

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")

CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022

FINANCIAL PERFORMANCE

	2022	2021	% Change
Revenue (R'000)	6 058 535	4 909 528	23%
Net profit (R'000)	104 246	43 880	138%
Operating profit (R'000)	206 504	113 518	82%
Cash generated from operations (R'000)	235 787	35 964	556%
Earnings per share (cents)	25,91	10,61	144%
Headline earnings per share (cents)	24,58	10,36	137%

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 months to 28 February 2022 R'000	12 months to 28 February 2021 R'000
Revenue	6 058 535	4 909 528
Cost of sales	(5 482 429)	(4 455 906)
Gross profit	576 106	453 622
Other operating income	14 751	11 267
Other operating (losses)/gains	1 147	(3 848)
Other operating expenses	(385 500)	(347 523)
Operating profit	206 504	113 518
Investment income	723	2 227
Finance costs	(62 206)	(53 736)
Income from equity-accounted investments	4 614	2 621
Profit before taxation	149 635	64 630
Taxation	(45 389)	(20 750)
Profit for the year	104 246	43 880
Total comprehensive income for the year	104 246	43 880
Profit attributable to:		
The owners of the parent	104 246	43 880
Total comprehensive income attributable to:		
Owners of the parent	104 246	43 880

EARNINGS AND HEADLINE EARNINGS PER SHARE

	12 months to 28 February 2022 R'000	12 months to 28 February 2021 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	104 246	43 880
Profit for the year attributable to equity holders	104 246	43 880
Reconciliation of weighted average number of shares:		
Weighted number of shares in issue at the end of the year ('000)	428 822	440 000
Less: Weighted number of treasury shares held in a subsidiary at the end of the period ('000)	(26 440)	(26 440)
Weighted average number of shares ('000)	402 382	413 560
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:	104 246	43 880
(Profit) or loss on sale/scraping of assets	(5 322)	(1 032)
Headline earnings	98 924	42 848
Earnings per share (cents)	25,91	10,61
Headline earnings per share (cents)	24,58	10,36
Diluted earnings per share (cents)	24,93	10,02
Diluted headline earnings per (cents)	23,65	9,79

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	12 months to 28 February 2022 R'000	12 months to 28 February 2021 R'000
Assets		
Non-current assets		
Property, plant and equipment	392 268	436 017
Goodwill	170 484	170 484
Intangible assets	7 140	7 611
Investments in joint ventures	1 513	1 609
Lease receivable	2 511	2 846
Deferred taxation	11 125	14 457
	585 041	633 024
Current assets		
Inventories	327 713	198 418
Lease receivable	337	191
Trade and other receivables	622 309	719 962
Current taxation receivable	3 970	4 104
Cash and cash equivalents	57 379	68 451
	1 011 708	991 126
Total assets	1 596 749	1 624 150
Equity and Liabilities		
Equity		
Share capital	208 002	208 502
Reserves	51 985	50 737
Retained income	356 184	253 186
	616 171	512 425
Non-current liabilities		
Financial liabilities at amortised cost	199 220	292 589
Lease liabilities	14 647	10 181
Deferred taxation	37 261	44 306
Contingent consideration	870	870
	251 998	347 946

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued

	12 months to 28 February 2022 R'000	12 months to 28 February 2021 R'000
<i>Current Liabilities</i>		
Trade and other payables	363 668	330 840
Financial liabilities at amortised cost	350 868	419 677
Derivatives	312	723
Lease liabilities	2 887	848
Current tax payable	10 845	11 691
	728 580	763 779
Total liabilities	980 578	1 111 725
Total equity and liabilities	1 596 749	1 624 150

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Treasury Shares R'000	Total share capital R'000
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
Profit for the year	–	–	–
Transfer between reserves	–	–	–
Purchase of own/treasury shares	(500)	–	(500)
Total changes	(500)	–	(500)
Balance at 28 February 2022	230 127	(22 125)	208 002

	Revaluation reserve R'000	Share based payment reserve R'000	Retained Income R'000	Total Equity R'000
Balance at 29 February 2020	44 819	4 907	210 317	468 893
Profit for the year	–	–	43 880	43 880
Transfer between reserves	–	1 011	(1 011)	–
Purchase of own/treasury shares	–	–	–	(348)
Total changes	–	1 011	42 869	43 532
Balance at 28 February 2021	44 819	5 918	253 186	512 425
Profit for the year	–	–	104 246	104 246
Transfer between reserves	–	1 248	(1 248)	–
Purchase of own/treasury shares	–	–	–	(500)
Total changes	–	1 248	102 998	103 746
Balance at 28 February 2022	44 819	7 166	356 184	616 171

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months to 28 February 2022 R'000	12 months to 28 February 2021 R'000
Cash flow from operating activities		
Cash generated from operations	235 787	35 964
Interest income	416	1 833
Tax paid	(49 814)	(10 347)
Net cash from operating activities	186 389	27 450
Cash flow from investing activities		
Additions to property, plant and equipment	(11 767)	(16 560)
Proceeds on disposal of property, plant and equipment	41 444	2 972
Dividend from investment in joint venture	4 614	2 181
Net cash from/(utilised in) investing activities	34 291	(11 407)
Cash flow from financing activities		
Purchase of own/treasury shares	(500)	(348)
Proceeds from financial liabilities	111 822	40 000
Repayment of financial liabilities	(280 621)	(27 034)
Finance costs	(60 270)	(52 014)
Principal elements of lease payments	(2 183)	(1 190)
Net cash utilised in financing activities	(231 752)	(40 586)
Total cash movement for the year	(11 072)	(24 543)
Cash at the beginning of the year	68 451	92 994
Total cash at end of the year	57 379	68 451

SEGMENT REPORT

	Non-ferrous	Ferrous	Refractory	Plastics	Total
2022	R'000	R'000	R'000	R'000	R'000
Revenue					
Sale of goods – Local	3 010 955	1 913 999	153 828	48 757	5 127 539
Sale of goods – Exports	734 094	143 773	–		877 867
Rendering of services – transport and insurance	27 322	24 864	234	–	52 420
Rendering of services – sample analysis	709	–	–	–	709
	3 773 080	2 082 636	154 062	48 757	6 058 535
Cost of sales	(3 352 261)	(1 957 101)	(139 337)	(33 730)	(5 482 429)
Gross profit	420 819	125 535	14 725	15 027	576 106
Other income and operating gains or (losses)	12 218	3 804	-	(124)	15 898
Profit before operating and administration expenses	433 037	129 339	14 725	14 903	592 004
<i>Operating and administration expenses and operating losses</i>					
Communication	2 731	494	37	85	3 347
Employment costs	161 371	39 751	2 639	7 112	210 873
Motor vehicle expenses	30 511	1 346	184	1 014	33 055
Occupancy	29 766	13 704	–	3 872	47 342
Other expenses	68 091	20 054	197	2 541	90 883
	292 470	75 349	3 057	14 624	385 500
Operating profit	140 567	53 990	11 668	279	206 504

SEGMENT REPORT CONTINUED

	Non-Ferrous	Ferrous	Refractory	Plastics	Total
2021	R'000	R'000	R'000	R'000	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	2 512 027	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

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 management reporting disciplines, which include monthly variance reporting, support this. The management executive committee assesses the performance of the operating segments based on sales and gross profit margin.

The main industries serviced by the 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 2022.

1. Basis of Preparation and Accounting Policies

The results for the year ended 28 February 2022 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 condensed consolidated financial results for the year ended 28 February 2022 are consistent with those applied in the consolidated financial statements for the year ended 28 February 2021. These condensed consolidated financial statements do not include all the information as the full annual financial statements and have not been audited but are based on the audited results. The condensed consolidated financial results should be read in conjunction with the consolidated financial statements for the year ended 28 February 2022. The full annual financial results have been audited by Moore Cape Town Inc. and their unqualified audit report and the audited financial statements 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 report. These 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).

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 Amalgamated Metals Recycling group, active from sites in Devland, Booyens 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

The 2022 financial year has been an interesting year with many new challenges, while the pandemic continues to affect many economies across the globe in some way. The group has adapted to the "new normal" and has become more efficient and resilient in its operations.

Group revenue increased by 23% from R4,9 billion to R6,1 billion. This increase is attributable to rising commodity prices and an overall improvement in economic conditions globally, as well as in South Africa. Gross profit has increased by 27% from R454 million to R576 million as a result of improved margins supported by the upward trend in commodity prices.

The group posted an operating profit of R207 million, compared to R114 million in the previous year. Operating expenses increased by 11% from R348 million to R386 million. The largest contributors in this area (when compared to the prior year) are fuel and toll expenses (up by 10%), insurance (up by 25%), repairs and maintenance (up by 20%) and employee costs (up by 14%). The increase in employee costs is largely due to the salary sacrifices that were made by all our employees, in the prior year as a result of the pandemic.

Finance costs increased from R54 million to R62 million, as a result of increased short-term facilities (such as overdraft and receivables financing facilities) to support the increased trading conditions. The group minimises interest paid externally by redistributing funds through a centralised treasury function.

Trade and other receivables at year-end amounted to R622 million, compared to R720 million at the previous financial year-end. Trade receivables remain well managed, the group has not experienced any major defaults, and an Expected Credit Loss of 1.03% was provided for. Inventories at year-end amounted to R328 million (2021: R198 million). With a volatile shipping environment, the group now carries 23 days' stock compared to 14 days at the previous financial year-end. Net working capital (Trade and other receivables + stock – trade and other payables) remained consistent at R586 million, compared to R588 million at the previous financial year-end. Net working capital days improved from 18 days to 9 days.

Cash generated from operations increased from R36 million in 2021 to R236 million. The net bank overdraft at year-end was R100 million compared to R260 million for the comparative period.

The debt to equity ratio at year-end reduced to 80% from 126% in 2021. Although short-term facilities have been increased, the group settled a significant amount of vendor and senior bank debt relating to the acquisitions from 2016 - 2019.

4. Outlook and Prospects

Prices for most of our commodities were high during the year. This benefits Insimbi's export and local revenue due to the US\$ base pricing of these commodities. We welcome the global move to cleaner production and cleaner metals, as evidenced by China's focus on closing 'dirty' steel plants, among other country-level initiatives. Cleaner metals lie at the heart of our business, and we are finding the appropriate balance for maintaining sales in the face of rising raw material costs.

The long-awaited export duties on recycled ferrous and non-ferrous metal became effective from 1 August 2021, but exporting recycled metals remains a challenge in the current environment. As noted at the interim stage, civil unrest in KwaZulu-Natal and Gauteng in July 2021 closed the vital N3 transport corridor for several days. This was closely followed by the Transnet cyber-attack in August, which forced the state transport utility to declare force majeure at Durban port, with significant reputational damage. The reluctance of shipping lines to dock in Durban in the aftermath produced a months-long logistical bottleneck for both incoming and outgoing containerised goods via that port. We are managing our exports accordingly and communicating constantly with affected clients. The logistical issues were compounded by the 16-day NUMSA strike in October, which again required innovative solutions to meet our contractual obligations.

Going forward, our focus remains on recycling and beneficiating ferrous and non-ferrous metals for supply to local and export clients. Insimbi generates strong positive cash flows and we are steadily de-gearing our balance sheet to facilitate potential strategic acquisitions.

While the integration and rationalisation of acquisitions over the past five years is almost complete, in the short to medium term, our focus is on growing organically by capitalising on existing available capacity without increasing fixed costs.

5. Post balance sheet events

There are no material facts or circumstances after 28 February 2022 that will affect the results being reported.

6. Directors

There were no changes to the board in the period under review.

7. Authorised and issued share capital

The issued share capital is 421 538 462 shares. At the General Meeting held on 4 June 2021, the shareholders approved the repurchase of 18 461 538 shares at R0,008125 each, or R150 000 in total. These shares have subsequently been cancelled.

8. Dividends

No interim dividend was declared for the 2022 or 2021 financial years. Given the uncertainty that prevails in the current local and global markets, the board has elected not to declare a final dividend (2021: 0 cents).

In conclusion, the group met the challenges of the 2022 financial year head on, reinforcing its resilience under volatile conditions and the commitment of our teams. In summary, Insimbi has:

- Translated the enforced cost-cutting in 2021 into a core discipline and focus area.
- Proven its ability to adapt swiftly to changing circumstances and the economic environment, achieving more with less.
- Established the group as an industry leader in its target markets.
- Generated 23% more revenue and 82% higher operating profit as a diversified industrial group.

We are confident about the year ahead for our group. A return to meaningful economic growth in South Africa and any progress on infrastructural development will generate additional tailwinds.

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

By order of the Board

Frederick Botha CA(SA)
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 2022