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 2023 AND FINAL DIVIDEND DECLARATION

FINANCIAL INDICATORS

	2023	2022	% Change
Revenue (R'000)	**5 731 423**	6 058 535	(5)
Net profit (R'000)	**107 343**	104 246	2
Operating profit (R'000)	**199 791**	206 504	(3)
Net cash from operating activities (R'000)	**129 835**	186 389	(30)
Earnings before interest, tax, depreciation, and amortisation (R'000)	**240 447**	254 805	(5)
Earnings per share (cents)	**27,94**	25,91	7
Headline earnings per share (cents)	**27,56**	24,58	12
Dividend per share (cents)	**8**	–	100

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 months to 28 February 2023 R'000	12 months to 28 February 2022 R'000
Revenue	**5 731 423**	6 058 535
Cost of sales	**(5 203 766)**	(5 482 429)
Gross profit	**527 657**	576 106
Other operating income	**19 939**	14 751
Other operating (losses)/gains	**721**	1 147
Other operating expenses	**(348 526)**	(385 500)
Operating profit	**199 791**	206 504
Investment revenue	**611**	723
Finance costs	**(58 604)**	(62 206)
Income from equity-accounted investments	**5 067**	4 614
Profit before taxation	**146 865**	149 635
Taxation	**(39 522)**	(45 389)
Profit for the year	**107 343**	104 246
Profit attributable to:		
Owners of the parent	**107 343**	104 246
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Gains on property revaluation (net of taxation)	**1 760**	–
Total comprehensive income for the year	**109 103**	104 246
Total comprehensive income attributable to:		
Owners of the parent	**109 103**	104 246

EARNINGS AND HEADLINE EARNINGS PER SHARE

	12 months to 28 February 2023 R'000	12 months to 28 February 2022 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	**107 343**	104 246
Profit for the year attributable to equity holders	**107 343**	104 246
Reconciliation of weighted average number of shares:		
Weighted number of shares in issue at the end of the year ('000)	**414 024**	428 822
Less: Weighted number of treasury shares held in a subsidiary at the end of the year ('000)	**(29 776)**	(26 440)
Weighted average number of shares ('000)	**384 248**	402 382
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:	**107 343**	104 246
– (Profit) or loss on sale/scrapping of assets	**(1 452)**	(5 322)
Headline earnings	**105 891**	98 924
Earnings per share (cents)	**27,94**	25,91
Headline earnings per share (cents)	**27,56**	24,58
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.		
Weighted average number of ordinary shares in issue ('000)	**384 248**	402 382
Adjusted for: Share options ('000)	**4 430**	15 816
Weighted average number of ordinary shares for diluted earnings per share ('000)	**388 678**	418 198
Diluted earnings per share (cents)	**27,62**	24,93
Diluted headline earnings per (cents)	**27,24**	23,65

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	12 months to 28 February 2023 R'000	12 months to 29 February 2022 R'000
Assets		
Non-current assets		
Property, plant and equipment	**362 559**	392 268
Goodwill	**170 484**	170 484
Intangible assets	**6 669**	7 140
Investments in joint ventures	**2 856**	1 513
Lease receivable	**2 183**	2 511
Deferred taxation	**24 840**	11 125
	569 591	585 041
Current assets		
Inventories	**304 596**	327 713
Lease receivable	**337**	337
Trade and other receivables	**608 564**	622 309
Derivatives	**3 626**	–
Current taxation receivable	**823**	3 970
Cash and cash equivalents	**97 076**	57 379
Assets in disposal groups classified as held for sale	**8 249**	–
	1 023 271	1 011 708
Total assets	**1 592 862**	1 596 749
Equity and Liabilities		
Equity		
Share capital	**196 236**	208 002
Reserves	**45 743**	51 985
Retained income	**460 162**	356 184
	702 141	616 171

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	12 months to 28 February 2023 R'000	12 months to 29 February 2022 R'000
Liabilities		
Non-current liabilities		
Financial liabilities at amortised cost	**173 794**	199 220
Lease liabilities	**11 997**	14 647
Deferred taxation	**54 731**	37 261
Contingent consideration	**–**	870
	240 522	251 998
Current liabilities		
Trade and other payables	**278 884**	363 668
Financial liabilities at amortised cost	**355 029**	350 868
Derivatives	**1 134**	312
Lease liabilities	**2 474**	2 887
Current tax payable	**12 678**	10 845
	650 199	728 580
Total liabilities	**890 721**	980 578
Total equity and liabilities	**1 592 862**	1 596 749

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 2021	230 627	(22 125)	208 502
Total comprehensive income 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
Total comprehensive income for the year	**–**	**–**	**–**
Dividend paid	**–**	**–**	**–**
Transfer between reserves	**–**	**–**	**–**
Treasury shares cancelled	**(23 932)**	**23 932**	**–**
Purchase of own/ treasury shares	**–**	**(11 766)**	**(11 766)**
Total changes	**–**	**(11 766)**	**(11 766)**
Balance at 28 February 2023	**206 195**	**(9 959)**	**196 236**

	Revaluation reserve R'000	Share based payment reserve R'000	Retained Income R'000	Total Equity R'000
Balance at 28 February 2021	44 819	5 918	253 186	512 425
Total comprehensive income 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
Total comprehensive income for the year	**1 760**	**–**	**107 343**	**109 103**
Dividend paid	**–**	**–**	**(11 367)**	**(11 367)**
Transfer between reserves	**(4 436)**	**(3 566)**	**8 002**	**–**
Treasury shares cancelled	**–**	**–**	**–**	**–**
Purchase of own/ treasury shares	**–**	**–**	**–**	**(11 766)**
Total changes	**(2 676)**	**(3 566)**	**103 978**	**85 970**
Balance at 28 February 2023	**42 143**	**3 600**	**460 162**	**702 141**

PROVISIONAL REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months to 28 February 2023 R'000	12 months to 29 February 2022 R'000
Cash flow from operating activities		
Cash generated from operations	**157 748**	235 787
Interest income	**611**	416
Tax paid	**(27 549)**	(49 814)
Net cash from operating activities	**130 809**	186 389
Cash flow from investing activities		
Additions to property, plant and equipment	**(18 088)**	(11 767)
Proceeds on disposal of property, plant and equipment	**25 333**	41 444
Dividend from investment in joint venture	**3 724**	4 614
Net cash from investing activities	**10 969**	34 291
Cash flow from financing activities		
Purchase of treasury shares	**(11 766)**	(500)
Dividend paid	**(11 367)**	–
Proceeds from financial liabilities	**111 719**	111 822
Repayment of financial liabilities	**(129 328)**	(280 621)
Finance costs	**(58 604)**	(60 270)
Principal elements of lease payments	**(2 735)**	(2 183)
Net cash utilized in financing activities	**(102 081)**	(231 752)
Total cash movement for the year	**39 697**	(11 072)
Cash at the beginning of the year	**57 379**	68 451
Total cash at end of the year	**97 076**	57 379

SEGMENT REPORT

2023	Non-ferrous R'000	Ferrous R'000	Refractory R'000	Plastics R'000	Total R'000
Revenue					
Sale of goods – Local	**2 708 434**	**1 541 962**	**150 172**	**18 051**	**4 418 619**
Sale of goods – Exports	**975 181**	**252 767**	**–**	**–**	**1 227 948**
Rendering of services – transport and insurance	**30 877**	**53 203**	**64**	**–**	**84 144**
Rendering of services – sample analysis	**712**	**–**	**–**	**–**	**712**
	3 715 204	**1 847 932**	**150 236**	**18 051**	**5 731 423**
Cost of sales	**(3 324 608)**	**(1 727 864)**	**(134 767)**	**(16 527)**	**(5 203 766)**
Gross profit	**390 596**	**120 068**	**15 469**	**1 524**	**527 657**
Other income	**18 315**	**2 345**	**–**	**–**	**20 660**
Profit before operating and administration expenses	**408 911**	**122 413**	**15 469**	**1 524**	**548 317**
Operating and administration expenses and operating losses					
Communication	**2 826**	**338**	**67**	**105**	**3 335**
Employment costs	**141 755**	**36 909**	**2 555**	**3 574**	**184 792**
Motor vehicle expenses	**39 678**	**2 027**	**137**	**656**	**42 498**
Occupancy	**28 578**	**6 687**	**–**	**1 998**	**37 263**
Other expenses*	**58 075**	**20 898**	**264**	**1 399**	**80 637**
	270 912	**66 859**	**3 023**	**7 732**	**348 526**
Operating profit	**137 999**	**55 554**	**12 446**	**(6 208)**	**199 791**

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

SEGMENT REPORT CONTINUED

2022	Non-Ferrous R'000	Ferrous R'000	Refractory R'000	Plastics R'000	Total 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	**12 218**	**3 804**	**–**	**(124)**	**15 898**
Profit before operating and administration expenses	**433 037**	**129 339**	**14 725**	**14 903**	**592 004**
Operating and administration expenses and operating losses					
Communication	**2 731**	**494**	**37**	**85**	**3 347**
Employment costs	**161 587**	**39 751**	**2 639**	**7 112**	**211 089**
Motor vehicle expenses	**30 511**	**1 346**	**184**	**1 014**	**33 055**
Occupancy	**29 766**	**13 704**	**–**	**3 872**	**47 342**
Other expenses*	**67 875**	**20 054**	**197**	**2 541**	**90 667**
	292 470	**75 349**	**3 057**	**14 624**	**385 500**
Operating profit	**140 567**	**53 990**	**11 668**	**279**	**206 504**

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

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 location, 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 2023.

1. Basis of Preparation and Accounting Policies

The results for the year ended 28 February 2023 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 2023 are consistent with those applied in the consolidated financial statements for the year ended 28 February 2022.

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 2023. 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 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 past year reintroduced a level of global uncertainty not seen since the global financial crisis of 2008. In a world just returning to a measure of normal after the pandemic, few anticipated the scale of the knock-on effect of Russia's invasion of Ukraine. The resulting geopolitical tension has affected economies around the world, with concerns about a recession in the face of hyperinflation, soaring interest rates, security of energy supply and volatile commodity markets.

At the same time, South Africa is facing its own infrastructural challenges. Record loadshedding by a crippled national power utility, Eskom, impacted every sector of the economy, exacerbated by the logistical constraints on Transnet's rail networks and ports.

Despite these significant issues, Insimbi's commendable results for the year ended 28 February 2023 are testimony to a resilient, diversified group. This performance reflects decisive management action to adapt the business in recent years to ongoing changes in the operating environment as well as global trends that align with our purpose.

Group revenue decreased by 5% from R6,1 billion to R5,7 billion. This decrease is a result of the general uncertainty and volatility in the local and global market including:

- uncertainty regarding the much-debated ban on export of recycled material, which was eventually imposed on 30 November 2022;
- significant local port and logistical challenges experienced due to poor weather, civil unrest in various provinces and poor performance at the state-owned transport utility, Transnet;
- the Chinese lockdown COVID policy which was only lifted in early 2023; and
- the uncertainty in Europe as a result of the Russian invasion of Ukraine.

Operating expenses have reduced by 10% from R386 million to R349 million due to (amongst others) consolidation of operations and the subleasing of vacant portions of the premises. The consolidation has unfortunately also led to retrenchments, that, along with natural attrition, reduced employee costs by 12%, or R26 million in the current financial year. Operating profit (R200 million) is therefore only 3% down on the previous year (R207 million)

Finance costs decreased from R62 million to R59 million (despite the increase in the prime lending rate, which moved from 7,5% at the end of February 2022, to 10,75% at the end of February 2023), mainly as a result of the servicing of interest-bearing debt. Movements in financial liabilities indicates a net repayment of R18 million, however if the increase in working capital facilities are considered, long term debt has reduced by R67 million in the current financial year.

The property portfolio has been revalued in the current financial year (in line with group accounting policy), and despite the fact that the commercial property market remains constrained, the group has recognised a small gain on the revaluation of properties.

Trade and other receivables remained well controlled, and at year end amounted to R609 million, compared to R622 million at the previous financial year-end. The group has not experienced any major defaults on trade receivables Inventories at year-end amounted to R305 million (2022: R328 million). Net working capital (Trade and other receivables + stock – trade and other payables) increased to R634 million, compared to R586 million at the previous financial year-end, due to increased exchange rates and commodity prices in the last quarter of the year, seeing the Rand value increase, rather than the volume.

Cash generated from operations decreased from R236 million in 2022 to R158 million, due to the increased working capital cycle. The net debt to equity ratio at year end improved to 61% from 80% in 2022 financial year.

4. Market and Prospects

Prices for most of our commodities were volatile but still high during the year. This benefits Insimbi's export and local revenue due to the US$ base pricing of these commodities and an exchange rate that worked in our favour.

The global move to cleaner production and cleaner metals continues to gain traction. Cleaner metals are the cornerstone of our business, and we continue to find the appropriate balance between maintaining sales and rising raw material costs.

As widely anticipated by the industry, the South African government imposed a six-month ban on exports of ferrous and non-ferrous waste and scrap metal in November 2022. While the efficacy of this measure remains to be seen, it did improve the certainty of our regulatory environment and enable companies to implement mitigating actions. For Insimbi, the ban primarily impacted our ferrous division. Again, underlining the resilient and diversified nature of our group, we responded by streamlining these operations and adjusting the business model away from export and processing towards a brokerage model. Although the ban was less negative for our non-ferrous division, we have similarly adapted this business against the expectation that the ban will be extended at the end of May 2023 by a further 9 months to the end of February 2024.

The challenges facing almost all divisions of the state transport utility, Transnet, have been well-documented. While some progress, albeit painfully slow, is being made, an ineffective national logistical infrastructure has serious fiscal implications for the country and its sizeable export markets.

While Insimbi's exports account for around one-third of total revenue, logistical constraints are primarily reflected in the additional cost of road transport. Given that sharp increases in petrol and diesel prices in 2022 could only partially be passed through to customers, we concentrated on optimising our road-freight costs.

From the already-high base of 2021, South Africa faced another year of record loadshedding in 2022, as state power utility Eskom battled to keep the national grid stable amid constant outages at its ageing power plants. While Insimbi is largely able to operate normally through periods of zero or curtailed power, addressing the stability of Eskom must be the foremost national priority. Sustained economic growth is simply not possible without security of power supply.

5. Post balance sheet events

There are no material facts or circumstances after 28 February 2023 that will affect the results being reported.

6. Directors

In January 2023, Ms. IP Mogotlane resigned as a non-executive director after the end of her tenure as a representative of a material Insimbi shareholder. Following this, the nominations committee evaluated the composition and size of the board. It concluded that, given the combined knowledge, skills and expertise of the management teams and directors of the company and its operating subsidiaries, a smaller and more streamlined board would be more suited to the group in discharging its governance responsibilities effectively. Following this evaluation, Mr. Christiaan Coombs has agreed to step down as an executive director of the company, with effect from 6 February 2023.

7. Authorised and issued share capital

The issued share capital at year-end was 384 472 912 shares.

Subsequent to year-end, a further 3 600 129 shares were delisted and cancelled, bringing the issued share capital to 380 872 783 shares at the date of the announcement.

8. Dividends

An interim gross dividend of 3 cents per share has been declared by the board on 18 October 2022, and was paid on 7 November 2022. The board has declared a final gross dividend of 5 cents per share, bringing the total dividend declared for the period to 8 cents per share.

The board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act of South Africa, No. 71 of 2008, as amended, has been duly considered, applied, and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is a net dividend of 4 cents and 5 cents per share, respectively. The income tax number of the company is 9078488153.

As at the date of this announcement, the company has 380 872 783 ordinary shares in issue.

Shareholders are hereby advised of the following salient dates applicable to the payment of the final dividend:

Declaration of dividend	Wednesday, 31 May 2023
Last day to trade *cum* dividend	Tuesday, 4 July 2023
First day to trade *ex*-dividend	Wednesday, 5 July 2023
Record date	Friday, 7 July 2023
Payment date	Monday, 10 July 2023

Share certificates may not be dematerialised and rematerialised between Wednesday, 5 July 2023, and Friday, 7 July 2023, both days inclusive.

Going forward, our focus remains on recycling and beneficiating ferrous and non-ferrous metals for supply to local and export clients. The global focus on decarbonisation and vehicle electrification is supporting a recovery in copper and aluminium prices, in turn boosting our revenue and margins. In addition, working capital and cash flow throughout our operations have been very well managed, and we are steadily degearing our balance sheet. The risk of external disruptions remains high, but we believe we have demonstrated the group's ability to withstand these in recent years.

The local economy remains fragile, with gross domestic product growth of just 1,9% in 2022 in the wake of higher interest rates and inflation as well as a depreciating rand.

We are confident about the year ahead for our group. With recent acquisitions now integrated, our focus for the short to medium term is on growing organically by capitalising on available capacity without increasing fixed costs. A return to meaningful economic growth in South Africa and any progress on infrastructural development will generate additional tailwinds.

This has been a very different review period to the 2022 financial year – just as challenging, but for different reasons. Our clarity of purpose is reinforced by excellent teams across the group working to deliver more with less, and we deeply appreciate their commitment. With your support, we are well equipped to face future challenges.

I also thank and recognise all our stakeholders including shareholders, customers, and suppliers. Your support is the cornerstone of our continued growth.

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

Frederik Botha
Chief Executive Officer

Directors:	F Botha (Chief Executive Officer) CA (SA)
	N Winde (Chief Financial Officer) CA (SA)
	RI Dickerson* (Chairperson)
	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 Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	Moore Cape Town Inc.

Johannesburg
31 May 2023