the increased working capital cycle as a result of the financial year ending on a Sunday. To give some perspective, approximately R100million was banked in the first 72 hours of the new financial year, which would have resulted in a net working capital similar to the 2020 financial year end. The net bank overdraft at year end was R258 million compared to R167 million for the comparative period. The bank overdraft is disclosed as part of “Other financial liabilities”.

The net debt to equity ratio at year end was 126% (2020: 129%). Borrowings were increased to partially finance the Treppo Group acquisition in 2020, as well as to provide the Treppo Group with working capital facilities.

4. Market and Prospects

The ferrous segment supplies raw material inputs to the steel, and stainless-steel industries. Considering the impact of the various levels of lockdown on these industries, conservatively 6 to 8 weeks of plant shutdowns, the growth in revenue and profitability in the current year is exceptionally pleasing and it is attributable to the inclusion for a full trading year, of the Treppo Group which was acquired in November 2019. This acquisition has placed us amongst the leaders in our market for recycled ferrous metal and has contributed significantly to the groups’ increasing local, regional and global footprint and diversification. The ferrous segment was also stimulated by improved ferrous metal prices in the second half of the financial year during which iron ore prices increased by 40%. This segment is geared towards export but unfortunately as a result of legislative amendments post lockdown, we have been unable to export any ferrous metal and are only able to supply into the local market, which is at a significant discount to export parity. We remain hopeful that with the planned introduction of export tariffs mooted for later this financial year, that we will again be able to export some of our material.

Despite the advent of Covid-19 and the resultant effective 6 to 8-week shutdown during lockdown, the non-ferrous segment performed well in its target markets including the export, secondary aluminium, automotive and foundry industries. Major contributors including copper and aluminium based non-ferrous metals recovered from 5 to 10-year price lows in the previous financial year to near record highs during the second half of the financial year and this also provided some welcome stimulus to this segment. This segment is definitely starting to benefit from the growing global trend to move to eco-friendly battery operated transportation and I do not expect this to reverse or slowdown in the short term.

The refractory segment felt the “brunt” of the pandemic the most within our portfolio but still performed well under the circumstances. The rotary kiln offering of this segment in particular, had its best year ever. Unfortunately, this was tempered by a significant decline in supply of refractory linings and technical support, to the PGM and steel industries.

The plastic segment was fortunate enough to comply with “essential services” status and it literally flourished as a result of this. More importantly, it continues to do so. This business segment has over the past year gone through significant restructuring and streamlining and is finally turning a sustainable profit albeit small in the year under review. It is operating with a full order book and a new “lease on life” and we are optimistic about its future performance.

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

5. Post balance sheet events

At 28 February 2021 there has been defaults on some of the external covenants imposed by the main lender for the February 2021 measurement period. Management has obtained a waiver for the breach and is in process of renegotiating the covenants up to 2024 as part of their annual review process.

6. Directors

Mr. De Wet retired from the position of CFO and as Executive director at the end of September 2020 and Mrs. N Winde was appointment as CFO to serve as an Executive director to the Board.

7. Authorised and issued share capital

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

8. Dividends

No interim dividend (2020: 2,0 cents per share amounting to R8 516 806) was declared. Given the uncertainty that prevails in the current local and global markets as a result of the Covid-19 pandemic, the board has elected not to declare a final dividend (2020: 0 cents).

In conclusion and taking the extremely difficult and unprecedented challenges presented by the Covid-19 pandemic throughout the financial year under review, we are very satisfied with our groups performance across the board.
Insimbi:

- emerged leaner after a brutal cost-cutting exercise which was necessitated by circumstances BUT which now has become a core discipline and focus area;
- learned to adapt swiftly to changing circumstances and economic environment;
- became accustomed to achieving more with less;
- trimmed our group's work force by almost 150 people or nearly 20%;
- benefited from the reduction in interest rates;
- established ourselves as an industry leader in our target markets;
- generated conservatively between R800 million and R1 billion less revenue and between R75 million and R90 million less operating profit than anticipated as a result of Covid-19.

Last year was literally a case of survival of the fittest, we are proud to say that we are amongst the survivors and as our name "Insimbi" implies across the continent, we continue to forge ahead.

We continue our commitment as an upstanding corporate citizen of this country. This includes our commitment to good corporate and financial governance but equally to ongoing transformation, and we will continue to strive to improve our B-BBEE rating at each operating entity. Our goal, and it is a lofty one, is to achieve Level-4 across all these entities including our listed holding company.

As always, I would like to thank and recognise all our stakeholders including shareholders, customers and suppliers without whom we cannot exist. A special word of thanks to ALL our employees and non-executive directors who carried on their duties with such dignity and commitment throughout the financial year despite having to accept salary and/or fee reductions as a result of the pandemic, you are truly the backbone of our group.

I would also like to thank my executive committee and Board members for their continued support and guidance through a uniquely challenging financial year ended 28 February 2021.

By order of the Board

Frederick Botha
Chief Executive Officer

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

Johannesburg
31 May 2021