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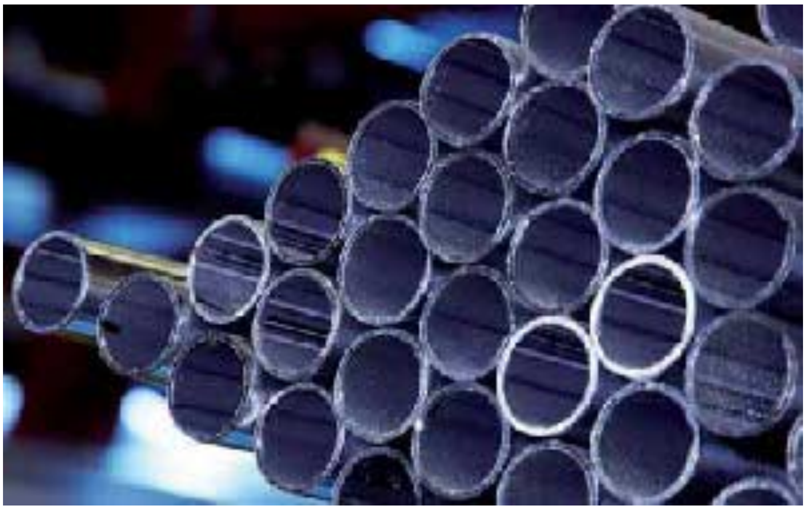

REPORT SCOPE AND BOUNDARIES

This is BSI's first integrated annual report and covers the operations and performance of the BSI group for the period 1 April 2010 – 31 March 2011.

The report includes information that is deemed to be relevant to stakeholders including shareholders, analysts, other providers of capital and suppliers. The reporting complies with International Financial Reporting Standards for the Annual Financial Statements as well as the requirements of the King Report on Governance for South Africa 2009 and takes cognisance of the guidelines for integrated reporting.

External assurance on the Annual Financial Statements has been provided by the external Auditor Deloitte and Touche, and the group's BBBEE scorecard verified by Emex Trust an accredited BBBEE verification agency. Other elements of the sustainability report have not been independently assured.

The group has an environmental policy which identifies areas in which the group and its employees can assist in reducing our impact on the environment. The policy will be implemented and reported on in the 2012 integrated report.

ADMINISTRATION

BSI STEEL LIMITED
Registration Number : 2001/023164/06

COMPANY SECRETARY AND REGISTERED OFFICE
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46 Eden Park Drive, Murrayfield Park, Mkondeni,
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PO Box 101096, Scottsville, 3209
Tel : +27 33 846 2208
Fax : +27 33 346 0870

TRANSFER SECRETARIES

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Registration Number : 2004/003647/07
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Tel : +27 11 370 5000
Fax : +27 11 688 5210

DESIGNATED ADVISOR

Sasfin Capital – A division of Sasfin Bank Limited
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29 Scott Street, Waverley, 2090

PO Box 95104,Grant Park, 2051
Tel : +27 11 809 7500
Fax : +27 11 887 2489

ATTORNEYS

Venn Nemeth & Hart Inc.
Registration Number : 1994/003593/21
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PO Box 600, Pietermaritzburg, 3200
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Fax : +27 33 394 1947

AUDITORS AND REPORTING ACCOUNTANTS

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Practice Number : 901482
7 Bush Shrike Close
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Pietermaritzburg, 3201

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Fax : +27 33 347 0685

COMMERCIAL BANKER

Nedbank Limited
Registration Number : 1951/000009/06
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Durban, 4001

PO Box 10267, Marine Parade, 4000
Tel : +27 31 364 1111
Fax : +27 31 364 2479

GROUP HISTORY

1989

- The group started its property division by purchasing its Pietermaritzburg premises through Red Chip Investments (Pty) Ltd.

1995

- April – Garrison Steel in Gauteng was opened by Ross Teichmann.
- The business was set up to offer a "just-in-time" service to the region and now trades as BSi Steel Gauteng.
- Garrison Steel was initially incorporated as a cc. November – The processing division of the group was started under the name Shearcut Precision Steel cc.

1996

- June – L A Braziers (Pty) Limited was acquired.

1997

- Growth into Africa was started with the birth of Discount Steel Africa with Grant Mackenzie and Paul Arnott as Executive Directors.

2001

- September – Discount Steel cc (converted to a (Pty) Ltd) changed its name to BSI (SA) (Pty) Limited.

1985

- May – Discount Steel cc was founded by *William Battershill*.
- The company supplied steel through two divisions into Kwazulu-Natal (KZN Stockist) and the rest of South Africa (Bulk Sales).

BSi Steel Limited began trading as a small steel merchant, selling primarily to the farming community in the KZN midlands.

Pietermaritzburg, KZN

2001*-continue*

- Shearcut Precision Steel was converted to a (Pty) Limited. Garrison Steel cc also converted to a (Pty) Limited.

2002

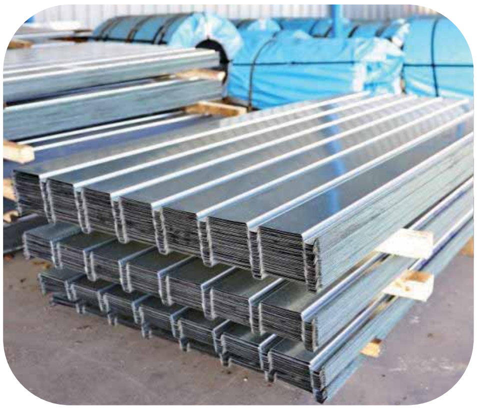
- The Gauteng region property was purchased into Doddleprops 6 (Pty) Ltd, expanding the property division of the group.

2003

- January – The assets of L A Braziers (Pty) Ltd were sold along with the name, leaving the operation now trading as Newcolab (Pty) Ltd.
- August – The operations of BSI (SA) (Pty) Ltd were split into two, based on geography and method of business.
- This created the companies of Discount Steel KZN (Pty) Ltd and Discount Steel Trading (Pty) Ltd.

2005

Through the procurement of the latest technology cut to length processing line, the processing division expanded and now includes Shearcut (Pty) Ltd.



BSi Steel has processing capabilities which operate out of our Kliprivier facility. This facility provides an essential service to the sales divisions in their quest for customer satisfaction through competitive pricing, service and quality.

2007

- The group's continued expansion into Africa culminated in the purchase of the Zambia and Congo businesses.
- The group began a restructure process to convert all subsidiaries within the group to wholly owned subsidiaries.
- Minority shareholders within the subsidiary groups were converted into shareholders of the holding company BSI (SA) (Pty) Ltd. Through the restructure BSI became the holding company of Garrison Steel, Discount Steel Trading, Discount Steel KZN, Discount Steel Africa, Discount Steel Zambia, Doddleprops 6, Red Chip Investments and Newcolab.
- ***October – BSI (SA) Limited was listed on the AltX of the JSE.***
- May – Grant Mackenzie was appointed as the Chief Operating Officer of BSI.

2008

- April – Grant Mackenzie was appointed Joint CEO of BSI.
- Ross Teichmann was appointed as the Executive Director of the SA based BSI Steel Stockists.
- Craig Parry was appointed as the Executive Director of BSI Bulk Sales.

2011

- March – open new "BSi Express" branch in Wychwood, Germiston.

2009

- December '08 to February – Shearcut relocate from Alrode to Kliprivier.
- Reconditioned slitting line is successfully commissioned.
- April – William Battershill steps down as Joint CEO, remains as Group Chairman.
- Grant Mackenzie takes over as Group CEO.
- Final occupation is taken at the group's new processing, warehousing and distribution facility in Kliprivier.

2010

- February – Dave Gale opens a new branch in Maputo, Mozambique.
- Roofing division was established.
- New Schnutz line is commissioned.
- August – new branch opens in Tete, Mozambique.

GROUP PROFILE

BSi Steel Limited group of companies (“BSi Steel” or “BSi” or “BSI” or “the Company” or “the Group”) is an AltX listed South African based organisation, with strong ties to the Southern African markets. Its primary product range is made up of mild (carbon) steel in all its different forms.

From humble beginnings, BSi Steel Limited began trading as a small steel merchant, selling primarily to the farming community in the KZN midlands. The company evolved into a multi-faceted organization now known as BSi Steel. The company's strength lies in its diverse product range, as well as its differing trading styles. Not only does BSi Steel Limited have established branches in Southern Africa, it also trades into other African markets (Tanzania, Malawi, Namibia, Botswana and Zimbabwe).

BSi Steel Limited, together with its subsidiaries, operates in the steel and associated industries with operations in South Africa, the Democratic Republic of Congo, Mozambique, and Zambia. The company has also recently opened up the first of our retail-orientated Express branch, Wychwood in Germiston, Gauteng.

BSI STEEL HAS FOUR DISTINCT OPERATIONS WITHIN THE GROUP :

- ***Stockists – provide just in time (JIT) service to localized clients***
- ***Bulk Sales – offers bulk service into the South African market***
- ***Exports –sales in the Southern African countries***
- ***Other Operations – providing coil processing and other services***

The Group’s operations focus on the manufacturing, mining, agricultural and construction industries.

Our Products

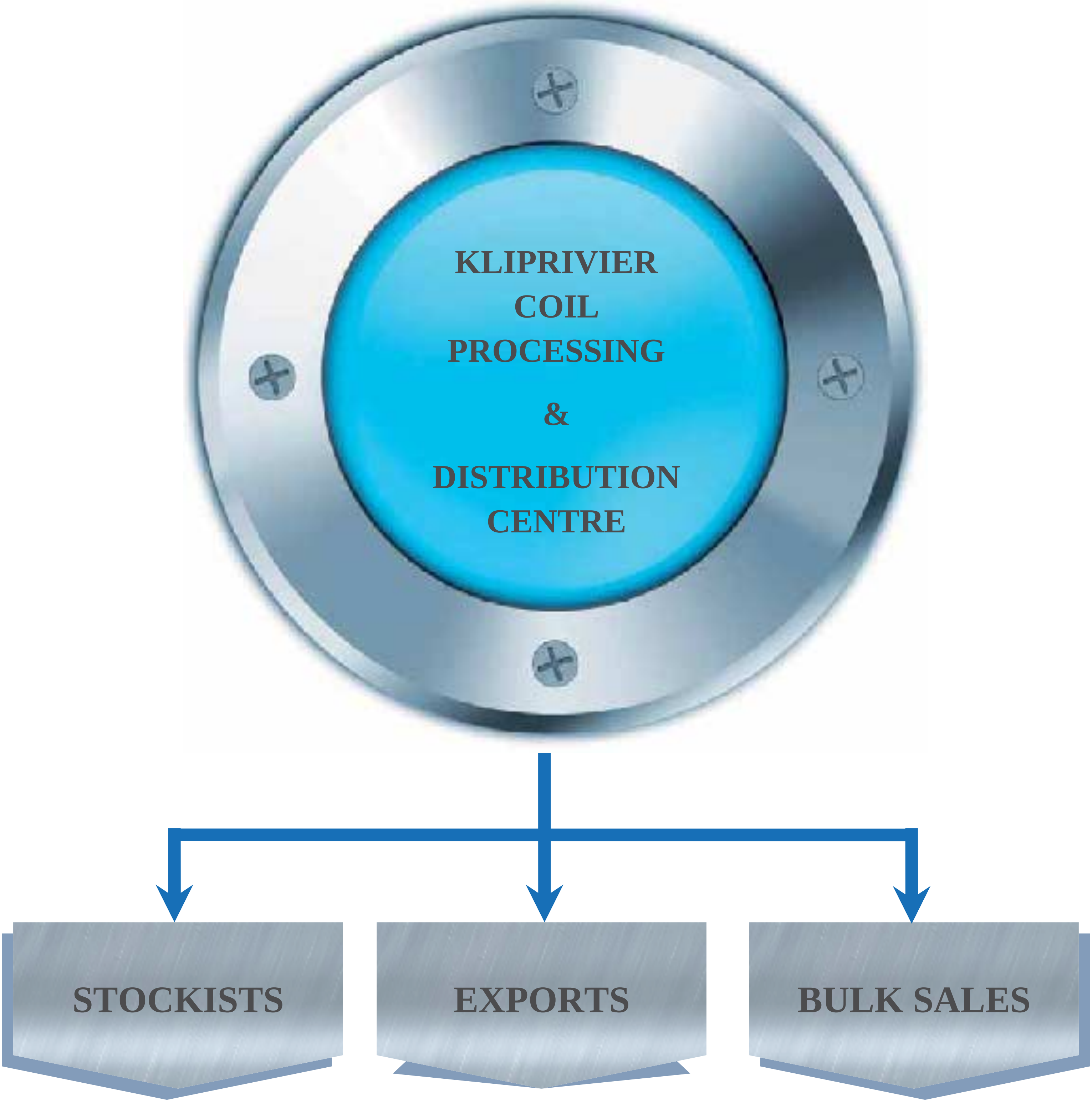
While we offer a comprehensive range of steel products through our various branches and business units, we do have a range of products that are core to the group.

- Flat products - *Hot and cold rolled, galvanized, plate, aluzinc, colour coated*
- Sections - *Light, medium and heavy mill (angles, flats, squares, rounds, channels, beams*
- Tubing - *Hot rolled structural*
- Cold formed and roofing sections - *Lipped channels and all roofing profiles*






GROUP STRUCTURE



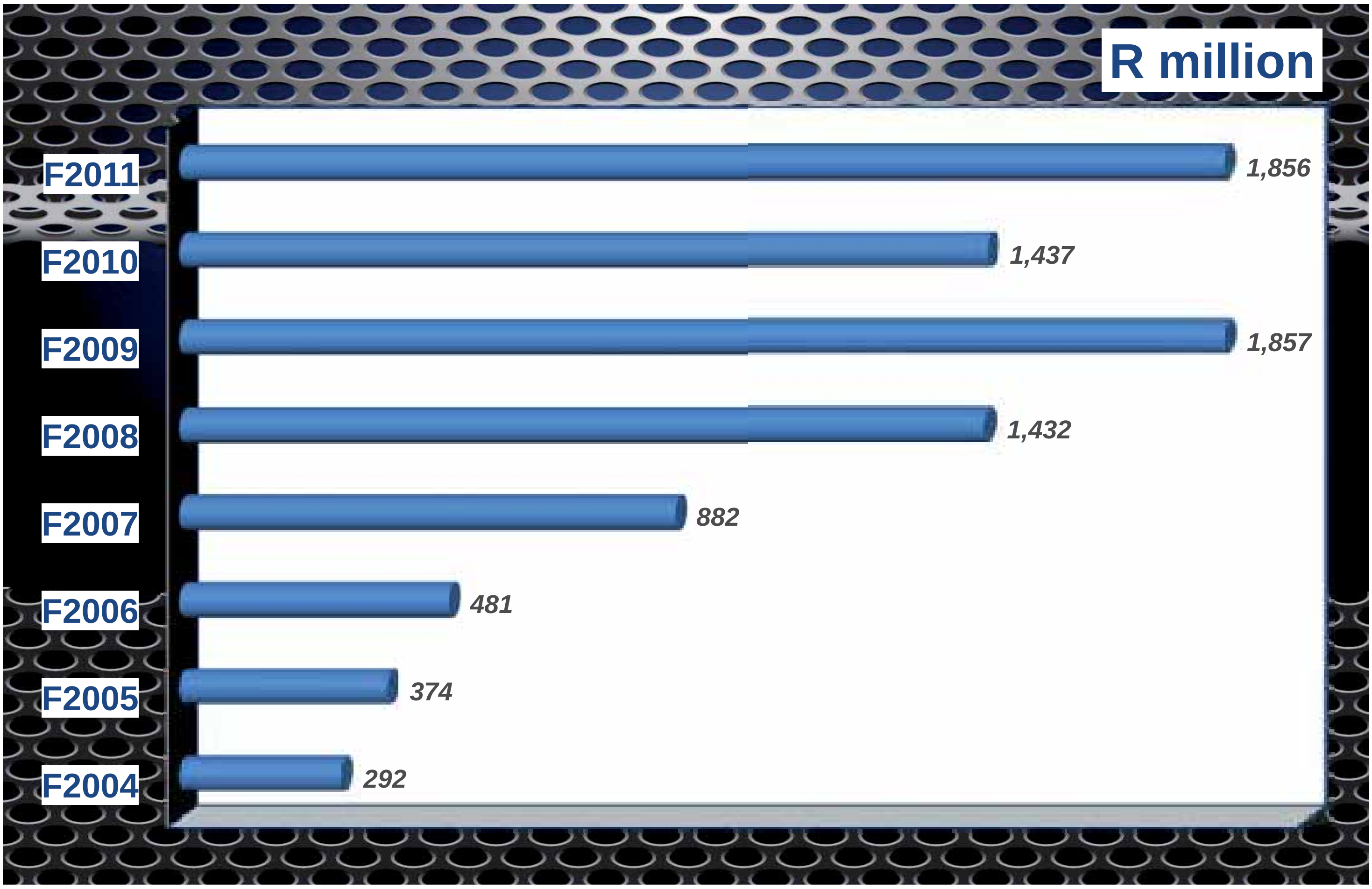
HIGHLIGHTS

Salient Features

- Revenue up **29%**
- HEPS (Headline earnings per share) up **79%** to 5.1 cents
- NAV (Net asset value) per share up to 59.1 cents
- Dividend paid November 2010 of 2.0 cents per share

Sustainability

- *BSi is a high energy, high performance company. Everything we do is measured to determine degree of success and alignment to overall company goals. Where results are not achieved as expected, we take swift action to correct performance and enable future delivery so that the end objective is reached.*
- *In order to remain competitive, stay abreast with current technology and be seen as an employer of choice, BSi has recognized the utmost importance of strategically aligned skills development and training for all our staff. Of primary focus within our training and development strategy is to ensure that we facilitate the advancement of staff to reach their own personal stretch goals of developing within the company over a long term career.*
- *The creative sourcing and retention of talent within the various operations will as always play a major part in the success of the business. It is our belief that our unique company culture needs to be nurtured and sustained all the time in order to continue to make us seen by all stakeholders as the Employer of Choice within our industry.*



Revenue

The group's revenue has increased from R1 437 million in 2010 to R1 856 million in 2011

BOARD OF DIRECTORS

WILLIAM BATTERSHILL – (51)
Group Chairman - Executive Director (1960)

William left school aged 17 and commenced his working career with his father, John Battershill, at his manufacturing and agricultural supply company in Zimbabwe. He immigrated to RSA in 1981 and worked for Way Industries, a manufacturing company in Qwa Qwa, where he was appointed as a Director at the age of 23. In May 1985, William resigned from Way Industries and started Discount Steel. This was the founding company from which BSi was spawned. William's strengths are his broad based understanding of business and his ability to recognize and convert business opportunities.

GRANT MACKENZIE – (47)
Group Chief Executive Officer – Executive Director (1964)

(MBChB, UCT 1989)

Grant started his working career at a subsidiary of Anglovaal in 1995, after a 5 year stint as a medical doctor working primarily in emergency medicine. In 1995 he moved to Lusaka, Zambia, where he was instrumental in starting Discount Steel Zambia in 1997. He returned to South Africa in 2006 as the Managing Director of the Exports Division, and continued to expand the exports operations into overland Africa. Grant was appointed as the Chief Operating Officer of BSi in May 2007, Joint CEO in April 2008 and Group CEO in April 2009.

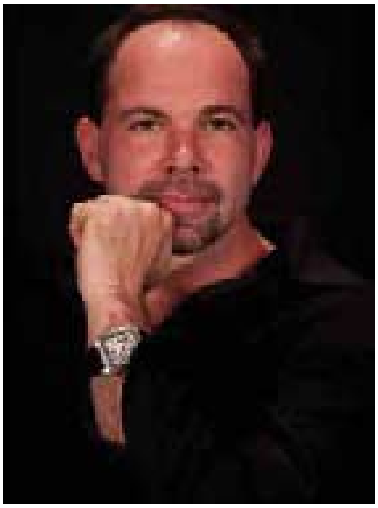
JAMES WALLER – (47)
Group Financial Director – Executive Director (1964)

(BCompt Hons)

James completed his articles with KPMG Inc. before moving into commerce. He worked as Financial Director of Positron, Purdon Murdock and Waller, ATM (Pty) Limited and Terrafin Management Services (Pty) Limited. In 2001 he was appointed as Financial Director at BSi. James comes with a wealth of experience gained in the industry and has been instrumental in managing the group's growth.

ROSS TEICHMANN – (46)
SA Stockists –
Executive Director (1965)

Ross started a fencing business in Pietermaritzburg in 1987. In 1990 he joined McNaughtans where he ran the Empangeni branch for 18 months and then moved back to Durban as the Sales Manager for the region. Ross joined Discount Steel in 1991 as a Sales Representative and was responsible for the Durban region for 3 years. He relocated to Johannesburg in 1995 to start Garrison Steel. Ross has been with BSi for the last 20 years and has contributed to the success of the steel business through his extensive experience of the steel industry. Ross was appointed as the Executive Director of the SA based BSi Steel Stockists in April 2008.



CRAIG PARRY – (42)
Bulk Sales –
Executive Director (1969)

Craig commenced his working career at Nampak Limited as the Production Planner for laminated and coated products. Craig joined Discount Steel in 1992 taking responsibility of the trading division of the group. He has now been with the group for 19 years and has a wealth of experience in the steel industry. Craig was appointed as the Executive Director of BSi Steel Bulk Sales in April 2008, and of Overland Exports and the Roofing division in July 2010 .

NIGEL PAYNE – (51)
Independent Non-Executive Director (1960)

(B.Com (Hons), CA (SA), MBL)

Joined the board in 2007. Lead independent director, Chairman of the Audit Committee and the Risk Committee. Nigel is an experienced independent non-executive director who currently serves on the boards of a number of other listed companies, namely the Johannesburg Stock Exchange Limited, Bidvest Group Limited and Mr Price Group Limited, where he generally chairs the audit and/or risk committees. He is Chairman of Bidvest Bank Limited and also serves on the boards of some significant non-listed entities. Nigel is a member of the King Committee on Corporate Governance.

BOARD OF DIRECTORS - *continued*

RICHARD LEWIS – (53)
Independent Non-Executive Director (1958)

(B.A.,LL.B.,MBA.D.Juris)

Joined the board in May 2008. Richard completed his Bachelor of Arts and Law degrees in South Africa where after he lectured in Germany during which time he completed an MBA and D.Juris. He is the Managing Member of Richard Lewis, Smith & Associates CC, a firm specialising in strategic planning, human resources, corporate governance, and leadership development. Richard is a member of the SA Board of Personnel Practitioners and of the SA Society for Labour Law, Chairperson of the Board of WESSA (the Wildlife and Environment Society of SA), is an independent non-executive Director of BSi Steel where he chairs its REMCO and sits on the Audit Committee. Richard sits on the Executive Committees of IFTA (artisan training academy) and the Kagiso Trust. He is also retained by the TISO Group, and consults to KTI (Kagiso Trust Investments). He has recently been made Chair of the EXCO of Unplugged Communications.

BUTANA KHOZA – (44)
Independent Non-Executive Director (1967)

(B.Com, PGDA, CA (SA))

Appointed 13 June 2008. Butana qualified as chartered accountant in 1994 and has worked in various capacities in the financial services sector over the last 13 years, first within the Southern Life group and subsequently with African Harvest. He was one of the founding members of African Harvest's investment banking subsidiary and a member of the team that led to a management buyout of African Harvest Limited's operating businesses that culminated in the establishment of the diversified financial services group Vunani Limited. Butana is Managing Director of Vunani Limited.

MARK ANDERSON – (51)
Independent Alternate Non-Executive Director (1960)

(B.Com (Hons), CA (SA))

Appointed 13 June 2008. Mark has been involved in corporate finance activities since 1991. Mark joined African Harvest Capital in 1998 and was involved in a management buyout in 2004 which led to the formation of Vunani. He has headed up Vunani's investment activities since 2004. Mark is a shareholder and Director of Vunani Limited, a company listed on the JSE's AltX.

BSI Steel is committed to growing into a holistic steel supplier to the African and South African steel consumer

- We have a proven track record of growth and profit performance in both South Africa and sub-Saharan African countries.
- Our product development is focused on manufacturing, mining and infrastructural development
- Our growth is based on diversifying our steel product offering, and widening our branch network throughout the continent
- Our relatively small market share, gives significant scope for growth
- Our commitment to extra-ordinary customer service is reciprocated by outstanding customer loyalty

A strong African presence harnesses the potential of mining, oil and infrastructural development off a low base

- We have 8 branches in four SADC countries, with strong mining economies
- Our first mover advantage gives us critical mass to support local steel mills and distribute efficiently throughout the region
- Our geographic diversification is taking us to West Africa, using Ghana as a hub, from which to grow further
- Our strong international ties ensure blue water trading opportunities, and supply to our new markets at 'best steel cost'
- Our mining product focus, proven successful in our overland countries, will be a large focus in West Africa
- We understand Africa and what it takes to be successful there

Our investment in mission-critical infrastructure, a recession-acquired aversion to inefficiency and a commitment to business simplicity will empower us throughout the inevitable recovery

- We have a world class distribution centre and steel processing facility in the south of Johannesburg
- Our ERP and IT platform both in and outside South Africa, integrates the entire business like no other
- Our costs are scrutinized for any inefficiency, and eliminated if not delivering value
- Our systems and processes are being constantly refined towards efficiency and 'keeping things simple'
- Our remuneration strategies are aligned towards profitability and return on investment

The team is young, dynamic and sees change as an opportunity, not a threat

- We are living in a fast-changing, dynamic world that requires quick decisions, empowered people and integrated information systems
- BSI Steel understands that to thrive in this new steel environment, one needs to attract and retain great talent
- We aspire to be the 'employer of choice' in the steel industry, creating opportunity for talented individuals to prosper within a vibrant, performance-driven culture
- Our leadership engages actively with the talent pool, encouraging 'constructive confrontation' and speaking up to eliminate inefficiency and drive innovation

CHAIRMAN'S REPORT

This is the fourth consecutive year that BSI has outperformed the market by a material margin.

***William Battershill** –Chairman*

Performance review

Revenue up 29%

HEPS up 79% to 5.1cps

NAV per share up to 59.1cents

Maiden dividend paid November 2010

Overview

Whilst F2011 was much improved on F2010, tough trading conditions, combined with steel price decreases resulted in a modest ROE of approximately 8%, which we would consider to be well below par. Nevertheless, we increased our tonnage sold by 27%, which was heartening, given that AMSA showed an 11% gain for year ending December 2010. This is the fourth consecutive year that BSI has outperformed the market by a material margin.

International steel Industry overview

World steel consumption increased by 17% from 2009 to 2010, reaching a record level of 1.37bn tons (source CRU). Whilst China showed strong growth, it is encouraging to see that other markets have shown good recovery from 2009 lows.

Steel demand for Q4 2010 and Q1 2011 was generally good, with world capacity utilization cited at 82%; a material improvement on the low 70s seen during 2009. This drove prices up by in excess of 50% from November 2009 to March 2011, however, this was to an extent driven by inventory replenishment. Prices stabilized late in March 2011 and the inevitable cooling off period will follow.

Raw material prices cooled slightly through Q3 2010 when demand was weak but rallied strongly from Dec 2010 and Q1 2011.

In contrast to ongoing international concerns regarding financial stability, steel has performed better than expected.

CHAIRMAN'S REPORT - *continued*

Growth through acquisition is an option and we remain vigilant for opportunities that are priced attractively and compliment our geographic and product growth strategies.

SA steel industry overview

SA consumption grew by about 10% in 2010 after a very tough 2009. Steel mills exported less, but remained under pricing and volume pressure. AMSA produced some good results with a headline earning of R1.377bn, whilst EVRAZ HIGHVELD had another poor year, yielding a headline loss of R383m.

Imports grew to record highs for Q4 2010, reaching 13% of local consumption. We feel this increase was largely circumstantial and expect import levels to drop back to around 10% during 2011. Local pricing remains keen against international alternatives & imports will remain opportunistic and sporadic.

Prospects for the year ahead

Last year we adopted a relatively modest growth target, with more focus on operational efficiency and consolidating what we have built since listing in October 2007. This was based on the premise that aggressive growth in a stagnant market is risky and puts significant pressure on margins.

We are expecting an incremental improvement in market conditions in the year ahead and will therefore be adopting a slightly more aggressive growth strategy in selected areas. Ongoing organic growth will be expected from existing operations, augmented by the introduction of new product lines.

A more aggressive growth strategy will be adopted by our new operations. In the last 12 months we have opened a Roofing Division, Maputo and Tete (Mozambique) and BSI Express (cash & carry outlet). All of these businesses should show rapid growth in the year ahead.

Growth through acquisition is an option and we remain vigilant for opportunities that are priced attractively and compliment our geographic and product growth strategies.

In general, we are very pleased with our positioning and the progress made over the last 3 years.

Directorate

There have been no changes to the BSI Board over the last 12 months and none expected for the year ahead.

Note of appreciation

Thanks to our shareholders for your ongoing support and confidence in BSI STEEL. Whilst our earnings per share and corresponding share price has not been what we would like over the last two years, we have posted a profit in tough conditions and grown the tonnage base significantly. This maintains our track record of profitability every year since listing, notwithstanding extremely difficult market conditions. Ultimately, it is the tonnage which will drive future earnings.

To our staff, thank you for your dedication and hard work in trying circumstances. As you have stood beside the company, so too will BSI stand beside you as we build this great company together. To the young and upcoming generation within our ranks, I urge you to keep the fires of innovation and creativity burning brightly; you are our future leaders and you have an important role to play in forging our future.

To our many suppliers, financiers and service providers, thank you for your support and involvement.

WL Battershill
Chairman

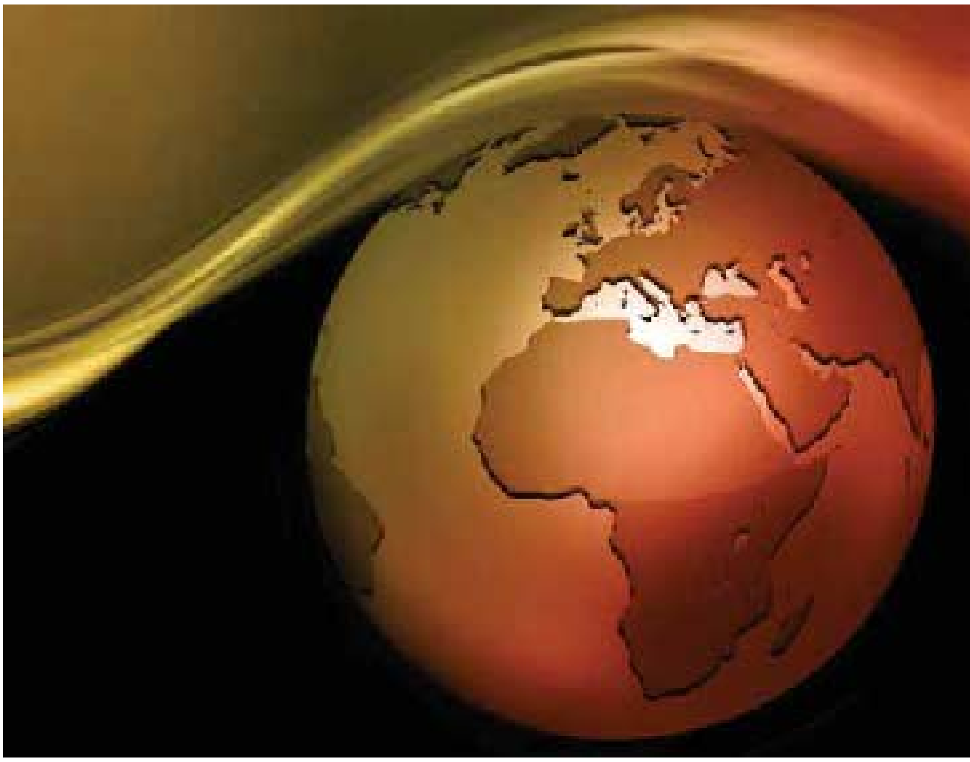
CHIEF EXECUTIVE OFFICER'S REPORT

***Grant Mackenzie** – Chief Executive Officer*

Global Steel Overview

International markets experienced volatility throughout the Group's 2011 financial year in line with an uncertain global economy. Steel prices have been underpinned by strong raw material input costs, particularly iron ore and coking coal, and international steel producers are under increasing profit pressure, with pricing power shifting increasingly in favour of the major iron ore producers. Steel demand remains volatile in line with a stuttering global economic recovery. Developing economies continue to hold the key in terms of increased steel demand into the future and BSi Steel is fortunate to be largely exposed to these economies.

Vision Statement:- BSi Steel seeks to be the **leading centre** of **excellence** in **steel distribution** in Africa, renowned by customers for the **highest levels of service and quality**, and recognized by staff as the **employer of choice** throughout the industry.



South African perspective

Steel consumption in South Africa is dominated by the *construction* and *manufacturing* sectors, both of which have experienced downturns since the 2010 FIFA World Cup. Ailing consumers and a wary private sector have created an uncertain environment. This has been underpinned by a government infrastructure spend that has been much weaker than projected.

Nevertheless, there are pockets of activity that give reasons for optimism that a slow recovery may be on the horizon. One must however exercise caution as the global and South African economy are both still fragile, and vulnerable to further economic and geo-political shocks.

In addition to the macro-economic situation, businesses in South Africa are having to face the realities of new levels of governance and regulation that may well influence the extent of the much-needed recovery. Banks and lending institutions are finding a much more challenging environment to provide the capital needed to assist the country's recovery. New acts recently passed are going to pose challenges to the business community in terms of how they operated in the past. Changes to competition law, a new Company's Act, the Labour Relations Act, the new Consumer Act, mooted modifications to the BBBEE code as well as King III and the requirement for integrated reporting are forcing business to change paradigms. These changes to the landscape are going to require businesses to adopt approaches that align their strategies with a more regulated environment. It is a choice as to whether individual companies see these potentially restrictive measures as opportunities rather than threats.

The global steel market, as well as that in South Africa and Africa continues to change rapidly, and therefore business strategy needs to be constantly refined to convert this churn into opportunity and reward. Steel prices are more volatile than they have ever been. Supply and demand is equally turbulent brought on by China's influence, both as a consumer of raw material, and as a producer of steel. Prices of coking coal and iron ore have been at all time highs, and their production and supply is largely in the hands of the big three global mining companies.

Steel businesses whether primary producers or service centres involved in stocking and distribution, are, like most other industries, being increasingly challenged to lower costs and improve efficiencies to remain competitive. This is a healthy process and ensures strategies are correctly aligned with a changing consumer, and business models are being constantly refined towards simplicity and ease of doing business.

African perspective

Overland Africa continues to offer opportunities through sustained economic growth and relative political stability, and BSI Steel has done well in these markets over time. Political risk is always a consideration however, and Zimbabwe continues to be a potential powder keg which could destabilize the region should the inevitable political vacuum not be filled by a sustainable, business-friendly regime.

On balance however, the higher growth rates in Africa will always attract the Group into developing new opportunities with a proven model modified over many years operating in African markets. It is our intention to complement our eight branches in 4 countries with a move into West Africa.

Group Objectives

The primary objectives have been (in order) :

1. Sustainability
2. Growth
3. Profitability

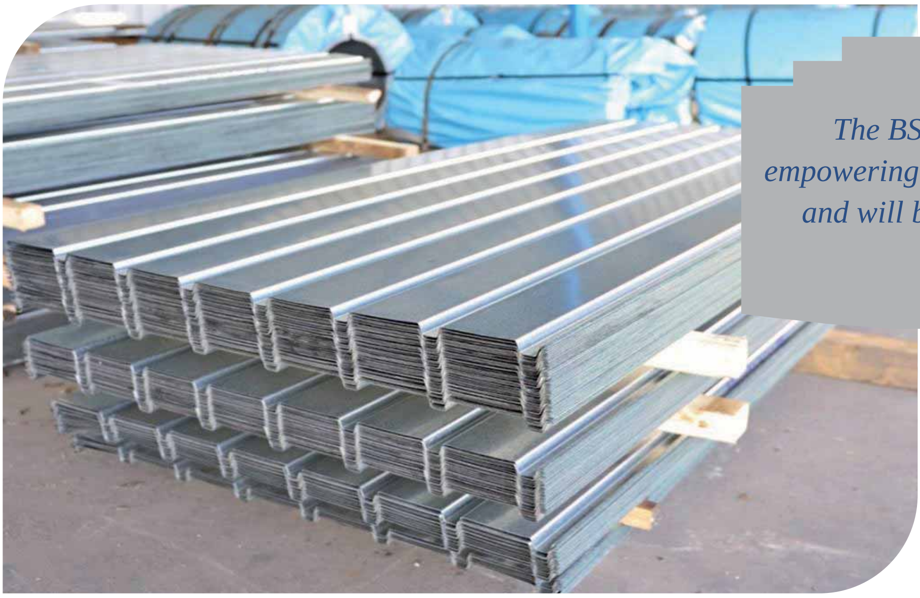
While BSI Steel remains fundamentally a growth company, sustainability has been, and always will be, our key consideration in terms of how the growth strategy is executed. While the Group is constantly looking to diversify product and expand geographically within Africa, care will be taken NEVER to compromise on the requirement for sustainability. Initiatives put in place to enhance sustainability, on top of broadening our customer and product base, are a sustained drive to lower operating costs, increasing exposure to markets and currencies outside of South Africa, managing gearing levels and cost of finance appropriately, growing the Group's brand and reputation for being both professional and customer-orientated, and ensuring a platform and company culture is built that will continue to provide an exciting, stable environment that attracts and retains top talent.

Having grown market shares in the major product categories, developed many *new* products, and expanded processing capacity significantly, the Group is now looking to change gear somewhat, and put profit and quality of business before unbridled volume growth. Having attained critical mass particularly in the major flat product categories, the business has achieved sufficient scale to start extracting efficiencies and profits from these product lines.

The Group has therefore re-ordered the key objectives as follows :

1. Sustainability
2. Profitability
3. Growth

Strategies have been instituted including re-aligning remuneration structures with the shift from volume to profitability. In addition, the management of inventory will shift to a centrally managed and controlled system, which will maximize synergies and economies of scale across the group. Coupled with this, cost-reduction and efficiency initiatives and an ongoing program to ensure continued simplification of the business should impact positively on overall profitability.



The BSI steel culture of backing and empowering winners at all levels will continue, and will be our key differentiator into the future.

The Group's growth will come from continuing to diversify its product offering (including expanding the service offering from our coil processing division), and growing the retail branch network both in the Republic of South Africa, and in African countries to the north. The latter will allow the business to access a different customer profile, bring in a cash sales component and create exposure to improved sales margins. The synergies between simultaneously diversifying the product offering AND growing the geographic footprint will be significant for the Group moving into the future.

Financial Performance for F2011

The Group's improved financial performance was a result of continuously opening up new markets and adding new products and services. Headline earnings growth of 78% was achieved from R20 million in 2010 to R36 million in 2011. The growth in headline earnings was on the back of increased margins achieved with a growth in revenue of 29% to R1 856 million (2010: R1 437 million).

The cost base of the group has grown 37% to R186 million (2010: R136 million),and while this is a trend to be watched closely, this was in line with the group's requirement to upscale capacity, laying the foundation for future growth.

There has been continued effort to tighten up on the efficiencies of the business and the relative reduction of Debtors and Inventories allowed the group to show a positive cash flow movement for the year, even while the growth platform was being built. Although the borrowing costs for the year are up on the previous year, much of this occurred in the first half of F2011 as a result of the volatile build up, and subsequent pull-back around the time of the FIFA World Cup.

Group Outlook

BSI steel has been frustrated by market volatility since the financial crisis of 2008, and this has affected profit aspirations for a growth company. However, having grown the size and momentum of the fly-wheel in extremely challenging conditions, and with the focus on profitability now dominating business strategy, there is renewed optimism for significant profit growth despite the volatility which the Group is accepting as the "new normal". The diversifying of business models and sales platforms will ensure the Group captures an increasing share of the available margin, while ensuring we remain a best in class supplier to all our customers.

Staff safety remains a critical component of the Group's strategy across all operations, and this bar will be raised constantly year on year. Investing in people and ensuring a continued focus on attracting great talent will remain a key objective for the years ahead. The BSI steel culture of backing and empowering winners at all levels will continue, and will be our key differentiator into the future.

GDG Mackenzie
Group Chief Executive Officer

Once again BSi Steel has had a rather challenging 2011 trading year. There were periods during the financial year where much optimism was displayed in terms of finally seeing a market recovery, but these brief periods were followed by the reality that times are still relatively tough in the steel game.

With the company vision being to build our reputation with all our key stakeholders as being the "employer of choice" within the steel industry we were guided by this aspiration to ensure that the daily practices of the business continue to focus on the leadership, motivation, retention and performance of our key talent.

Head Count

	Hourly Paid Staff	Salaried Staff	Total Staff
BSI GROUP - TOTAL	**322**	**244**	**566**
ZAMBIA	**84**	**36**	**120**
KATANGA (DRC)	**62**	**11**	**73**
MOZAMBIQUE	**10**	**11**	**21**
MAURITIUS	**0**	**4**	**4**
SOUTH AFRICA	**166**	**182**	**348**
UNIONISED STAFF (NUMSA % - SA)	**40%**	**1%**	**19%**

BSi Steel Culture

We continue to focus heavily on our unique company culture -"the way we do things at BSi" to retain key talent and motivate all employees to keep pushing towards their targets.

All our new South African recruits and our entire Zambian office staff went through Covey's "effectiveness" training to make sure that the way we operate is firmly centered on teamwork values and principles.

The cultural focus for the 2011 year was the overhaul and revitalization of our vision, mission and company behaviour code (values displayed as behaviour). These guiding statements have been around for many years and it was time to do a pulse check to make certain that these guiding statements and behaviours are still fully reflective of where we see BSi going in the future. This process was started in the past year and will be completed during the coming 2012 financial year.

Internal Communication

We have continued to ensure regular informal communication flows within BSi. In our Gauteng operation we have a weekly meeting attended by all staff, including the CEO, to share ideas and new developments within the organization. We have also introduced a "think tank" for suggestions and ideas to be freely and creatively communicated around the team.

Our company magazine, "Steel Talking", is published and continues to build a united spirit of one BSi community across our entire local and export regions, where great distance could easily fractionise and divide our teams if allowed to do so.

Our Worker Forum for the Kliprivier base continues to provide direct two way communication between management and shop floor employees. This Forum meets once every 8 weeks and involves operational line managers, shop stewards, worker representatives and HR. Issues common to all parties are discussed and improvements sought from these discussions. This Forum has gone a long way to break down silos between internal divisions on the base to ensure that we function as one united team even though we may have different areas of work.

We have revitalized the Shop Steward meeting's on our KZN base to ensure that the same feedback loop is taking place in this region. In addition to this all our KZN operational staff attend an "Imbizo" to share the latest information on company performance and acknowledge individual performance achieved within the team.

It's imperative that we bring the best people into the organization and make sure that we retain those with real talent in a fiercely competitive market.

Internal Communication - *continue*

The annual company engagement survey was once again run by the HR Team to gauge exactly how engaged staff were within the various teams and to help identify any weak areas within the work environment or leadership practices, which are then actively targeted for improvement by corrective action plans involving line management, HR and the team members themselves. This survey closed in early Feb 2011 and we are about to give face to face feedback to staff and managers by end July 2011. Our goal for the 2012 financial year is to use automated online software to reduce the manual requirement within this survey and increase the flexibility and adaptability of the data.

We have well established effective procedures in place to manage employee relations, disciplinary action, employee grievances and trade union negotiations.

Talent Management

During the course of the 2011 financial year we recruited 104 people into the South African divisions. These staff needed rapid, effective on-boarding to get them operational in the quickest time possible and the company induction and orientation policy was run for new recruits.

Winning the battle to attract and secure talent is of primary importance to our future progress. It's imperative that we bring the best people into the organization and make sure that we retain those with real talent in a fiercely competitive market. We continued with our rigorous recruitment process wherein every attempt is made to match potential recruits to the job function as well as to the culture of the business. Much success was achieved by making use of referral based recruitment and other more creative recruitment strategies.

Functioning in a global economy and having operations throughout Southern Africa, an increased focus has been applied to worker mobility and ensuring the we have the right people in the right place at the right time. This often means staff having to move from one region to another and HR is actively involved in ensuring that this process is efficiently managed.

Our graduate development programme continues to provide value to the organization as well as the graduates. Young talent is brought into the business to gain valuable work experience and at the same time for the company to have the ideal opportunity to select those graduates with the most potential to fill any possible vacancies that may arise over the course of the year.

As anticipated this has been a win-win initiative and ensures that we build our leadership and priority skills pipeline today so that we have no shortfall in the future. Across the South African divisions we introduced 9 internships and 3 learnerships – all participants were black, with a focus on females. We currently source our graduates for the programme from the University of Johannesburg and the University of Kwa-Zulu Natal (PMB).

Talent Management - *continue*

Retention of talent is as complex and difficult as sourcing the talent and as such we have put in place mechanisms such as flexible work conditions, career paths, regular performance measurement and feedback, incentives, recognition bonuses and aggressive development plans to ensure that we retain our talent and don't have them leave to join other employers. Our voluntary staff turnover in South Africa is 8.6%. This number has risen 4% over the last year's figure, but still remains below the national average.

Leadership Development

In order for our staff to have a meaningful, fulfilling experience working at BSi Steel we need to ensure that staff have the best leaders possible. All our leaders from middle management level and above have a uniquely tailored Personal Development Plan, are mentored regularly by a personal coach and are continually evaluated on the impact of their leadership effectiveness through our strong focus on leadership in our performance management system.

The feedback from staff in the company engagement survey is also used to develop a holistic development programme for all leaders to ensure that these leaders make progress to become the type of leaders that our talent staff would like to see operating in the environment.

For the coming 2012 financial year we will be introducing a quarterly meeting between our top management and the HR Director to ensure that leadership is continually tailored to meet the needs of the organization and all our people.

Performance Driven Culture

BSi is a high energy, high performance company. Everything we do must be measured to determine degree of success and alignment to overall company goals. Where results are not achieved as expected we take swift action to correct performance and enable future delivery so that the end objective is reached.

All staff have a face to face annual "career guide" performance review of all their key performance areas. For each KPA we set a Key Result Indicator to assess if the KPA has been achieved to the standard expected. The career guide is a weighted scorecard for all job functions and tasks within the role, making certain that staff know what elements of the role are most important to focus on. The scoring system is based on a 1-5 scale of performance, with a 3 being the expected performance delivery standard. Each team's career guides align with each other team to ensure that when combined together with performance delivered at target by all teams then the overall business objectives will be met.

In addition to the above review of key performance there is also an annual "personal review". The personal review is a one on one discussion between manager and staff member to dig into the personal aspects of the job, employee/employer relationship and most importantly the focus on career development.

Performance Management is one of the most important leadership functions in BSi and in order to help our line managers to proactively manage performance the HR team run through a Performance Matrix every six months with all line managers. This matrix looks at the level of performance of the entire team as well as the suitability of all staff members to their current position. If people need extra training, re-deployment to an alternative position, coaching/mentoring or performance counseling it is addressed through this process. At the same time those staff members who are marked as "high fliers" are highlighted through this process to ensure that the right mechanisms are put in place to retain their services within the company.

Succession Planning

It's critical to prepare for the future today and as such we have continued to build on our comprehensive "Succession Plan" for each position in the Group on a middle management and above level.

All key performance areas, itemized per position, are outlined in this plan with a breakdown of which other person within the business is capable of assuming this function in time to come. The exact timeline is then plotted out in terms of when the successor will be ready to fill the role so that we can co-ordinate the urgency of such placements to coincide with when these people are operationally needed to take over the reins.

Training and Development plans are geared around this information to ensure alignment to group strategy and if a gap is identified where no candidate is seen as a possibility from within the company, relevant recruitment measures are identified and project managed according to the needed time frame to make certain there are no manpower planning shortfalls in any key position throughout our operations.

Employment Equity

As an organization we subscribe to the unique, dynamic richness of a diverse workforce equitably representative of the national demographic profiles of the countries we operate in. We believe in employing the best person for the job, irrespective of race, gender, age, or any other classification. Our behavior code guides us in selecting people with a positive attitude and strength of personal character that elevate them above the masses out on the job market.

Our strong EE target areas that we wanted to improve on last year were to recruit and develop African Female and Disabled employees across all levels. When it came to the recruitment of African Females the Group made definite progress in this area – largely due to the intern graduate program. These two areas still need much continued focus as does the introduction of black top and senior management across both genders and a focus on Coloured staff across all levels.

We have an Employment Equity Committee, which sits once a quarter to give feedback to top management on the progress made towards the EE Plan targets, as well as to discuss any attitudes/perceptions in the workplace to do with employment equity. During this year there has been increased involved from our Kliprivier base on the EE Committee and we have appointed further Kliprivier staff onto the EE Committee as representatives.

A mutually beneficial relationship with our Trade Union, NUMSA, is utilized to embark on meaningful conversations on how to ensure that there is no discrimination in any policy or practice within the business. Our current Employment Equity Plan runs through to end Sept 2011. It was decided to run with a 1 year EE plan going forward as it's easier to project forward by only a year rather than having to imagine where the company will be in 5 years time when trading conditions are so volatile and much growth (organic and acquisition) is on the horizon for the Group.

Transformation & Broad Based Black Economic Empowerment

A stable, demographically representative economic market in South Africa is fundamental to the sustainability of the business and our future growth on the local market. BSi Steel has embraced transformation within the organization and we are proud to have been independently rated by EMEX as a LEVEL 5 B-BBEE contributor as at August 2010.

In order to continue to achieve an improved rating we have prioritizing skills development initiatives (learnerships, internships, experiential learning and disabled training) and undertaken more synergistic enterprise development initiatives that feed directly into the business synergies.

Our major Enterprise Development projects are:

- Shalom Caterers (offer financial support and business assistance to Catering Company)
- JMMP Transport (offer financial support and business assistance to Transport Company)
- Business Support Centre (offer financial support, board representation, administration assistance and marketing assistance to this NGO for black entrepreneurship development)
- IFTA Training Centre (offer scrap steel to an ED venture to help recently qualified black artisans develop as entrepreneurs)

With our commitment to Employment Equity and Skills Development our objective is to improve our management control scorecard element over time and continue to look at economically sound B-BBEE ownership measures when the market is more attractive for this type of investment.

Our preferential procurement practices will continue to focus on developing business links with black owned and black SMME suppliers. It was our hope to see Arcelor Mittal coming through with a B-BBEE rating before our next rating has been concluded in July 2011, but at this time this is unlikely and we will need to continue to focus on the other elements of the scorecard within our control.

BSi Steel is a community focused business and we have always contributed extensively to non-profit organizations across our operating regions.

SED beneficiaries have included:

- Rena Le Lona
- White Cross Disabled Hope Centre
- Reach Out With Love
- Big Brothers and Big Sisters
- Thulani Bantwana Children’s Home
- Durban Children’s Home
- CANSA
- PMB Community Chest
- Thembelihle School
- Happy Child Foundation
- Msunduzi Hospice

In addition for this year we have continued to award education bursaries to under privileged students and it’s our intention to make sure that such students awarded with BSi bursaries feed sustainably into our graduate development programme where possible.

Most important to us is that Transformation is not a stand-alone strategy/committee and therefore we have woven our Transformation and B-BBEE strategic plan into our overall Company Strategic Plan so that the alignment of the two strategies is guaranteed to make business sense at all times.

Skills Development and Training

In order to remain competitive, stay abreast with current technology and be seen as an employer of choice, BSi has recognized the utmost importance of strategically aligned skills development and training for all our staff. Of primary focus within our training and development strategy is to ensure that we facilitate the advancement of staff to reach their own personal stretch goals of developing within the company over a long term career.

Much of our training budget is spent on the training of interns and learners, on leadership development, ERP systems and on staff in the lower echelons of the business who need basic education and skills training (ABET) in order to improve their quality of life.

Our Skills Development Committee meets once a quarter to ensure that all training is approved by line management and our trade union representatives in order to offer meaningful training to uplift all levels of the organization.

Towards the later part of the 2011 financial year we introduced our internal training programme to increase efficiency levels, skills and knowledge at a core level within the company without having to rely exclusively on generic external training programs. A new training facility was created on the Kliprivier site to accommodate much of the day to day training taking place. We have also appointed the very first full time Internal Training Facilitator for the Group.

Our vision is to be a centre of excellence and in order to do so we need to have a system of continual evaluation and improvement with appropriate learning interventions that maximize the transfer of skills and competencies.

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Safety, Health and the Environment

Working with steel products and heavy machinery requires that we put safety first at all times. Our safety procedures, fully audited last year, are now in full swing across every operational region. Health and Safety is a priority for our executive committee and regular quarterly updates are taken to Main Board meetings.

We have a health and safety committee on every base and they, along with the management team on the site, keep control of implementing a comprehensive, proactive safety campaign in each region. All staff now receive a full safety induction and are proactively trained on a regular basis about behaviours that put safety first.

In addition we take care of employee well being by offering wellness campaign free medical testing, mobile clinic services, stress management, counseling, HIV and AIDS awareness and give advice on matters of personal finance. Our objective for this coming year with regard to employee health is to bed down a new HIV/AIDS policy to ensure that we are doing everything we can as a company to proactively fight this disease.

As part of this focus project on HIV/AIDS we hope to launch a voluntary testing campaign for all staff throughout the business. Such results will allow us for the first time to know the extent of the infection rate within BSi and be able to modify our policies and practices as needed to strengthen our impact in this area as needed.

HR Information System – VIP Premier HR

Our use of the VIP Premier HR information system has gone from strength to strength in the last year. This HR system automates and standardizes HR reporting and at the same time gives line managers direct access to staff information in order to make quick, empowered decisions with regard to their Human Capital.

The HR Information System is now in full use across the South African operations and will be extended to our African Operations towards the end of the 2012 year/beginning of the 2013 year. This system has electronic employee files and scanned records, employee self service features, online training records, online succession plans and career path development and most importantly a fully automated online performance management system.

Our line managers are now fully empowered to make decisions which relate to their Human Capital with all the relevant information at their finger tips – no more going through a central HR team member to access such information.

A continued focus for 2012 will be on finalizing the implementation of the BIM Reporting for the payroll. This will allow for fully integrated, easily customized financial data to be extracted out of our payroll system.

The 2012 Financial Year Ahead

From a Human Capital perspective we are very well situated for the coming year to make big steps towards achieving our vision and target objectives with regard to the human capital within our organization. Much hard work and system/procedure overhaul has taken place in the last year and this has placed the organization on a very firm footing to maximize the potential we have within our staff and management team.

The 2012 Financial Year Ahead - *continued*

It is expected to be a very difficult wage negotiation year for our operational staff, but we are hopeful that our transparent and fair leadership will guide us through a very turbulent year in labour relations for the entire Steel Industry.

We are very excited about the rapid rise of our internal training and development programme and this will be a very rewarding area to invest time, funding and energy into. We are already seeing positive results delivered from this programme and much more is yet to come.

Our focus on support and HR best practice for the operations outside South Africa will continue to be a key factor to develop and sustain going forward.

The creative sourcing and retention of talent within the various operations will as always play a major part in the success of the business. It is our belief that our unique company culture needs to be nurtured and sustained all the time in order to continue to make us seen by all stakeholders as the Employer of Choice within our industry. To this end we anticipate the positive outcome of the overhaul of our vision, mission and behavior code.

Our resources within the HR team have bedded down their expertise and have grown in depth over the last year to deal effectively with the upcoming challenges. Much anticipation and excitement can be found within our HR team – with focus on continuous improvement for the year ahead.

As always we all continue to uphold behavior code number 1:

WORK HARD – PLAY HARD - HAVE FUN!

Chantal Lombaard
Group HR Director

CORPORATE GOVERNANCE REPORT

Stephen Hackett – Company Secretary

The BSI Board of directors is committed to high standards of Corporate Governance including the principles of responsibility, accountability, and integrity.

Introduction

The BSI Board of directors is committed to high standards of Corporate Governance including the principles of responsibility, accountability, and integrity. The group conducts business in a fair and transparent manner, and has high moral and ethical standards. BSI has examined the recommendations of the King Report on Governance for South Africa 2009 (King III) and the King Code of governance for South Africa 2009 ("the Code") and has applied these where relevant. Certain policies and procedures were updated to ensure compliance, and this process is ongoing. Areas of non-compliance are explained in this report.

The company has complied in all material respects with the Code and the Requirements of the JSE Limited ("the JSE").

Board of Directors

The BSI board comprises:	Appointed:
W L Battershill (Group Chairman)	28/09/2001
G D G Mackenzie (Group CEO)	12/07/2007
J R Waller (Financial Director)	28/11/2003
C Parry	01/04/2008
W R Teichmann	01/04/2008
N G Payne*#	14/09/2007
B M Khoza*(alternate N M Anderson)	13/06/2008
R G Lewis*@	12/05/2008

*Independent Non-executive

Chairman Audit and Risk Committees, Lead independent director

@ Chairman Remuneration Committee

Mr N G Payne was appointed Lead independent director on 15 July 2010.

All directors have attended the Alt-X Directors Induction programme. King III recommends that the majority of the Board of directors should consist of non-executive directors, who are independent, and that the Chairman be an independent non-executive director. The Board considers the BSI structure to be appropriate for a company of this size and nature. Mr WL Battershill serves as Executive chairman. The chairman is not an independent non executive as recommended in King III but the Board believes that he has, and continues to be best suited to leading the Board. The directors are required to act in the best interest of the company displaying responsibility, accountability, fairness and transparency. A brief CV of each director can be found on pages 12 to 14 of this report.

The non-executive directors hold shares directly and indirectly in the company, but these holdings are not material to their personal wealth. The non-executive directors are high calibre individuals who are experienced and knowledgeable, are not involved in the day to day running of the company, and are independent of management. Directors are required to make declarations of interest at each quarterly board meeting, thus ensuring the continued monitoring of their independence. The board has considered the independence of the non-executive directors taking cognisance of the independence criteria of King III and the JSE Listings Requirements. All non-executive directors were judged to be independent.

The responsibilities of the Chairman, the CEO, the executive directors and the non-executive directors are clearly separated, precluding any one director from exercising unfettered powers of decision making.

Executive directors have individual personal development plans which are reviewed annually. Areas that require attention are identified and the relevant training courses arranged.

Current executive directors' service contracts are for a period of 5 years and non-executives for two years. In terms of the memorandum of incorporation of the company, Messrs WL Battershill, G D G Mackenzie, and J R Waller retire by rotation at the annual general meeting, but being eligible will offer themselves for re-election.

The Board meets quarterly, and where considered necessary ad-hoc meetings are convened. The Designated Advisor attends Board meetings.

The following is a schedule of Board and Board committee meetings held and attended by the directors during the year ended 31 March 2011. The number in brackets denotes the number of meetings attended.

Directors	Board	Audit Committee	Risk Committee	Remuneration Committee
W L Battershill	4 (4)	5 (3) ^	3 (3)	3 (3)
G D G Mackenzie	4 (4)	5 (4)^	3 (3)	3 (3)^
J R Waller	4 (4)	5 (5)^	3 (3)	3 (3)
W R Teichmann	4 (4)			3 (1)^
C Parry	4 (4)			3 (1)^
N G Payne	4 (4)	5 (5)	3 (3)	
B M Khoza	4 (4)	5 (5)		
R G Lewis	4(4)	5 (5)		3 (3)

^ Invitee to committee meetings

The primary role of the Board is to provide ethical leadership and to create and maintain a sustainable business, taking cognisance of economic, social and environmental considerations.

In doing so, the Board considers the interests of all stakeholders, and ensures that the company is a responsible corporate citizen.

CORPORATE GOVERNANCE REPORT - *continued*

The Board operates in terms of a formally approved charter which sets out its role and responsibilities including:

- determining the company's strategy in conjunction with the CEO
- ensuring that an adequate and effective process of corporate governance is established and maintained
- retain full and effective control of the company
- ensure that succession is planned
- identify and regularly monitor key risk areas
- identify and regularly monitor key performance indicators of the business including the solvency and liquidity of the company as well as non-financial aspects
- ensuring that the company is a going concern
- ensure that the company complies with the relevant laws, regulations, and codes of business practices
- ensure that the company communicates with shareowners and relevant stakeholders openly and promptly;
- regularly review processes and procedures to ensure effectiveness of internal systems of control and accept responsibility for the total process of risk management
- ensuring that the company has an effective Internal Audit function
- assess the performance of the Board, its committees and its individual members on a regular basis.
- appointments to and removals from the Board including the appointment of the chairman, chief executive officer, executive directors and non-executive directors, and the approval of nominations of alternate directors
- formulation and amendment of the company's Code of Ethics
- the delegation of responsibilities to the Board committees
- ensuring the integrity of the integrated report
- ensuring the effective governance of information technology

The Board ensures that subsidiary companies comply with sound corporate governance practices.

Board Processes

Board Appointments

The Board from time to time assesses the skills and experience within the Board and when deemed necessary may wish to appoint new Board members.

The Chairman in consultation with the non-executive directors identifies suitable candidates and makes recommendations to the Board. All new Board members that have not already done so, are required to attend the AltX Directors Induction programme.

To ensure that BSI is governed ethically and complies with corporate governance standards, the Board has conducted a self-evaluation exercise compiled by the Company Secretary.

Share dealings

The company complies with the JSE Listings Requirements regarding the trading in the company's shares by directors.

Directors are required to obtain clearance from the Chairman before trading in the company's shares. The Chairman is required to obtain permission from the lead independent director. The Company Secretary together with the Designated Advisor ensure that these trades are published on SENS as required by the JSE Listings Requirements.

Directors, and management and staff with access to financial information and other price sensitive information, may not trade in the company's shares during closed periods which are from half-year and year end until the company's financial results are released, or when the company is trading under a cautionary. The Company Secretary informs directors and staff via email when these periods are in effect.

During the year a sale of shares occurred during a closed period, indirectly beneficial to independent non-executive director B M Khoza, and without his knowledge. This was reported to the JSE and subsequently announced on SENS.

Self-evaluation

To ensure that BSI is governed ethically and complies with corporate governance standards, the Board has conducted a self-evaluation exercise compiled by the Company Secretary. This reviewed inter alia:

- Board composition and skills
- Board committee performance
- role of the Board
- relationship with stakeholders
- director orientation and development
- succession planning
- ethics
- Board culture

Each director completed a self-evaluation and these were reviewed by the chairman.

No significant matters of concern were noted.

Company Secretary

In compliance with the recommendations of King III the Company Secretary is not a director of the company and as far as possible maintains an arms-length relationship with the Board.

The Company Secretary is responsible for:

- ensuring that Board procedures are followed
- keeping records of Board and Board committee minutes and resolutions, attendance registers, directors declarations of interest and notices and announcements made by the company
- maintaining statutory records and submitting statutory returns
- advising the Board on corporate governance and regulatory changes
- ensuring that Board and Board committee charters and terms of reference are kept up to date
- assisting the Board in conducting annual evaluations of the Board, Board committees and individual directors

The Company Secretary is the secretary of the Board committees.

The Board has appropriately empowered the Company Secretary to fulfill these duties. Where necessary, the Company Secretary will involve the Designated Advisor and other experts in this regard.

All directors have access to the advice and services of the Company Secretary. All directors are entitled to obtain independent professional advice regarding the company's affairs at the expense of the company.

Board Committees

Risk Committee

The Board is responsible for risk management and has appointed the risk committee to assist it in fulfilling its risk management duties.

The risk committee comprises the Chairman, CEO, Financial Director, Company Secretary and is chaired by independent non-executive director Mr N G Payne. The committee meets at least twice a year.

The terms of reference of the Risk Committee include the following:

- to assist the Board in setting risk strategy policies in liaison with management
- to review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed
- to ensure that the company has implemented an effective ongoing process to identify risk, to measure its potential impact and then to activate what is necessary to pro-actively manage these risks, and to decide the company's appetite or tolerance for risk
- to oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes
- to review processes and procedures to ensure the effectiveness of internal systems control

A risk matrix recording significant risks, the probability of occurrence, potential impact on the company and steps taken to mitigate these risks is maintained on an ongoing basis. Significant risks identified and actions to mitigate these risk are tabulated below.

Description of Risk	Mitigating actions
Asset Protection	Systems of internal control and physical asset protection; appropriate insurance
Debtors	Stringent credit control policies; Debtors insurance
IT Continuity	Disaster recovery plans
Sustained economic downturn	Cost control; increase volume
Health & Safety	Safety policies and procedures; compliance with OHS Act
Staff retention	Appropriate remuneration policies; training and development policies; leadership development
Fraud	Robust systems of internal control / Internal Audit function
Currency risk	Active hedging of currency risk through Foreign Exchange contracts

The risk committee reports to the Board.

Audit Committee

See Audit Committee report contained on pages 46 of this report.

Remuneration Committee

See Remuneration Committee report on page 40 of this report.

Auditing and Accounting

Audit

The Audit Committee recommends the appointment of external auditors to the Board. It considers the independence of the external auditors and is required to pre-approve the use of the external auditors for non-audit services.

The external auditors, Deloitte & Touche, provide an independent assessment of internal financial controls, and are responsible for reporting whether the financial statements are fairly presented in accordance with IFRS, AC 500 Standards as issued by the Accounting Practices Board and the Companies Act. The preparation of the financial statements is the responsibility of the directors.

Internal Audit

Internal Audit operates in terms of a formally approved charter which sets out its role and responsibilities.

The primary purpose of Internal Audit is to provide assurance on the effectiveness of risk management and internal controls. Other responsibilities include review of economical and efficient use of resources, fraud Investigations, reliability and integrity of information, particularly management and financial information and compliance with policies, plans, procedures, laws, and regulations.

Internal Audit follows a risk-based Internal Audit plan. In carrying out the work program, Internal Audit has unrestricted right of access to management, employees, physical locations, all records, personnel and assets that are pertinent to the execution of its responsibilities.

The Internal Audit function reports to management and the Audit Committee on the effectiveness of the company's risk management processes, systems of internal control and risks that arise or may arise from weaknesses in internal controls. Internal Audit findings are reviewed by the Audit Committee and management and where necessary corrective action is taken. Follow-up audits are undertaken to ensure implementation.

In the interests of independence, the Group Internal Auditor has unrestricted access to the members of the Audit Committee, Chief Executive Officer and the Chairman of the Board, and the Internal Audit Department will have neither direct responsibility for, nor any accountability over, any of the activities it reviews. The Internal Auditor attends Audit Committee meetings.

The Internal Auditor reports to the Audit Committee and is responsible to the Financial Director on day to day matters.

Internal Control

The Board is responsible for the company's systems of financial and operating controls and monitoring their effectiveness. The audit and risk committees assist in this regard. These systems are designed to provide reasonable, but not absolute assurance as to the integrity of the financial statements, to prevent and detect fraud, to prevent material misstatement, and to safeguard the company's assets. The internal control systems are regularly reviewed and updated. The limitations of internal control systems include human error and the circumvention of controls.

During the year under review, nothing has come to the attention of management to indicate any material failure of the internal control systems.

Going Concern

The Board have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future, and accordingly the financial statements were prepared on the going concern basis. The external auditors concur with this assessment.

Stakeholder Communication

The company is committed to open, timely and transparent communication with all stakeholders.

Shareholders

- Annual report and interim financial results distributed to shareholders and published on company's website and SENS
- Regular presentations made to existing and prospective investors
- The directors on occasion meet with shareholders and investment managers, and information disclosed is limited to that which is in the public domain
- Shareholders entitled to attend the Annual General Meeting and ask questions of the directors

Employees

- Communication with line managers and management
- Bi-annual performance assessments and personal reviews are carried out for all salaried employees
- In-house newsletter which is published twice a year
- All policies affecting employees are accessible to all staff on the company's IT system
- Regular information-sharing with staff via email and discussions, workers forum and team-building sessions
- Consultation with unions on relevant issues

Customers

- Information regarding the company contained on the company's website
- Brochures
- Visits to customers' premises by representatives and management
- Advertising
- Advice on product uses

Suppliers

- Financial information available on the company's website
- Regular contact by purchasing staff
- Remittance advices & reconciliations supplied by creditors staff
- Requests for BBBEE information

Local Communities

- Enterprise development projects
- Contributions to non-profit organisations and charities
- Bursaries to under-privileged students
- Sponsorships

Government & Regulators

- Bsi respects the authority of Government and regulators.
- The company is committed to complying with legislative requirements and expects all employees to do likewise.

During the year the Designated Advisor was changed from Vunani Corporate Finance to Sasfin Capital.

Code of Ethics

The Group is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment, which is endorsed by the Board, is based on the fundamental belief that business should be conducted honestly, fairly and legally. The company expects all employees to share its commitment to high moral, ethical and legal standards.

A formal Code of Ethics has been adopted by the Board and includes the following:

- compliance with laws and regulations
- conflicts of interest
- anti-competitive behaviour
- employment equity
- safety, health and environment
- social responsibility
- privacy and confidentiality

All directors and employees are expected to comply with the code.

The company has a whistleblower policy whereby contraventions of the Code of Ethics can be reported.

The Board has reviewed the Code of Ethics and has assessed the company's ethics performance.

No material breaches were noted.

IT Governance

The BSI IT charter and disaster recovery plan have been reviewed and approved by the Board.

The fully integrated ERP system is outsourced to an external service provider. Servers are housed at their facilities and firewalls are in place to ensure data security. Backup procedures and disaster recovery plans are in place. Access to the ERP and payroll systems in controlled by username and password protection. During the year an independent review of the ERP system was undertaken by an independent third party and their recommendations are being implemented. The Group IT manager implements the IT charter and policies and ensures that these are aligned to the group's strategy.

Legal Compliance

BSI is committed to comply with all relevant laws and regulations. A compliance checklist is in place and reports are made to the Board in this regard.

During the year a complaint against BSI was laid with the Competition Commission. This was found to be spurious and was dismissed by the Competition Commission.

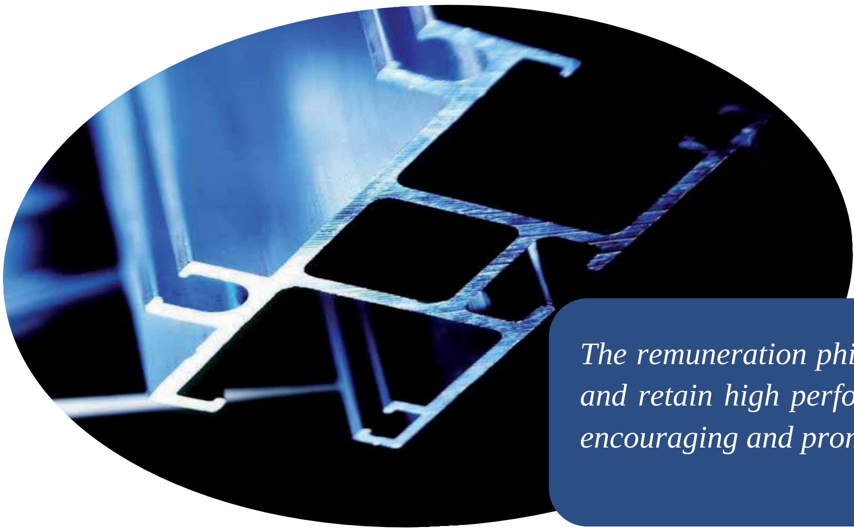
Designated Advisor

During the year the Designated Advisor was changed from Vunani Corporate Finance (A division of Vunani Capital (Pty) Ltd) to Sasfin Capital (A division of Sasfin Bank Limited).

REMUNERATION COMMITTEE REPORT

***Dr. Richard Lewis** – Chairman of Remco*

The past year has continued to perplex, confound and divide businessmen, economists and scenario planners alike in their attempt to assess and plan in what continues to be the extraordinary circumstances in which the world, and South Africa, found itself in during the past financial year. As such, once again REMCO had to try and apply itself to trying to make sensible decisions around remuneration and reward in these very volatile and uncertain times. The tactic applied was to once again stay abreast of latest developments and to exercise innovative flexibility within the broad parameters of the Company's Remuneration Policy. The Remuneration Committee, which is a Board committee with approved Terms of Reference, has made every effort to ensure that BSI remains on track to secure and retain the right people to fulfill its Mission. The Committee has continued to ensure that the company's directors, and senior executives, are fairly rewarded for their individual contributions to the company's overall performance, and this process is continually honed to ensure clearer 'line of sight' between reward, individual performance and company performance. Lower profits impacted negatively on the MTIP and LTIP (Medium and Long terms Incentive Plans), and also impacted on the operation and effect of the BSI Share Appreciation Rights Scheme (SAR). Being mindful of the initial intention of these schemes, steps have been taken to secure benefit from these schemes going forward as we expect company performance to improve.



The remuneration philosophy of BSI Steel is to attract, develop and retain high performing individuals while also reinforcing, encouraging and promoting superior performance.

Remuneration Policy and Philosophy

The remuneration philosophy of BSI Steel is to attract, develop and retain high performing individuals while also reinforcing, encouraging and promoting superior performance. Remuneration policies are aligned with the strategic direction and operational objectives of the business. The objective remains to establish a level of guaranteed remuneration that is competitive; short-term incentives that reward directors and management for achieving profit targets; and medium and long-term share incentive schemes that serve as a retention and motivational mechanism for directors and senior management, and align them with shareholders' interests.

Base pay is aligned to the market median per position in the company. This is implemented by consulting the PE Corporate Service salary survey on an annual basis prior to fixing the new base pay rate per individual and ensuring that the actual pay per individual and survey median pay for the same position are closely aligned. In instances where the base pay is higher than the survey median data, this is motivated by the line manager in charge of the division, and signed off by the REMCO as being warranted, with clear reasoning. In cases where the actual base pay is lower than the median, the same applies with clear reasoning and a documented plan on what is needed to close the gap to median base pay.

Directors, excluding the Executive Chairman, have 5 year fixed executive employment contracts - renewable at the end of that period. While a director is in the employ of the company and for a period of 24 months after leaving the employ of the company, the director is restrained from being directly or indirectly involved in any enterprise that competes in the markets traded or targeted by the group within the Republic of South Africa. Other senior managers have permanent contracts with 2 months notice.

All senior sales managers have a restraint period, the geographic extent varies per region and the period of the restraint is for 24 months in most cases.

Non-executive directors' remuneration

Non-executive directors' remuneration is benchmarked against similar sized JSE listed companies and is as follows:

	Fees Y/E 31 March 2011	Fees Y/E 31 March 2012
Board Member	80 000	89 000
Audit Committee Chairman	76 000	79 000
Audit Committee Member	40 000	41 500
Risk Committee Chairman	54 000	57 000
Remuneration Committee Chairman	42 750	44 000

Directors emoluments are contained in note 34 of the annual financial statements.

REMUNERATION COMMITTEE REPORT - *continued*

Remuneration Committee

The Remuneration Committee is chaired by Dr. Richard Lewis, an independent non-executive director, who is a strategy and human resources specialist.

The current members are:

Dr. Richard Lewis	Independent Non-Executive Director – Chairman
Mr. William Battershill	Group Executive Chairman
Mr. James Waller	Group Financial Director
Ms. Chantal Lombaard	Group HR Executive
Mr. Steve Hackett	Committee Secretary – Group Secretary

In attendance by invitation:

Mr. Grant Mackenzie	Group CEO

King III recommends that Board committees should comprise of a majority of non-executive directors. The Board is satisfied that the BSI Remuneration committee is suitable for the company's requirements. The remuneration of the executive directors is reviewed and approved by the other two independent non-executive directors.

The ***Terms of Reference*** state:

1. The Remuneration Committee is an Executive Committee. As such it shall perform any management functions or assume any management responsibilities and shall have an objective independent role, operating as overseer and a maker of decisions. All decisions taken will be communicated to the Board at the earliest meeting following the Remuneration Committee meeting.
2. The Remuneration Committee shall ensure that the company's directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance.
3. The Remuneration Committee shall assist the directors to formulate and agree an acceptable and fair annual salary increase percentage for all permanent staff and will also review performance incentive schemes and other benefits from time to time.
4. The Remuneration Committee does not relieve the directors of any of their responsibilities, but assists them to fulfill those responsibilities.
5. The Remuneration Committee is responsible for ensuring that there is due compliance with the King Report on Corporate Governance for South Africa 2009 as pertaining to remuneration and reward, and for reporting thereon to the Board.

During the course of the year, the Committee addressed, *inter alia*, the following:

- The determination of the annual staff salary and wage increases
- The assessment of director's increases according to national survey benchmark data
- The adjustment of the reward system ensuring a clearer 'line of sight' between reward and performance
- The review of the Sales Staff remuneration policy.
- The application of the BSI Share Appreciation Rights Scheme
- The application of the MTIP/LTIP executive director incentive schemes.
- Review of the Committee's performance over the year in terms of King III.

Remuneration Disclosure of Highest Paid Employees

King III recommends that the remuneration of the three highest paid employees, that are not directors, be disclosed and is as follows:

	Basic Remuneration	Performance Bonus	Retirement, medical and other benefits	Total
Executive 1	1 216 378	743 334	-	1 959 712
Executive 2	867 889	649 444	158 771	1 676 104
Executive 3	1 070 417	560 866	-	1 631 283
Total	3 154 684	1 953 644	158 771	5 267 099

Senior Executive Incentive and Retention Performance Plans

Four executive Main Board directors, Grant Mackenzie (CEO), James Waller (CFO), Ross Teichmann and Craig Parry qualify.

Objectives of the performance plans

1. The objectives of these plans are - to encourage, recognize and reward entrepreneurial flair, to more closely align the interests of the executive with those of shareholders in the medium and long term, and as part of the company's risk management retention strategy to retain a highly competent and motivated team at the helm of the company's operations on an ongoing basis.
2. Two incentive plans are in place, referred to respectively as the Medium Term Incentive Plan and the Long Term Incentive Plan.

The Medium Term Incentive Plan (MTIP)

The MTIP was introduced with effect from 1st April 2008 whereby equity growth units are allocated annually by the Board on the first day of each financial year to senior executives as defined who are in the employ of the company at that date. The grantee is entitled to a cash bonus on a future date equal to the escalation in value of the equity units to the extent that this exceeds the movement in the Consumer Price Index over the holding period.

In terms of IFRS 2 Share-based payments this scheme is treated as a cash-settled share based payment, which requires an annual valuation in order to determine the period charge of the scheme to BSi.

The MTIP has a three year performance cycle and those granted in 2008 will not meet the performance conditions and will not pay out.

The MTIP awards with effect from 1st April 2011 are as per the standard calculation used in all previous awards.

Name:	Value of Equity Growth Units allocated	Number of Equity Growth Units allocated
G. Mackenzie	4 634 232	6 138 056
J. Waller	2 234 319	2 959 363
C. Parry	2 739 863	3 628 958
R. Teichmann	2 270 609	3 007 429

Share price ruling at effective date of grant = 75.5 cents per share

A valuation of the cost of this scheme was performed by the directors at 31 March 2011. During the year under review an expense and liability of R1 075 228 (2010 – R 1 075 333) were raised in respect of this incentive plan.

REMUNERATION COMMITTEE REPORT - *continued*

The Long Term Incentive Plan (LTIP)

The LTIP was introduced with effect from 1st April 2008 whereby earnings growth units have been allocated by the Board to senior executives as defined on a once-off basis in lieu of compensation for agreeing to enter into a fixed-term restraint agreement with the company in grant values to be nominated and approved by the Board. The grantee is entitled to a bonus on the agreed future date equal to the escalation in value of the earnings units.

No bonus will accrue unless the HEPS growth during the holding period has exceeded the movement in the Consumer Price Index over the holding period by more than 10 % per annum, subject to certain conditions.

In terms of IFRS 2 Share-based payments this scheme is treated as a cash-settled share based payment, which requires annual valuation in order to determine the period charge of the scheme to BSi. A valuation of the cost of this scheme was performed by the directors at 31 March 2011.

REMCO and Board concluded that this condition is unlikely to be met during the holding period and therefore no expense and liability have been raised.

Summary of allocations:

	1st April 2008	1st April 2009	1st April 2010	1 April 2011
Long Term Incentive Plan				
HEPS at grant	14.91c			
Grant Mackenzie	13 592 064			
James Waller	9 952 416			
Craig Parry	9 470 208			
Ross Teichmann	9 401 568			
Medium Term Incentive Plan				
Share price at grant	100c	76c	65c	75.5c
Grant Mackenzie				
Value of Equity growth units	3 398 016	3 750 864	4 634 068	4 634 232
No. of Equity Growth units	3 398 016	4 935 347	7 129 335	6 138 056
James Waller				
Value of Equity growth units	1 866 078	1 865 255	2 201 232	2 234 319
No. of Equity Growth units	1 866 078	2 454 283	3 386 511	2 959 363
Craig Parry				
Value of Equity growth units	1 775 664	1 810 244	2 100 198	2 739 863
No. of Equity Growth units	1 775 664	2 381 900	3 231 074	3 628 958
Ross Teichmann				
Value of Equity growth units	1 762 794	1 917 782	2 117 949	2 270 609
No. of Equity Growth units	1 762 794	2 523 397	3 258 383	3 007 429

Senior Management Incentive and Retention Scheme

Share Appreciation Rights (SAR) Scheme

Shareholder approval was obtained on 27 March 2009 for the SAR Scheme for senior managers and key staff as a retention and incentive scheme and to create better alignment with the shareholders. Employees will receive annual grants of share appreciation rights, which are conditional rights to receive shares equal to the value of the difference between the exercise price and the grant price. Vesting of the SAR's is subject to performance conditions. A total of 18 615 600 SAR's have been granted to date. In terms of the SAR scheme rules, a maximum of 73 000 000 shares may be allotted. As at 31 March 2011, assuming that every two SAR awards result in the allotment of one share, a total of 9 307 800 shares are reserved, leaving a balance of 63 692 200 shares available to be allotted. In terms of *IFRS 2 Share-based payments* this scheme is treated as an equity-settled share based payment, which requires management to assess annually the date of vesting in order to determine the period charge of the scheme to BSi. A valuation of the cost of this scheme was performed by the directors at 31 March 2011. An expense of R2 258 778 (2010 – R 1 366 881) has been raised during the year under review, and the credit taken to equity.

The performance conditions for the SAR awards that were reviewed as at 31 March 2011 have not been met. King III recommends that where performance conditions have not been met, these should not be retested. The SAR awards reviewed were granted prior to the implementation of King III and in terms of the SAR scheme rules and grant letters it has been decided to retest the performance conditions as at 31 March 2012 and should these not be met, to retest again as at 31 March 2013.

Dr. Richard Lewis
Independent Non-executive director
Chairman of REMCO

AUDIT COMMITTEE REPORT

***Nigel Payne** – Chairman Audit Committee*

The Audit Committee has been appointed by the Board to assist in fulfilling its obligations.

In terms of the Companies Act 2008, the Audit Committee has certain statutory responsibilities and this report details compliance with these.

The Audit Committee comprises the three independent non-executive directors and is chaired by Mr. N G Payne. The Board is satisfied with the independence of the Audit Committee members. The committee meets four times per annum and ad-hoc meetings are called when deemed necessary.

A summary of attendance is set out on page 31 The Chairman, CEO, Financial Director and Designated Advisor are invited to attend Audit Committee meetings.

The ***terms of reference*** of the Audit Committee include the following:

- assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control procedures, and the preparation of accurate financial reporting and statements in compliance withal legal requirements and accounting standards
- recommend to the Board which firm should be appointed as external auditors
- evaluate the independence and effectiveness of the external auditors and consider any non-audit services rendered by such auditors as to whether this substantially impairs their independence, and to pre-approve any such services
- review the interim and annual financial statements, as well as any announcement of results
- ensure that financial statements are prepared on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates
- review the accounting policies and procedure adopted by the company and any changes made or contemplated thereto
- review the effectiveness of management information, the annual audit, the Internal Audit function and other systems of internal control
- Monitor and supervise the effective function of the Internal Audit ensuring that the roles and functions of the external and Internal Audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of BSi's systems of internal controls and reporting.

The Audit Committee terms of reference have been reviewed and are being updated.

For the year ended 31 March 2011 the Audit Committee carried out the following:

External Audit

- Is satisfied that the external auditor Deloitte and Touche is independent
- Ensured that the appointment of Deloitte & Touche and Craig Sagar complied with the provisions of the Companies Act
- Agreed the terms of engagement and fees with the external auditors
- Reviewed the external audit plan
- Confirmed that it has adopted a policy regarding non-audit services to be carried out by the external auditors
- Is satisfied that at the external auditors and registered auditor are accredited with the JSE
- Recommend the appointment of Deloitte and Touche and Craig Sagar as external auditor for the year ending 31 March 2012

Internal controls and Internal Audit

- Reviewed the internal controls of the company, and confirmed that nothing has come to their attention to indicate any material failure of the internal control systems
- Is satisfied with the effectiveness of the company's internal control systems, including IT controls and risk management
- Reviewed the risk-based Internal Audit plan
- Reviewed the Internal Audit charter
- Reviewed the performance of Internal Audit

Fraud Risk

- Reviewed the Whistleblower policy and recommended it to the Board for approval

Integrated report

- Reviewed the integrated report and recommended it to the Board for approval
- Ensured that statements made in the integrated report relating to sustainability do not conflict with the financial information
- Reviewed the Annual Financial Statements for the year ended 31 March 2011, is satisfied that disclosure requirements have been met, that accounting policies are appropriate and have been consistently applied, and recommended these to the Board for approval. The Board has subsequently approved the Annual Financial Statements
- Noted that there has been no complaints regarding the audit of the company nor the accounting practices and contents of the Annual Financial Statements or any related matter

Other

- Is satisfied that the company is a going concern
- Is satisfied that the combined assurance model adopted by the company is appropriate
- Is satisfied with the expertise of the finance function
- Is satisfied with the expertise of the Financial Director Mr J R Waller
- Reviewed the announcements made by the company

The committee is satisfied that it has met all its statutory responsibilities and has discharged its function in terms of its terms of reference.

N G Payne
Chairman Audit Committee

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

The annual financial statements are prepared in accordance with International Financial Reporting Standards, AC 500 Standard as issued by the Accounting Practices Board and the requirements of the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's cash flow forecast for the year to 31 March 2012 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 49.

The annual financial statements set out on pages 50 to 102, which have been prepared on the going concern basis, were approved by the Board on 10 June 2011 and were signed on its behalf by:

WL Battershill *(Chairman)*

GDG Mackenzie *(CEO)*

Pietermaritzburg

10 June 2011

Secretarial Certification

I certify, to the best of my knowledge and belief, that the company has, in respect of the period under review, lodged with the Registrar of Companies all returns that are required by a Public Company, and that all returns are true, correct and up to date.

SJ Hackett
Company Secretary

INDEPENDENT AUDITORS REPORT

TO THE SHAREHOLDERS OF BSI STEEL LIMITED

We have audited the group annual financial statements of BSI Steel Limited, which comprise the statement of financial position as at 31 March 2011, the income statement, statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 102.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per: C. Sagar
Partner
Pietermaritzburg
10 June 2011

National Executive:

GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax & Legal and Risk Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board), CR Qually (Deputy Chairman of the Board)

Regional Leader:

GC Brazier

DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2011.

1. Review of activities

Main business and operations

The group is engaged in sale, processing, warehouse and distribution of steel and allied products and operates principally in South Africa, Zambia, Mozambique and the Democratic Republic of Congo.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net profit of the group was R 35,976,272 (2010: R 25,959,552), after taxation of R 6,150,437 (2010: R 7,035,149).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the group during the year under review.

5. Dividends Paid

The dividends already declared and paid to shareholders during the year are as reflected in the attached statement of changes in equity.

6. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
WL Battershill (Chairman)	South African
GDG MacKenzie	South African
C Parry	South African
JR Waller	South African
WR Teichmann	South African
NG Payne (Independent Non executive)	South African
RG Lewis (Independent Non Executive)	South African
BM Khoza (Independent Non Executive)	South African
NM Anderson (Independent Alternate Non Executive)	South African

7. Secretary

The secretary of the company is Stephen Hackett of;

Business address:

Eden Park Drive, Murrayfield Park, Mkondeni, Pietermaritzburg, 3201

Postal address:

P.O. Box 101096, Scottsville, Pietermaritzburg, 3209

8. Interest in subsidiaries

Details of the company's investment in subsidiaries are set out in note 8.

9. Special resolutions

At the annual general meeting of shareholders on 23 September 2010 it was resolved that the directors of the company be authorised to acquire the company's own shares, upon such terms and conditions and in such amounts as the directors may from time to time decide and may do so until the next annual general meeting of the company.

10. Directors' interest in shares

***James Waller** – Group Financial Director*

	Group		Company	
	2011	2010	2011	2010
Directly beneficial				
NG Payne	5,526,000	5,526,000	5,526,000	5,526,000
WL Battershill	1,350,301	1,081,953	1,350,301	1,081,953
GDG Mackenzie	9,755,937	9,755,937	9,755,937	9,755,937
JR Waller	3,000,000	3,000,000	3,000,000	3,000,000
WR Teichmann	17,782,165	17,782,165	17,782,165	17,782,165
NM Anderson	86,000	86,000	86,000	86,000
RG Lewis	210,000	210,000	210,000	210,000
Indirectly beneficial				
WL Battershill	336,075,214	336,075,174	336,075,214	336,075,174
GDG Mackenzie	81,331,349	81,331,349	81,331,349	81,331,349
JR Waller	6,213,469	6,213,469	6,213,469	6,213,469
C Parry	49,189,471	49,189,471	49,189,471	49,189,471
BM Khoza	150,000	50,390,000	150,000	50,390,000
	510,669,906	**560,641,518**	**510,669,906**	**560,641,518**

There have been no changes to the directors' interest in shares between the end of the financial year and the date of the approval of the annual financial statements.

11. Directors loans

As at 31 March 2011 there were amounts owing by executive directors in terms of the approved incentive scheme. This amount bears interest at the group's borrowing rate and will be repaid within twelve months after year end.

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2011

		Group		Company	
	Note(s)	2011 R	2010 R	2011 R	2010 R
Assets					
Non-Current Assets					
Property, plant and equipment	5	260,041,793	240,888,422	159,700,837	143,717,796
Goodwill	6	13,205,704	13,442,080	-	-
Intangible assets	7	13,331,615	9,356,727	13,323,881	9,334,251
Investments in subsidiaries	8	-	-	28,401,580	29,640,703
Deferred tax	12	1,334,530	1,606,782	-	-
		287,913,642	**265,294,011**	**201,426,298**	**182,692,750**
Current Assets					
Inventories	13	283,637,923	296,319,631	199,872,558	200,916,827
Loans to group companies	9	-	-	37,272,278	41,914,825
Other financial assets	10	-	1,715	-	-
Current tax receivable		2,695,673	242,065	2,576,997	-
Trade and other receivables	14	376,856,143	386,495,085	314,562,377	357,438,331
Cash and cash equivalents	15	40,655,847	23,294,055	2,562,363	5,921,153
		703,845,586	**706,352,551**	**556,846,573**	**606,191,136**
Total Assets		**991,759,228**	**971,646,562**	**758,272,871**	**788,883,886**
Equity and Liabilities					
Equity					
Share capital and share premium	16	113,311,443	113,311,443	124,301,165	124,301,165
Reserves		3,659,402	(38,950)	3,359,402	(1,058,254)
Accumulated profit		300,798,123	286,676,242	167,250,126	168,903,321
		417,768,968	**399,948,735**	**294,910,693**	**292,146,232**
Liabilities					
Non-Current Liabilities					
Other financial liabilities	19	98,305,381	114,247,573	66,777,834	93,235,007
Deferred tax	12	3,412,213	2,724,372	2,396,279	1,625,618
		101,717,594	**116,971,945**	**69,174,113**	**94,860,625**
Current Liabilities					
Loans from group companies	9	-	-	4,844,348	18,705,973
Other financial liabilities	19	23,463,584	19,727,882	12,928,243	16,699,176
Current tax payable		7,344,086	11,752,707	-	1,343,869
Trade and other payables	20	222,202,149	209,791,249	184,964,896	156,319,219
Bank overdraft	15	219,262,847	213,454,044	191,450,578	208,808,792
		472,272,666	**454,725,882**	**394,188,065**	**401,877,029**
Total Liabilities		**573,990,260**	**571,697,827**	**463,362,178**	**496,737,654**
Total Equity and Liabilities		**991,759,228**	**971,646,562**	**758,272,871**	**788,883,886**

INCOME STATEMENTS

for the year ended 31 March 2011

	Note(s)	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Revenue	22	1,856,448,025	1,437,068,363	1,560,022,877	1,323,771,511
Cost of sales	23	(1,583,758,605)	(1,236,086,548)	(1,400,604,399)	(1,183,111,722)
Gross profit before exceptional items		**272,689,420**	**200,981,815**	**159,418,478**	**140,659,789**
Exceptional items	23	-	(8,255,779)	-	(8,255,779)
Gross profit		**272,689,420**	**192,726,036**	**159,418,478**	**132,404,010**
Other income		1,380,545	3,299,434	3,853,650	3,686,201
Operating expenses		(198,730,171)	(148,514,207)	(136,338,499)	(106,435,043)
Operating profit	24	**75,339,794**	**47,511,263**	**26,933,629**	**29,655,168**
Investment income	25	1,344,083	1,422,937	12,917,844	1,394,296
Fair value adjustments	26	6,940	-	-	-
Gain on non-current assets held for sale		-	7,868,229	-	-
Finance costs	27	(34,564,108)	(23,807,728)	(25,339,940)	(17,751,413)
Profit before taxation		**42,126,709**	**32,994,701**	**14,511,533**	**13,298,051**
Taxation	28	(6,150,437)	(7,035,149)	(2,031,374)	(4,205,190)
Profit for the year attributable to BSI Steel Limited shareholders		**35,976,272**	**25,959,552**	**12,480,159**	**9,092,861**
Basic and diluted earnings per share (cents)	36	5.09	3.66		
Dividends per share (cents)		2.00	-		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Profit for the year	**35,976,272**	**25,959,552**	**12,480,159**	**9,092,861**
Other comprehensive income:				
Exchange differences on translating foreign operations	(8,440,341)	(28,009,127)	-	-
Effects of cash flow hedges	2,158,878	(2,425,135)	2,158,878	(2,425,135)
Realisation of revaluation on non-current propery held for sale	-	(8,783,032)	-	-
Other comprehensive (loss) income for the year net of taxation	**(6,281,463)**	**(39,217,294)**	**2,158,878**	**(2,425,135)**
Total comprehensive income (loss) for the year	**29,694,809**	**(13,257,742)**	**14,639,037**	**6,667,726**
Total comprehensive income (loss) attributable to:				
Owners of the parent	29,694,809	(13,257,742)	14,639,037	6,667,726

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2011

	Share capital	Share premium	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Contingency reserve	Equity compensation reserve	Accumulated profit	Total shareholders' equity
	R	R	R	R	R	R	R	R	R
Group									
Balance at 01 April 2009	**7,127**	**117,426,312**	**28,200,644**	**-**	**9,610,819**	**-**	**-**	**260,716,690**	**415,961,592**
Changes in equity									
Total comprehensive income	-	-	(28,009,127)	(2,425,135)	(8,783,032)	-	-	25,959,552	(13,257,742)
Profit for the year	-	-	-	-	-	-	-	25,959,552	25,959,552
Hedging instrument valuation	-	-	-	(2,425,135)	-	-	-	-	(2,425,135)
Currency translation differences	-	-	(28,009,127)	-	-	-	-	-	(28,009,127)
Sale of non-current assets held for sale	-	-	-	-	(8,783,032)	-	-	-	(8,783,032)
Purchase of treasury shares	(50)	(4,121,946)	-	-	-	-	-	-	(4,121,996)
Share based payments charge	-	-	-	-	-	-	1,366,881	-	1,366,881
Total changes	(50)	(4,121,946)	(28,009,127)	(2,425,135)	(8,783,032)	-	1,366,881	25,959,552	(16,012,857)
Balance at 01 April 2010	**7,077**	**113,304,366**	**191,517**	**(2,425,135)**	**827,787**	**-**	**1,366,881**	**286,676,242**	**399,948,735**
Changes in equity									
Total comprehensive income	-	-	(8,440,341)	2,158,878	-	-	-	35,976,272	29,694,809
Profit for the year	-	-	-	-	-	-	-	35,976,272	35,976,272
Currency translation differences	-	-	(8,440,341)	-	-	-	-	-	(8,440,341)
Hedging instrument valuation	-	-	-	2,158,878	-	-	-	-	2,158,878
Share based payments provision	-	-	-	-	-	-	2,258,778	-	2,258,778
Transfer to contingency reserve	-	-	-	-	-	300,000	-	(300,000)	-
Transfer to accumulated profit	-	-	8,248,824	-	-	-	-	(8,248,824)	-
Dividends paid	-	-	-	-	-	-	-	(14,133,354)	(14,133,354)
Transfer to accumulated profit	-	-	-	-	(827,787)	-	-	827,787	-
Total changes	-	-	(191,517)	2,158,878	(827,787)	300,000	2,258,778	14,121,881	17,820,233
Balance at 31 March 2011	**7,077**	**113,304,366**	**-**	**(266,257)**	**-**	**300,000**	**3,625,659**	**300,798,123**	**417,768,968**
Note(s)	16	16	18						

STATEMENTS OF CHANGES IN EQUITY *- continued*

for the year ended 31 March 2011

	Share capital	Share premium	Foreign currency translation reserve	Hedging reserve	Revaluation reserve	Contingency reserve	Equity compensation reserve	Accumulated profit	Total shareholders' equity
	R	R	R	R	R	R	R	R	R
Company									
Balance at 01 April 2009	**7,199**	**124,293,966**	**-**	**-**	**-**	**-**	**-**	**159,810,460**	**284,111,625**
Changes in equity									
Total comprehensive income	-	-	-	(2,425,135)	-	-	-	9,092,861	6,667,726
Profit for the year	-	-	-	-	-	-	-	9,092,861	9,092,861
Hedging instrument valuation	-	-	-	(2,425,135)	-	-	-	-	(2,425,135)
Share based payments charge	-	-	-	-	-	-	1,366,881	-	1,366,881
Total changes	-	-	-	(2,425,135)	-	-	1,366,881	9,092,861	8,034,607
Balance at 01 April 2010	**7,199**	**124,293,966**	**-**	**(2,425,135)**	**-**	**-**	**1,366,881**	**168,903,321**	**292,146,232**
Changes in equity									
Total comprehensive income	-	-	-	2,158,878	-	-	-	12,480,159	14,639,037
Profit for the year	-	-	-	-	-	-	-	12,480,159	12,480,159
Hedging instrument	-	-	-	2,158,878	-	-	-	-	2,158,878
Share based payments provision	-	-	-	-	-	-	2,258,778	-	2,258,778
Dividends paid	-	-	-	-	-	-	-	(14,133,354)	(14,133,354)
Total changes	-	-	-	2,158,878	-	-	2,258,778	(1,653,195)	2,764,461
Balance at 31 March 2011	**7,199**	**124,293,966**	**-**	**(266,257)**	**-**	**-**	**3,625,659**	**167,250,126**	**294,910,693**
Note(s)	16	16	18						

STATEMENTS OF CASH FLOW

for the year ended 31 March 2011

		Group		Company	
	Note(s)	2011 R	2010 R	2011 R	2010 R
Cash flows from operating activities					
Cash receipts from customers		1,866,086,967	1,369,114,133	1,602,898,831	1,226,112,167
Cash paid to suppliers and employees		(1,748,250,349)	(1,403,381,983)	(1,493,852,266)	(1,318,850,542)
Cash generated (used in) from operations	29	117,836,618	(34,267,850)	109,046,565	(92,738,375)
Interest income		1,344,082	1,422,937	959,845	1,394,296
Dividends received		-	-	11,957,999	-
Finance costs		(32,820,024)	(21,927,292)	(23,595,856)	(15,870,977)
Tax (paid) refunded	30	(12,052,573)	3,942,327	(5,181,579)	5,067,509
Net cash from (used in) operating activities		**74,308,103**	**(50,829,878)**	**93,186,974**	**(102,147,547)**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(32,179,484)	(63,161,231)	(20,879,719)	(27,043,506)
Disposal of property, plant and equipment	5	1,179,603	1,251,003	138,663	1,033,506
Purchase of other intangible assets	7	(5,518,900)	(5,512,957)	(5,518,900)	(5,489,714)
Disposal of other intangible assets	7	238,150	-	238,150	-
Loans to group companies repaid		-	-	(9,219,078)	17,649,123
Derecognition / (recognition) of financial assets		8,655	(1,715)	-	-
Proceeds on sale of non-current assets held for sale		-	18,502,070	-	-
Net cash (used in) investing activities		**(36,271,976)**	**(48,922,830)**	**(35,240,884)**	**(13,850,591)**
Cash flows from financing activities					
Reduction of share capital or buy back of shares		-	(4,121,996)	-	-
Other financial liabilities (repaid) raised		(12,206,490)	7,026,699	(30,228,106)	8,762,866
Finance lease (repaid)		(1,744,084)	(3,083,276)	(1,744,084)	(1,880,436)
Hedging instrument		2,158,878	(2,425,136)	2,158,878	(2,425,136)
Dividends paid		(14,133,354)	-	(14,133,354)	-
Acquisition of shares in subsidiary		-	-	-	(600,000)
Net cash (used in) from financing activities		**(25,925,050)**	**(2,603,709)**	**(43,946,666)**	**3,857,294**
Total cash movement for the year		**12,111,077**	**(102,356,417)**	**13,999,424**	**(112,140,844)**
Cash at the beginning of the year		(190,159,989)	(84,648,570)	(202,887,639)	(90,746,795)
Effect of exchange rate movement on cash balances		(558,088)	(3,155,002)	-	-
Total cash at end of the year	15	**(178,607,000)**	**(190,159,989)**	**(188,888,215)**	**(202,887,639)**

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa, on a basis consistent with the prior year. They incorporate the principal accounting policies set out below.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses 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 which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

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.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

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, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

1.1 Consolidation - continued

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

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

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.

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

1.2 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The group assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the income statement, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock is held in order to write stock down to the lower of cost or net realisable value. Management reviews the stock ageing report regularly, with the policy that stock should always be sold. There are limited circumstances where stock is sold below cost. Stock obsolescence is reviewed on a stock item basis with any unrealisable stock being written off in the relevant period. The write down is included in the operating profit note.

Fair value estimation

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment testing

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. These calculations require the use of estimates and assumptions.

1.2 Significant judgements - continued

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. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Contingent provisions on business combinations

Contingencies recognised in the current year required estimates and judgements.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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 and the application of existing tax laws in each jurisdiction. 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 statement of financial position date could be impacted.

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Land and buildings is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

Item	Average useful life
Land and buildings	Indefinite
Plant and machinery	1 to 12 years
Furniture and fixtures	4 years
Motor vehicles	1 to 5 years
Office equipment	3 years
IT equipment	3 years

1.3 Property, plant and equipment - continued

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average useful life
Computer software	2 to 10 years

1.5 Investments in subsidiaries

Company annual financial statements

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

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

the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus

any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Financial instruments

Initial recognition and measurement

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.6 Financial instruments - continued

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Hedging activities

The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 19.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory or fixed assets) the gains and losses previously accumulated in equity are released to the income statement when the non-financial item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

1.7 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 statement of financial position date.

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 goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

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, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

1.7 Tax - continued

Tax expenses - continued

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.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The group recognises finance lease receivables on 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 finance lease.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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 of on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value.

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.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula.

When inventories are sold, the carrying amount of those inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.11 Impairment of 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.

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.

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.

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.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

1.12 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.

1.13 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.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

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

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.14 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.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.16 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.16 Revenue - continued

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

Dividends are recognised, in profit or loss, when the company’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 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.

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

1.19 Translation of foreign currencies

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.

Investments in subsidiaries, joint ventures and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the various month end exchange rates; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the month end dates of the cash flows.

1.20 Segment reporting

A business segment report is a group of assets and operations engaged in providing products of services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

1.20 Segment reporting - continued

For management purposes, the group is currently organised into four main segments, namely stockists, bulk sales, exporting and other. This is the basis on which the group reports its primary segment information. The geopraphical split is a secondary segment, with the major geographical segments being South Africa and the balance of the African continent. Segment information is presented in Note 4.

1.21 Related parties

Parties are considered related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. The group enters into various related party transactions in the ordinary course of business. The terms and conditions of those related party transactions are no more favourable than those granted to third parties in arm's length transactions.

1.22 Financial guarantee contracts

Financial guarantee contracts are accounted for in terms of IFRS 4: Insurance Contracts and consequently are measured initially at cost and thereafter in accordance with IAS 37: Provisions, Contingent liabilities and contingent assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards and interpretations, with effective dates on or after 1 July 2010.

- IFRS2 Share-based payments (amendments)
- IFRS3 Business combinations (amendments)
- IFRS7 & 9 Financials instruments (amendments)
- IAS1 Presentation of financial statements (amendments)
- IAS24 Related party disclosures (amendments)
- IAS27 Consolidated and separate financial statements (amendments)

The group is in the process of assessing the impact of the new and revised standards and interpretations and, whilst they are not expected to have a significant impact on the group's results, additional disclosures may be required.

3. Risk management

Foreign exchange risk

Foreign currency exposure at statement of financial position date

	Group		Company	
	2011	2010	2011	2010
	R	R	R	R
Current assets				
Trade debtors ZAR	75,149,297	55,666,561	6,404,178	5,203,358
Exchange rates used for conversion of foreign items were:				
USD	6.83	7.39	6.83	7.39

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

3. Risk management - continued

Forward exchange contracts which relate to future commitments

Amount in foreign currency purchased	Forward exchange rate	Maturity date
364,800 USD	1USD = R7.13	29 April 2011
264,000 USD	1 USD = R7.35 to R7.36	31 May 2011
36,965 USD	1USD = R6.99	12 May 2011
472,800 USD	1USD = R6.98	30 June 2011
894,994 USD	1 USD = R7.03	22 June 2011
445,870 USD	1 USD = R7.04	27 June 2011

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The group is exposed to commodity price risk to a limited extent.

Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates with relation to interest-bearing assets.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Interest rate profile of the group

Financial instruments		2011 R		2010 R
Cash in current banking institutions	3.40%	40,655,847	3.90%	23,294,055
Overdraft facilities used	9.00%	219,262,847	9.50%	213,454,044
Bond over property - floating rate	9.00%	69,881,298	9.50%	73,305,976
Finance leases	9.25%	49,343,825	9.75%	56,272,629

Sensitivity analysis

At year-end the sensitivity on the exposure to floating interest rates on the operating profit is as follows:

2011	
+10%	(2,920,498)
-10%	2,920,498
2010	
+10%	(3,239,841)
-10%	3,239,841

3. Risk management - continued

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated these rating are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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for the year ended 31 March 2011

3. Risk management - continued

Group

At 31 March 2011	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Borrowings	25,614,144	22,014,730	43,327,874	30,812,217
Trade and other payables	222,202,149	-	-	-
Bank overdraft	219,262,847	-	-	-

At 31 March 2010	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Borrowings	19,727,882	20,257,340	49,439,546	44,550,687
Trade and other payables	209,791,249	-	-	-
Bank overdraft	213,454,044	-	-	-

Company

At 31 March 2011	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Borrowings	15,078,803	11,889,549	25,386,712	27,351,013
Trade and other payables	184,964,896	-	-	-
Bank overdraft	191,450,578	-	-	-
Loans from group companies	4,844,348	-	-	-

At 31 March 2010	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Borrowings	16,699,176	15,073,620	38,850,485	39,310,902
Trade and other payables	156,319,218	-	-	-
Bank overdraft	208,808,792	-	-	-
Loans from group companies	18,705,973	-	-	-

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for the year ended 31 March 2011

4. Segmental reporting

Primary reporting format – primary business segments

The group complies with IFRS 8 Operating Segments. This results in the identification of the four main business segments, namely Stockists, Bulk sales, Exporting and Other. Other group operations mainly comprise of the rental of property and the processing of steel. These divisions are the basis on which the group reports it's primary segment information.

The segment results for the year ended 31 March 2011 are as follows:

	2011				
	Stockists	**Bulk sales**	**Exporting**	**Other**	**Total**
	R	**R**	**R**	**R**	**R**
Total segment revenue	591,550,666	578,090,108	845,443,138	27,164,324	2,042,248,236
Revenue - internal	-	-	168,636,617	17,163,594	185,800,211
Revenue - external	591,550,666	578,090,108	676,806,521	10,000,730	1,856,448,025
Profit before interest and taxation	5,568,482	26,359,072	48,512,937	(5,093,757)	75,346,734

	2010				
	Stockists	**Bulk sales**	**Exporting**	**Other**	**Total**
	R	**R**	**R**	**R**	**R**
Total segment revenue	510,465,977	451,417,894	687,850,572	11,253,221	1,660,987,664
Revenue - internal	-	-	213,011,486	10,907,815	223,919,301
Revenue - external	510,465,977	451,417,894	474,839,086	345,406	1,437,068,363
Profit before interest and taxation	(11,238,998)	25,392,066	28,608,838	12,617,586	55,379,492

Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would have been available to unrelated third parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

4. Segmental reporting - continued

The segment assets at 31 March 2011 for the year then ended are as follows:

	2011					
	Stockists	**Bulk sales**	**Exporting**	**Other**	**Eliminations**	**Total**
	R	**R**	**R**	**R**	**R**	**R**
Assets	216,690,290	171,377,306	276,913,710	342,813,609	(16,035,687)	991,759,228

The segment assets at 31 March 2010 for the year then ended are as follows:

	2010					
	Stockists	**Bulk sales**	**Exporting**	**Other**	**Eliminations**	**Total**
	R	**R**	**R**	**R**	**R**	**R**
Assets	274,621,213	167,049,207	350,852,990	287,342,718	(108,219,566)	971,646,562

Segment assets consist primarily of property, plant and equipment inventories, trade and other receivables and cash and cash equivalents.

Unallocated assets comprise deferred taxation, intangible assets and other financial assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxations and borrowings.

Secondary reporting format – geographical segments

The Group's four biggest segments operate in two main geographical areas. The home country of the Company is the Republic of South Africa. The areas of operation are principally merchandising and trading in steel.

	2011		
	RSA	**Africa**	**Total**
	R	**R**	**R**
Total segment revenue	1,196,805,098	845,443,138	2,042,248,236
Revenue - internal	17,163,594	168,636,617	185,800,211
Revenue - external	1,179,641,504	676,806,521	1,856,448,025
Profit before interest and taxation	26,833,797	48,512,937	75,346,734

	2010		
	RSA	**Africa**	**Total**
	R	**R**	**R**
Total segment revenue	973,137,092	687,850,572	1,660,987,664
Revenue - internal	10,907,815	213,011,486	223,919,301
Revenue - external	962,229,277	474,839,086	1,437,068,363
Profit before interest and taxation	26,770,654	28,608,838	55,379,492

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

4. Segmental reporting - continued

Revenue is allocated based on the country in which the customer is located.

The segment assets at 31 March 2011 for the year then ended are as follows:

	2011			
	RSA	Africa	Eliminations	Total
	R	R	R	R
Assets	730,881,205	276,913,710	(16,035,687)	991,759,228

	2010			
	RSA	Africa	Eliminations	Total
	R	R	R	R
Assets	729,013,138	350,852,990	(108,219,566)	971,646,562

5. Property, plant and equipment

Group	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Land and Buildings	171,297,752	(849,222)	170,448,530	155,046,259	(612,328)	154,433,931
Leasehold property	16,016	(1,953)	14,063	-	-	-
Plant and machinery	83,862,888	(10,236,957)	73,625,931	73,015,069	(5,772,096)	67,242,973
Furniture and fixtures	2,821,678	(1,366,502)	1,455,176	2,960,883	(809,526)	2,151,357
Motor vehicles	19,320,780	(7,209,551)	12,111,229	18,743,388	(4,526,845)	14,216,543
Office equipment	3,060,174	(1,663,649)	1,396,525	3,298,681	(1,348,421)	1,950,260
IT equipment	3,481,842	(2,491,503)	990,339	2,734,928	(1,841,570)	893,358
Leased assets	-	-	-	6,892,808	(6,892,808)	-
Total	**283,861,130**	**(23,819,337)**	**260,041,793**	**262,692,016**	**(21,803,594)**	**240,888,422**

Company	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	R	R	R	R	R	R
Land and Buildings	134,455,968	-	134,455,968	117,881,575	-	117,881,575
Plant and machinery	15,508,715	(2,319,655)	13,189,060	12,355,634	(1,393,117)	10,962,517
Furniture and fixtures	1,939,752	(923,518)	1,016,234	1,634,548	(599,509)	1,035,039
Motor vehicles	13,712,503	(4,690,953)	9,021,550	14,250,556	(2,820,413)	11,430,143
Office equipment	2,897,894	(1,594,957)	1,302,937	2,764,679	(1,168,198)	1,596,481
IT equipment	3,076,767	(2,361,679)	715,088	2,592,935	(1,780,894)	812,041
Total	**171,591,599**	**(11,890,762)**	**159,700,837**	**151,479,927**	**(7,762,131)**	**143,717,796**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

5. Property, plant and equipment - continued

Reconciliation of property, plant and equipment - Group - 2011

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Depreciation	Total
	R	R	R	R	R	R	R
Land and Buildings	154,433,931	17,492,007	-	-	(1,179,399)	(298,009)	170,448,530
Leasehold property	-	17,012	-	-	(806)	(2,143)	14,063
Plant and machinery	67,242,973	11,112,313	(796,914)	1,090,877	(223,924)	(4,799,394)	73,625,931
Furniture and fixtures	2,151,357	502,602	-	(681,949)	(29,158)	(487,676)	1,455,176
Motor vehicles	14,216,543	2,074,030	(532,953)	(116,904)	(394,297)	(3,135,190)	12,111,229
Office equipment	1,950,260	199,816	-	(298,970)	-	(454,581)	1,396,525
IT equipment	893,358	781,704	(10,010)	6,946	(2,670)	(678,989)	990,339
	240,888,422	**32,179,484**	**(1,339,877)**	**-**	**(1,830,254)**	**(9,855,982)**	**260,041,793**

Reconciliation of property, plant and equipment - Group - 2010

	Opening balance	Additions	Disposals	Transfers	Foreign exchange movements	Depreciation	Total
	R	R	R	R	R	R	R
Land and buildings	137,571,488	21,927,134	-	-	(4,743,113)	(321,578)	154,433,931
Plant and machinery	36,256,867	35,552,275	(1,030,302)	(295,048)	(103,550)	(3,137,269)	67,242,973
Furniture and fixtures	1,087,768	1,548,263	(2,619)	(50,834)	(52,161)	(379,060)	2,151,357
Motor vehicles	14,060,309	3,477,167	(110,000)	295,048	(861,408)	(2,644,573)	14,216,543
Office equipment	2,558,931	258,434	(92,510)	50,834	(127,158)	(698,271)	1,950,260
IT equipment	1,143,165	397,958	(46,109)	-	(20,313)	(581,343)	893,358
Leased assets	748,838	-	-	-	(146,274)	(602,564)	-
	193,427,366	**63,161,231**	**(1,281,540)**	**-**	**(6,053,977)**	**(8,364,658)**	**240,888,422**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

5. Property, plant and equipment - continued

Reconciliation of property, plant and equipment - Company - 2011

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Total R
Buildings	117,881,575	16,574,393	-	-	-	134,455,968
Plant and machinery	10,962,517	3,153,081	-	231,575	(1,158,113)	13,189,060
Furniture and fixtures	1,035,039	305,203	-	-	(324,008)	1,016,234
Motor vehicles	11,430,143	193,939	(459,257)	(231,575)	(1,911,700)	9,021,550
Office equipment	1,596,481	133,215	-	-	(426,759)	1,302,937
IT equipment	812,041	519,888	(10,010)	-	(606,831)	715,088
	143,717,796	**20,879,719**	**(469,267)**	**-**	**(4,427,411)**	**159,700,837**

Reconciliation of property, plant and equipment - Company - 2010

	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Total R
Land and buildings	96,018,805	21,862,770	-	-	-	117,881,575
Plant and machinery	11,414,449	1,684,640	(981,344)	(295,048)	(860,180)	10,962,517
Furniture and fixtures	749,830	604,903	(2,619)	-	(317,075)	1,035,039
Motor vehicles	10,552,759	2,396,052	(110,000)	295,048	(1,703,716)	11,430,143
Office equipment	2,084,699	130,117	(76,913)	-	(541,422)	1,596,481
IT equipment	1,021,034	365,024	(33,136)	-	(540,881)	812,041
	121,841,576	**27,043,506**	**(1,204,012)**	**-**	**(3,963,274)**	**143,717,796**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

5. Property, plant and equipment – continued

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Pledged as security				
Carrying value of assets pledged as security:				
Land and buildings	167,272,343	139,586,542	134,455,968	117,881,575
Motor vehicles	7,304,362	9,337,387	7,304,362	9,337,387
Plant and machinery	60,375,371	30,150,571	11,954,825	10,169,873
Office equipment	110,355	147,139	110,355	147,139

Other than the land and buildings, the above assets are all encumbered by instalment sale agreements, which bear interest at varying rates, are repayable over varying periods of 2 to 60 months and for which the monthly instalments total R1,500,030 (2010: R938,667).

The land and buildings are encumbered by mortgage bonds bearing interest at varying rates, are repayable on a ten year term in total monthly instalments of R820,547 (2010: R990,296).

Revaluations

The Kliprivier property was revalued by the company's directors and the value is deemed to equal the building costs spent on erection of the property.

The valuation was performed using the discounted cash flow approach and the following assumptions were used:

Discount rate – 10%

Current market related gross rentals were assumed; and

Increased demand for industrial land

The effective date of revaluation of the properties in Zambia was 11 May 2007. The revaluations were performed by Mr Musonda Kasase of Anderson and Anderson International Valuation Surveyors. Anderson and Anderson are not connected to the group.

The carrying value of the revalued assets under the cost model would have been:

Land and buildings	162,244,066	145,931,458	-	-

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

6. Goodwill

Group	2011			2010		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
	R	R	R	R	R	R
Goodwill	13,205,704	-	13,205,704	13,442,080	-	13,442,080

Reconciliation of goodwill - Group - 2011

	Opening balance	Disposal	Total
	R	R	R
Goodwill	13,442,080	(236,376)	13,205,704

Reconciliation of goodwill - Group – 2010

	Opening balance	Total
	R	R
Goodwill	13,442,080	13,442,080

Impairment testing of goodwill

The remaining goodwill was assessed by reference to the value-in-use of the cash-generating units. Discount factors ranging between 10% to 12% per annum (2010: 10% to 12% per annum) were applied in the value-in-use model.

Allocation of goodwill to cash-generating unit

Goodwill has been allocated for impairment testing purposes to the underlying discreet business segments as they represent separately identifiable cash-generating units. The following cash-generating units, being the lowest level of asset for which there are separately identifiable cash flows, have carrying amounts of goodwill:

	Group	
	2011	2010
	R	R
Stockists	4,215,585	4,215,585
Bulk sales	1,185,136	1,185,136
Exporting	5,482,306	5,482,306
Other	2,322,677	2,559,053
	13,205,704	**13,442,080**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

7. Intangible assets

Group	2011			2010		
	Cost / Valuation R	Accumulated amortisation R	Carrying value R	Cost / Valuation R	Accumulated amortisation R	Carrying value R
Computer software	16,289,204	(2,957,589)	13,331,615	11,010,670	(1,653,943)	9,356,727

Company	2011			2010		
	Cost / Valuation R	Accumulated amortisation R	Carrying value R	Cost / Valuation R	Accumulated amortisation R	Carrying value R
Computer software	16,253,149	(2,929,268)	13,323,881	10,972,399	(1,638,148)	9,334,251

Reconciliation of intangible assets - Group - 2011

	Opening balance R	Additions R	Disposals R	Foreign exchange movements R	Amortisation R	Total R
Computer software	9,356,727	5,518,900	(238,150)	(746)	(1,305,116)	13,331,615

Reconciliation of intangible assets - Group – 2010

	Opening balance R	Additions R	Foreign exchange movements R	Amortisation R	Total R
Computer software	4,768,448	5,512,957	(3,833)	(920,845)	9,356,727

Reconciliation of intangible assets - Company - 2011

	Opening balance R	Additions R	Disposals R	Amortisation R	Total R
Computer software	9,334,251	5,518,900	(238,150)	(1,291,120)	13,323,881

Reconciliation of intangible assets - Company - 2010

	Opening balance R	Additions R	Amortisation R	Total R
Computer software	4,754,141	5,489,714	(909,604)	9,334,251

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

8. Investments in subsidiaries

Name of company	Nature of company	% voting power 2011	% voting power 2010	Carrying amount 2011 R	Carrying amount 2010 R
Newcolab (Pty) Ltd	Trading and Investment holding	100.00%	100.00%	1,000	1,000
Red Chip Investments (Pty) Ltd	Property holding	100.00%	100.00%	2,460,968	2,460,968
Shearcut (Pty) Ltd	Processing	100.00%	100.00%	100	100
BSI Steel Africa Ltd *	General stockists and trading	100.00%	100.00%	25,339,512	25,339,512
Doddleprops (Pty) Ltd **	Property holding	-%	100.00%	-	1,239,123
Cell Captive	Insurance holding	100.00%	100.00%	600,000	600,000
				28,401,580	29,640,703

* Incorporated in Mauritius and indirect holding of BSI Steel Katanga SPRL, BSI Steel Zambia Ltd and BSI Steel Mozambique LDA - 100% (2010: 100%). All other subsidiaries were incorporated in South Africa.
** Deregistered during 2011.

9. Loans to / (from) group companies

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Subsidiaries				
Shearcut (Pty) Ltd	-	-	28,052,510	41,545,605
BSI Steel Zambia Ltd	-	-	-	369,220
Red Chip Investments (Pty) Ltd	-	-	(1,174,498)	(1,458,429)
Doddleprops (Pty) Ltd	-	-	-	(13,166,061)
Newcolab (Pty) Ltd	-	-	(3,669,850)	(3,340,484)
BSI Steel Africa Ltd	-	-	9,219,768	-
BSI Steel Katanga SPRL	-	-	-	(740,999)
	-	**-**	**32,427,930**	**23,208,852**

Intercompany loans are classified as loans and receivables and their carrying value approximates fair value. All intercompany loans are made in the ordinary course of business, bear interest at prime interest rate, unsecured and repayable within 30 days of statement issue.

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Current assets	-	-	37,272,278	41,914,825
Current liabilities	-	-	(4,844,348)	(18,705,973)
	-	**-**	**32,427,930**	**23,208,852**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

10. Other financial assets

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
At fair value through profit or loss - held for trading				
Foreign exchange contract	-	1,715	-	-
Current assets				
At fair value through profit or loss - held for trading	-	1,715	-	-

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted market price.
- The fair values on investments not listed or quoted are estimated using the discounted cash flow analysis.

The above loans and receivables are held at amortised cost and the carrying value is deemed to be the fair value.

11. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2011

	Loans and receivables R	Fair value through profit or loss - held for trading R	Financial derivatives R	Held to maturity investments R	Available for sale R	Total R
Trade and other receivables	362,681,983	-	-	-	-	362,681,983
Cash and cash equivalents	40,655,847	-	-	-	-	40,655,847
	403,337,830	**-**	**-**	**-**	**-**	**403,337,830**

Group - 2010

	Loans and receivables R	Fair value through profit or loss - held for trading R	Financial derivatives R	Held to maturity investments R	Available for sale R	Total R
Trade and other receivables	368,801,845	-	-	-	-	368,801,845
Cash and cash equivalents	23,294,055	-	-	-	-	23,294,055
	392,095,900	**-**	**-**	**-**	**-**	**392,095,900**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

11. Financial assets by category - continued

Company - 2011

	Loans and receivables	Fair value through profit or loss - held for trading	Financial derivatives	Held to maturity investments	Available for sale	Total
	R	R	R	R	R	R
Loans to group companies	37,272,278	-	-	-	-	37,272,278
Trade and other receivables	301,903,195	-	-	-	-	301,903,195
Cash and cash equivalents	2,562,363	-	-	-	-	2,562,363
	341,737,836	**-**	**-**	**-**	**-**	**341,737,836**

Company - 2010

	Loans and receivables	Fair value through profit or loss - held for trading	Financial derivatives	Held to maturity investments	Available for sale	Total
	R	R	R	R	R	R
Loans to group companies	41,914,825	-	-	-	-	41,914,825
Trade and other receivables	342,158,169	-	-	-	-	342,158,169
Cash and cash equivalents	5,921,153	-	-	-	-	5,921,153
	389,994,147	**-**	**-**	**-**	**-**	**389,994,147**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

12. Deferred tax

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Deferred tax				
Accelerated capital allowances for tax purposes	(8,593,951)	(4,330,438)	(3,636,418)	(2,183,151)
Tax losses available for set off against future taxable income	5,039,205	2,655,315	-	-
Other deferred tax	874,906	256,440	637,982	256,440
Other deferred tax - Share based payments	602,157	301,093	602,157	301,093
	(2,077,683)	**(1,117,590)**	**(2,396,279)**	**(1,625,618)**
Reconciliation of deferred tax asset / (liability)				
At beginning of the year	(1,117,590)	(86,678)	(1,625,618)	(419,063)
Increase (decrease) in tax losses available for set off against future taxable income	2,383,889	1,282,595	-	-
Originating temporary difference on tangible fixed assets	(4,263,512)	(2,398,353)	(1,453,267)	(1,206,555)
Prior year	-	84,846	-	-
Other	919,530	-	682,606	-
	(2,077,683)	**(1,117,590)**	**(2,396,279)**	**(1,625,618)**
Non-current assets	1,334,530	1,606,782	-	-
Non-current liabilities	(3,412,213)	(2,724,372)	(2,396,279)	(1,625,618)
	(2,077,683)	**(1,117,590)**	**(2,396,279)**	**(1,625,618)**

13. Inventories

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Work in progress	6,357,922	5,982,686	6,357,922	5,982,686
Merchandise	277,280,001	290,336,945	193,514,636	194,934,141
	283,637,923	**296,319,631**	**199,872,558**	**200,916,827**
Inventory pledged as security				
Inventory pledged as security	125,000,000	125,000,000	125,000,000	125,000,000

Inventory was pledged as security for a credit facility with Arcelor Mittal on behalf of the group. At year end the facility amounted to R 300,000,000 (2010: R 300,000,000). Included in the inventory value above is inventory of R27,000,000 specifically ceded to Grindrod Bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

14. Trade and other receivables

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Trade receivables (net of provision)	345,447,590	360,064,384	292,941,967	335,266,606
Prepayments	734,137	1,900,492	537,881	272,710
Deposits	627,306	1,733,491	423,421	61,750
VAT	13,440,023	15,792,748	12,121,301	15,007,452
Staff loans	448,349	301,490	248,997	115,883
Sundry debtors	16,158,738	6,702,480	8,288,810	6,713,930
	376,856,143	**386,495,085**	**314,562,377**	**357,438,331**

Trade and other receivables pledged as security

Trade and other receivables with a value of R292,941,967 (2010: R335,266,606) were pledged as security for the debtors discounting facility. At year end the outstanding balance on the facility amounted to R169,857,722 (2010: R208,234,905).

Trade and other receivables past due and not impaired

The ageing of amounts past due and not impaired:

1 month past due	15,559,107	8,049,043	8,971,632	6,351,949
2 and more months past due	32,225,379	27,233,683	21,743,721	22,606,519

Trade and other receivables impaired

As of 31 March 2011, trade and other receivables were impaired and provided for.

The carrying amount of trade and other receivables are denominated in the following currencies:

Rand	270,298,293	304,397,823	286,537,789	330,063,248
US Dollar	75,149,297	55,666,561	6,404,178	5,203,358

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,253,465	7,574,511	1,284,607	2,710,059
Provision for impairment	6,059,623	4,191,394	5,838,606	4,191,394
Amounts written off as uncollectible	(3,617,261)	(9,058,834)	(3,617,261)	(5,616,846)
Unused amounts reversed	-	(453,606)	-	-
	4,695,827	**2,253,465**	**3,505,952**	**1,284,607**

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivables mentioned above. All company trade and receivables, with the exception of the Exports division, are insured by Lombard Insurance Company Ltd. The group does not hold any collateral as security. At year end trade and other receivables comprised 1,263 of individual debtors (2010: 1,022).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

15. Cash and cash equivalents

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Cash and cash equivalents consist of:				
Cash on hand	80,050	44,114	60,400	32,282
Bank balances	40,575,797	23,174,664	2,501,963	5,888,871
Short-term deposits	-	75,277	-	-
Bank overdraft	(219,262,847)	(213,454,044)	(191,450,578)	(208,808,792)
	(178,607,000)	**(190,159,989)**	**(188,888,215)**	**(202,887,639)**
Current assets	40,655,847	23,294,055	2,562,363	5,921,153
Current liabilities	(219,262,847)	(213,454,044)	(191,450,578)	(208,808,792)
	(178,607,000)	**(190,159,989)**	**(188,888,215)**	**(202,887,639)**

BSI Steel Limited has an invoice discounting facility of R300,000,000 which is secured by:

- book debts,

- unlimited suretyship by,

BSI Steel Zambia Ltd, incorporating a cession of loan funds

BSI Steel Katanga SPRL, excluding a cession of loan funds

Shearcut (Proprietary) Limited, excluding a cession of loan funds

Red Chip Investments (Proprietary) Limited

Newcolab (Proprietary) Limited

- cession of Lombards Local Policy No. CB1000393A-03.

The invoice discounting facility is inclusive of Forward exchange contracts, Guarantees and Letter of credit products.

At 31 March 2011 the Zambian company had an overdraft facility from Stanbic Bank Zambia Limited of USD5,000,000 (2010: USD5,000,000) to secure working capital and an additional USD150,000 guarantee for the supplier line. If called in the company would have an obligation to the bank in terms of counter indemnity of USD500,000 (2010: USD500,000). The guarantee is secured by way of a legal mortgage of USD600,000 (2010: USD600,000) on the company's properties and floating debenture over stocks and debtors for USD500,000 (2010: USD500,000).

A trade finance facility of R145,000,000 (2010: Nil) is available to the group through Grindrod Bank and China Construction Bank at prime related rates. Included in the overdraft balance at 31 March 2011 is an amount of R21,592,858. Securities for this facility includes a specific cession in security, a general cession in security (reversionary to Mittal) and unlimited cross-guarantees by the Company, Red Chip Investments (Pty) Ltd and Shearcut (Pty) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

16. Share capital and share premium

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Authorised				
10,000,000,000 Ordinary shares of 0.001 cents each	100,000	100,000	100,000	100,000
Analysis of number of shares issued:				
Number of shares in issue	719,854,996	719,854,996	719,854,996	719,854,996
Less: treasury shares held	(13,187,275)	(13,187,275)	-	-
	706,667,721	**706,667,721**	**719,854,996**	**719,854,996**

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.

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Issued				
706,667,721 Ordinary shares of 0.001 cents each	7,077	7,077	7,199	7,199
Share premium	113,304,366	113,304,366	124,293,966	124,293,966
	113,311,443	**113,311,443**	**124,301,165**	**124,301,165**

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.

Analysis of share premium				
Share premium of shares in issue	124,293,966	124,293,966	124,293,966	124,293,966
Treasury shares held	(10,989,600)	(10,989,600)	-	-
	113,304,366	**113,304,366**	**124,293,966**	**124,293,966**

17. Share based payments

Equity settled share based payments	Number	Weighted exercise price R	Total value R
Outstanding at the beginning of the prior year	6,072,500	0.760	4,615,100
Granted during the prior year	12,978,000	0.635	8,241,030
Forfeited during the prior year	434,000	0.678	294,340
Forfeited during the current year	939,000	0.678	636,890
Outstanding at the end of the year	17,677,500	0.675	11,924,900

The valuations were performed by means of the following inputs.

Outstanding options for 2010 and 2011	SAR scheme March 2009	SAR scheme August 2009	SAR scheme December 2009
Weighted average share price (cents)	76.0	63.5	63.5
Expected rolling volatility (percentage)	54.25%	52.80%	50.70%
Expected option lifetime (years)	5 - 6	4.67 - 5.67	5.33 - 6.33
Risk free rate based on zero-coupon government bond yield (average percentage)	8.24%	8.45%	8.35%

Information on options granted during the year

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of employee turnover and exercise behavior.

Fair value was determined by use of the Black Scholes model. The following inputs were used:
- Weighted average share price,
- Exercise price,
- Expected volatility,
- Option life,
- The risk-free interest rate,

Options are forfeited if the employee leaves the group before the options vest.

Total expenses of R 2,258,778 (2010: R 1,366,881) related to equity-settled share based payments transactions were recognised in 2011 and 2010 respectively.

Cash settled share based payments

Equity growth units (equity units) were allocated by the Board to senior executives on 1 April 2008 and 1 April 2009 at 100 cents and 76 cents respectively. Each grantee is entitled to a cash bonus on a future date reflective of the Company's share price. These equity units will only realise value after a three year performance period if the growth in the share price has exceeded CPI over the same period.

Fair value was determined by use of the Black Scholes model. The following inputs were used:
- Weighted average share price,
- Exercise price,
- Expected volatility,
- Option life,
- The risk-free interest rate,

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

17. Share based payments - continued

The valuations were performed by means of the following inputs.

Outstanding grants	Grant April 2008	Grant April 2009
Weighted average share price (cents)	100	76
Expected rolling volatility (percentage)	52.66%	51.95%
Expected option lifetime (years)	3	3
Risk free rate based on zero-coupon government bond yield (average percentage)	7.34%	7.97%

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Liability arising from share based payments				
Amount recognised	2,150,561	1,075,333	2,150,561	1,075,333

18. Foreign currency translation reserve

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Subsequent consolidation	(8,248,824)	191,517	-	-
Transfer to Accumulated profit	8,248,824	-	-	-
	-	**191,517**	**-**	**-**

19. Other financial liabilities

At fair value

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Foreign exchange contract	393,281	3,321,517	393,281	3,321,517
Cash settled share based payment The provision is a result of a Medium Term Incentive Plan scheme granted to directors of the company, refer to note 17.	2,150,561	1,075,333	2,150,561	1,075,333
	2,543,842	**4,396,850**	**2,543,842**	**4,396,850**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

19. Other financial liabilities - continued

Held at amortised cost	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Instalment sale agreements	49,343,825	56,272,629	17,969,485	44,014,744
The above instalment sale agreements are secured over property, plant and equipment as per note 5. They are repayable over periods varying from 2 to 72 months and bear interest at varying rates linked to prime.				
Mortgage bond	69,881,298	73,305,976	59,192,750	61,522,589
The above bonds are secured by land and buildings per note 5 as well as a cession of AIG insurance policy no. 02ESA4005503. They bear interest at varying rates linked to prime, are repayable on a ten year term in total monthly instalments of R990,254.				
	119,225,123	**129,578,605**	**77,162,235**	**105,537,333**
Total other financial liabilities	**121,768,965**	**133,975,455**	**79,706,077**	**109,934,183**

A revolving credit facility of R16,000,000 is shared between BSI Steel Ltd and Shearcut (Pty) Ltd but has not been utilised at year end. The maturity of the above liabilities are disclosed per note 3.

Non-current liabilities				
Fair value	2,150,561	1,075,333	2,150,561	1,075,333
At amortised cost	96,154,820	113,172,240	64,627,273	92,159,674
	98,305,381	**114,247,573**	**66,777,834**	**93,235,007**
Current liabilities				
Fair value	393,281	3,321,517	393,281	3,321,517
At amortised cost	23,070,303	16,406,365	12,534,962	13,377,659
	23,463,584	**19,727,882**	**12,928,243**	**16,699,176**
	121,768,965	**133,975,455**	**79,706,077**	**109,934,183**

The fair values of the financial liabilities approximate their carrying values. The directors, in terms of the company's Articles of Association, have unlimited borrowing powers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

20. Trade and other payables

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Trade payables	193,336,393	181,601,823	160,352,880	130,810,357
VAT	20,413	19,222	-	-
Accruals and other payables	14,846,925	12,840,120	11,845,578	12,880,349
Accrued expenses	444,556	1,346,378	-	-
Other accrued expenses	266,438	128,513	266,438	128,513
Deposits received	13,287,424	13,855,193	12,500,000	12,500,000
	222,202,149	**209,791,249**	**184,964,896**	**156,319,219**

The company has a credit facility of R300,000,000 (2010: R300,000,000) with Arcelor Mittal which is secured as follow:
- a bond over inventory to the value of R125,000,000 (2010: R125,000,000);
- reversionary cession of debtors and
- guarantees by the following companies:

Red Chip Investments (Proprietary) Limited

Shearcut (Proprietary) Limited

BSI Steel Mozambique, LDA to the value of R15 million

21. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group - 2011

	Financial liabilities at amortised cost R	Fair value through profit or loss – designated R	Total R
Other financial liabilities	119,225,123	2,543,842	121,768,965
Trade and other payables	222,202,149	-	222,202,149
Bank overdraft	219,262,847	-	219,262,847
	560,690,119	**2,543,842**	**563,233,961**

Group - 2010

	Financial liabilities at amortised cost R	Fair value through profit or loss – designated R	Total R
Other financial liabilities	129,578,605	4,396,850	133,975,455
Trade and other payables	209,791,249	-	209,791,249
Bank overdraft	213,454,044	-	213,454,044
	552,823,898	**4,396,850**	**557,220,748**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

21. Financial liabilities by category - continued

Company - 2011

	Financial liabilities at amortised cost R	Fair value through profit or loss – designated R	Total R
Loans from group companies	4,844,348	-	4,844,348
Other financial liabilities	77,162,235	2,543,842	79,706,077
Trade and other payables	184,964,896	-	184,964,896
Bank overdraft	191,450,578	-	191,450,578
	458,422,057	**2,543,842**	**460,965,899**

Company - 2010

	Financial liabilities at amortised cost R	Fair value through profit or loss – designated R	Total R
Loans from group companies	18,705,973	-	18,705,973
Other financial liabilities	105,537,333	4,396,850	109,934,183
Trade and other payables	156,319,219	-	156,319,219
Bank overdraft	208,808,792	-	208,808,792
	489,371,317	**4,396,850**	**493,768,167**

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
22. Revenue				
Sale of goods	1,856,448,025	1,437,039,113	1,560,022,877	1,323,771,511
Rental Income	-	29,250	-	-
	1,856,448,025	**1,437,068,363**	**1,560,022,877**	**1,323,771,511**
23. Cost of sales				
Sale of goods				
Cost of goods sold	1,583,758,605	1,236,086,548	1,400,604,399	1,183,111,722
Write down of inventories to net realisable value	-	8,255,779	-	8,255,779
	1,583,758,605	**1,244,342,327**	**1,400,604,399**	**1,191,367,501**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

24. Operating profit

Operating profit before interest and taxation for the year is stated after accounting for the following:

	Group		Company	
	2011 R	**2010 R**	**2011 R**	**2010 R**
Operating lease charges				
Premises				
• Contractual amounts	2,660,737	1,930,059	2,333,139	2,320,238
Equipment				
• Contractual amounts	51,299	229,126	16,039	-
	2,712,036	**2,159,185**	**2,349,178**	**2,320,238**
Loss on sale of property, plant and equipment	160,275	30,537	330,604	170,506
Foreign exchange gains	(1,323,206)	(1,668,645)	(2,041,048)	(470,692)
Auditors' remuneration - fees	1,552,012	1,055,000	1,100,000	670,632
Auditors' remuneration - prior year	1,027,021	-	1,027,021	-
Auditors' remuneration - consulting fees	38,101	6,325	30,601	4,700
Write down of goodwill	236,376	-	-	-
Impairment on property, plant and equipment	10,011	25,889	10,011	12,915
Depreciation	9,855,982	8,364,658	4,427,411	3,963,274
Amortisation	1,305,116	920,845	1,291,120	909,604
Employee costs	110,918,639	82,242,228	81,320,197	57,415,705

25. Investment income

	Group		Company	
	2011 R	**2010 R**	**2011 R**	**2010 R**
Dividend revenue				
Subsidiaries - local	-	-	11,957,999	-
Interest revenue				
Bank	278,597	568,064	43,163	539,806
Interest charged on trade and other receivables	810,643	794,933	727,706	794,933
Other interest	254,843	59,940	188,976	59,557
	1,344,083	**1,422,937**	**959,845**	**1,394,296**
	1,344,083	**1,422,937**	**12,917,844**	**1,394,296**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

26. Fair value adjustments

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Other financial assets	6,940	-	-	-

27. Finance costs

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Trade and other payables	11,109	3,367	11,109	-
Finance leases	3,881,908	2,888,137	1,744,084	1,880,436
Bank	3,436,488	2,861,976	97,446	13
Current borrowings	27,234,603	18,054,248	16,862,817	8,889,763
Other interest paid	-	-	6,624,484	6,981,201
	34,564,108	**23,807,728**	**25,339,940**	**17,751,413**

28. Taxation

Major components of the tax expense

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Current				
Local income tax - current period	5,947,162	8,140,923	33,250	2,998,635
Local income tax - recognised in current tax for prior periods	(2,540,153)	-	(185,872)	-
STC	1,783,335	-	1,413,335	-
	5,190,344	**8,140,923**	**1,260,713**	**2,998,635**
Deferred				
Originating and reversing temporary differences relating to tangible fixed assets	3,343,982	2,398,353	770,661	1,206,555
Temporary differences due to unutilised tax losses	(2,383,889)	(1,282,595)	-	-
Realisation of deferred tax on noncurrent assets held for sale	-	(2,136,686)	-	-
Prior period	-	(84,846)	-	-
	960,093	**(1,105,774)**	**770,661**	**1,206,555**
	6,150,437	**7,035,149**	**2,031,374**	**4,205,190**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

28. Taxation – continued

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Permanent differences	(8.97)%	(6.22)%	(22.45)%	4.29%
Secondary tax on companies	4.23%	-%	9.74%	
Prior year	(6.25)%	(0.25)%	(1.29)%	(0.60)%
Other	-%	(0.03)%	-%	(0.07)%
Foreign tax	(2.41)%	(0.18)%	-%	
	14.60%	**21.32%**	**14.00%**	**31.62%**

29. Cash generated from (used in) operations

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Profit before taxation	42,126,709	32,994,701	14,511,533	13,298,051
Adjustments for:				
Depreciation and amortisation	11,161,098	9,284,989	5,718,532	4,872,879
Loss on sale of assets	160,275	30,537	330,604	170,506
Profit on sale of non-current assets and disposal groups	-	(7,868,229)	-	-
Dividends received	-	-	(11,957,999)	-
Interest income	(1,344,082)	(1,422,937)	(959,845)	(1,394,296)
Finance costs	34,564,108	23,807,728	25,339,940	17,751,413
Fair value adjustments	(6,940)	-	-	-
Impairment loss / realisation of investment	236,376	-	1,239,122	-
Foreign exchange gains	237,949	4,513,128	-	-
Share based payment provisions	2,258,778	1,366,881	2,258,778	1,366,881
Changes in working capital:				
Inventories	7,626,871	(63,799,687)	1,044,269	(12,214,087)
Trade and other receivables	1,961,320	(86,859,772)	42,875,954	(111,792,672)
Trade and other payables	18,854,156	53,684,811	28,645,677	(4,797,050)
	117,836,618	**(34,267,850)**	**109,046,565**	**(92,738,375)**

30. Tax (paid) refunded

	Group 2011 R	Group 2010 R	Company 2011 R	Company 2010 R
Balance at beginning of the year	(11,510,642)	572,608	(1,343,869)	6,722,275
Current tax for the year recognised in profit or loss	(5,190,344)	(8,140,923)	(1,260,713)	(2,998,635)
Balance at end of the year	4,648,413	11,510,642	(2,576,997)	1,343,869
	(12,052,573)	**3,942,327**	**(5,181,579)**	**5,067,509**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

31. Commitments

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Authorised capital expenditure				
Already contracted for but not provided for				
Property, plant and equipment	1,024,500	-	-	-
Not yet contracted for and authorised by directors	120,000	3,547,426	120,000	2,142,946

This committed expenditure relates to the extention of the warehousing and processing facility at Lusaka, Zambia by available bank facilities and will be fulfilled within the next financial year as well as an upgrade to the existing warehousing facility at Klipriver, Johannesburg.

Operating leases – as lessee (expense)

Minimum lease payments due				
- within one year	942,540	1,019,820	-	-
- in second to fifth year inclusive	942,540	2,039,640	-	-
	1,885,080	**3,059,460**	**-**	**-**

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

32. Contingencies

The group has issued cross-guarantees in the form of unlimited surety ships excluding loan cessions, in favour of Nedbank Corporate, Grindrod Bank and China Construction Bank as per note 15.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

33. Related parties

	Group		Company	
	2011 R	2010 R	2011 R	2010 R
Related party balances				
Loan accounts - owing (to) by related parties				
Newcolab (Proprietary) Limited	-	-	(3,669,850)	(3,340,484)
BSI Steel Zambia Limited	-	-	-	369,220
Doddleprops (Proprietary) Limited	-	-	-	(13,166,061)
Red Chip Investments (Proprietary) Limited	-	-	(1,174,498)	(1,458,429)
Shearcut (Proprietary) Limited	-	-	28,052,510	41,545,605
BSI Steel Africa Ltd	-	-	9,219,768	-
BSI Steel Katanga SPRL	-	-	-	(740,999)
Amounts included in trade receivable (trade payable) regarding related parties				
Shearcut (Proprietary) Limited	-	-	(1,760,100)	(286,902)
BSI Steel Mozambique LDA	-	-	7,427,147	3,011,674
BSI Steel Zambia Limited	-	-	10,414,257	16,879,660
BSI Steel Katanga SPRL	-	-	2,278,581	7,471,007
WR Teichmann (executive director)	1,217,211	-	1,217,211	-
Related party transactions				
Interest paid to (received from) related parties				
Doddleprops (Proprietary) Limtied	-	-	-	1,030,062
Newcolab (Proprietary) Limited	-	-	332,409	297,293
Red Chip Investments (Proprietary) Limited	-	-	115,998	173,109
Purchases from (sales to) related parties				
Shearcut (Proprietary) Limited	-	-	16,332,444	8,866,849
BSI Steel Mozambique, LDA	-	-	(14,391,701)	-
BSI Steel Zambia Limited	-	-	(117,618,296)	(153,917,820)
BSI Steel Katanga SPRL	-	-	(36,626,620)	(44,152,339)
Rent paid to (received from) related parties				
Doddleprops 6 (Pry) Ltd	-	-	-	68,616
Red Chip Investments (Pty) Ltd	-	-	2,186,462	2,057,516
Shearcut (Pty) Ltd	-	-	(2,847,902)	-
Fees paid to (received from) related parties				
Shearcut (Proprietary) Limited	-	-	831,150	5,911,560
Richard Lewis Smith & Associates	186,762	-	186,762	-

Relationships

Holding company	BSI Steel Limited
Subsidiaries	Refer to note 8
Shareholder with significant influence	Refer to shareholding analysis
Members of key management	William Battershill
	Grant Mackenzie
	James Waller

Details of compensation to directors and other key management is detailed in note 34.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2011

34. Directors' emoluments

Executive

2011	Basic remuneration R	Performance bonus R	Retirement , medical and other benefits R	Total R
WL Battershill	1,689,031	809,422	284,878	2,783,331
GDG Mackenzie	1,964,241	969,438	328,430	3,262,109
JR Waller	1,224,977	602,416	235,576	2,062,969
WR Teichmann	1,307,701	368,631	154,996	1,831,328
C Parry	1,161,124	1,181,915	228,444	2,571,483
	7,347,074	**3,931,822**	**1,232,324**	**12,511,220**

2010	Basic remuneration R	Performance bonus R	Retirement, medical and other benefits R	Total R
WL Battershill	1,432,806	500,858	253,798	2,187,462
GDG Mackenzie	1,665,783	519,722	282,046	2,467,551
JR Waller	1,092,529	336,469	204,494	1,633,492
C Parry	1,055,411	684,850	188,286	1,928,547
WR Teichmann	1,111,553	248,976	179,478	1,540,007
	6,358,082	**2,290,875**	**1,108,102**	**9,757,059**

Non-executive

2011	Directors' fees R	Committee fees R	Total R
NG Payne	80,000	130,000	210,000
RG Lewis	67,250	62,750	130,000
BM Khoza	80,000	40,000	120,000
	227,250	**232,750**	**460,000**

2010	Directors' fees R	Committee fees R	Total R
NG Payne	80,004	129,996	210,000
BM Khoza	80,004	39,996	120,000
	160,008	**169,992**	**330,000**

35. Subsequent events

No events affecting the current financial year have occurred between the end of the financial year and the date of these financial statements.

for the year ended 31 March 2011

36. Earnings per share

	Group	
	2011 R	**2010 R**
Basic		
Profit attributable to ordinary shareholders	35,976,272	25,959,552
Weighted average number of ordinary shares in issue	706,667,721	709,392,956
Basic and diluted earnings per share (cents)	5.09	3.66
Headline earnings attributable to ordinary shareholders:		
Profit attributable to equity holders of the group	35,976,272	25,959,552
Adjusted for:		
- loss on disposal of property, plant and equipment	160,275	30,537
- profit on disposal of non-current assets held for sale	-	(7,868,229)
- tax impact of the above adjustments	(44,877)	2,194,554
Headline earnings attributable to ordinary shareholders	**36,091,670**	**20,316,414**
Weighted number of shares	706,667,721	709,392,956
Basic and diluted headline earnings per share (cents)	5.11	2.87

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group by the weighted average number of ordinary shares in issue during the year.

Headline

Headline earnings per share is calculated by excluding all the capital gains and losses from the profit attributable to ordinary shareholders and dividing the resultant headline earnings by the weighted average number of ordinary shares in issue during the year.

The share based payments provided for have a trivial dilutive effect on basic and headline earnings per share and are therefore not disclosed.

SHAREHOLDER ANALYSIS

BSI Steel Limited : Shareholder Analysis Tables

Register Date: 25 March 2011

Issued Share Capital: 719,854,996 shares

THOMSON REUTERS

SHAREHOLDER SPREAD	No. of shareholders	%	No. of Shares	%
1 - 1,000 shares	60	7.67	36 545	0.01
1,001 - 10,000 shares	344	43.99	1 709 540	0.24
10,001 - 100,000 shares	254	32.48	9 882 030	1.37
100,001 - 1,000,000 shares	94	12.02	28 896 315	4.01
1,000,001 shares and over	30	3.84	679 330 566	94.37
Total	**782**	**100**	**719 854 996**	**100**

DISTRIBUTION OF SHAREHOLDERS	No. of shareholders	%	No. of Shares	%
Banks	2	0.26	101 000	0.01
Brokers	1	0.13	702 189	0.10
Close Corporations	18	2.30	81 399 300	11.31
Endowment Funds	3	0.38	210 000	0.03
Hedge Fund	2	0.26	6 025 116	0.84
Individuals	674	86.19	89 703 194	12.46
Investment Companies	2	0.26	1 437 054	0.20
Mutual Funds	6	0.77	21 925 242	3.05
Nominees and Trusts	49	6.27	499 782 630	69.43
Other Corporations	5	0.64	82 752	0.01
Pension Funds	2	0.26	605 300	0.08
Private Companies	17	2.17	17 381 219	2.41
Public Companies	1	0.13	500 000	0.07
Total	**782**	**100**	**719 854 996**	**100**

PUBLIC / NON - PUBLIC SHAREHOLDERS	No. of shareholdings	%	No. of Shares	%
Non - Public Shareholders	**58**	**7.42**	**573 650 205**	**79.69**
Directors of the Company holdings	15	1.92	510 669 906	70.94
Directors of Subsidiaries	3	0.38	12 694 058	1.76
Designated Advisor	2	0.26	2 210 000	0.31
Employees	37	4.73	34 888 966	4.85
Subsidiary	1	0.13	13 187 275	1.83
Public Shareholders	**724**	**92.58**	**146 204 791**	**20.31**
Total	**782**	**100**	**719 854 996**	**100**

MAJOR SHAREHOLDERS	No. of Shares	%
Basfour 2052 CC	**54 068 666**	**7.51**

Directors' holdings are disclosed in note 10 of the directors' report.

NOTICE OF ANNUAL GENERAL MEETING

BSI Steel Limited
(Incorporated in the Republic of South Africa)
(Registration no 2001/023164/06)
JSE code: BSS ISIN: ZAE000125134
("BSI" or "the Company")

Notice is hereby given that the annual general meeting of members of BSI Steel Limited will be held at BSI Steel Limited Gauteng, Erf 24, Farm Waterval, M61, Kliprivier on Friday, 23 September 2011 at 4.00 pm to consider the business set out herein and if deemed fit, to pass, with or without modification the ordinary and special resolutions set out below:

Memorandum of Incorporation

Until the Companies Act, no 71 of 2008, as amended ("Companies Act") came into effect on 1 May 2011, the memorandum of incorporation ("MoI") of the company comprised its memorandum of association and its articles of association. On the date that the Companies Act came into effect, the memorandum of association and articles of association of the company automatically converted into the company's MoI. Accordingly, for consistency of reference in this notice of annual general meeting, the term "MoI" is used throughout to refer to the company's memorandum of incorporation (which comprised the company's memorandum of association and its articles of association, as aforesaid).

Ordinary Business:

Ordinary resolution no. 1: Consideration of Annual Financial Statements

To receive and adopt the annual financial statements for the company and the group for the year ended 31 March 2011, together with the directors' and auditors' reports.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Ordinary resolution no. 2: Re-appointment of auditors

To re-appoint Deloitte and Touche as independent auditors of the company (the designated auditor being Mr. C Sagar) for the ensuing year, such auditors having been nominated by the company's Audit Committee.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Ordinary resolution no. 3: Re-election of directors

In terms of clause 117 of the company's Memorandum of Incorporation, the following directors retire by rotation at the annual general meeting, but being eligible, offer themselves for re-election.

Mr W L Battershill

Mr G D G Mackenzie

Mr J R Waller

Accordingly, shareholders are requested to consider and, if deemed fit, to re-elect the directors named above by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 3(a)

Appointment of Mr W L Battershill as director

"Resolved that Mr W L Battershill be and is hereby elected as a director of the company"

NOTICE OF ANNUAL GENERAL MEETING *- continued*

Ordinary resolution number 3(b)

Appointment of Mr G D G Mackenzie as director

"Resolved that Mr G D G Mackenzie be and is hereby elected as a director of the company"

Ordinary resolution number 3(c)

Appointment of Mr J R Waller as director

"Resolved that Mr J R Waller be and is hereby elected as a director of the company"

The election of each director who, among other things, retires by rotation is required at the company's annual general meeting. The election will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy as required under section of 68(2) of the Companies Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

A brief CV of each director is available on pages 12 to 14 of this annual report.

Ordinary resolution no. 4: Appointment of Audit Committee

To appoint individually the following independent non-executive directors to the Audit Committee:

Ordinary resolution no. 4(a)

Appointment of Mr N G Payne as a member of the Audit Committee

Ordinary resolution no. 4(b)

Appointment of Mr B M Khoza as a member of the Audit Committee

Ordinary resolution no. 4(c)

Appointment of Mr R G Lewis as a member of the Audit Committee

A brief CV of each director is available on 12 to 14 of this annual report.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Ordinary Resolution no. 5: Unissued ordinary shares placed under the control of the directors

Resolved that the entire authorised but unissued ordinary share capital of the company, from time to time be placed under the control of the directors of the company, which directors are, subject to the Listings Requirements of the JSE Limited ("JSE"), authorised to allot and issue any such shares at such time or times, to any such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the next annual general meeting of the company, but at all times subject to sufficient unissued shares being available for issue and subject to the provisions of the Act.

Ordinary resolution no. 6: General authority to issue shares for cash

Resolved that in terms of the Listing Requirements of the JSE Limited ("JSE"), the mandate given to the directors of the company in terms of a general authority to issue shares for cash, as and when suitable opportunities arise, be renewed subject to the following conditions:

1 The general authority be valid until the company's next annual general meeting provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter).
2 The allotment and issue of the shares must be made to public shareholders as defined in the Listing Requirements of the JSE and not to related parties.
3 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 shares or rights that are convertible into a class already in issue.
4 The number of shares issued for cash in aggregate in any one financial year shall not exceed 50% (fifty percent) of the company's issued ordinary share capital. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application.
5 The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those shares over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities or any other price agreed to by the JSE.
6 After the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue (including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 business days prior to the date that the price of the issue is agreed in writing between the issuer and the party subscribing for the shares and the effect of the issue on net asset value, net tangible asset value, earnings and headline earnings per share), or any other announcements that may be required in such regard in terms of the Listing Requirements of the JSE which may be applicable from time to time.

In terms of the Listing Requirements of the JSE, a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting, excluding the Designated Advisor and the controlling shareholders together with their associates, must be cast in favour of ordinary resolution number 6 for it to be approved.

Ordinary resolution no 7: Remuneration philosophy:

To approve, by way of a non-binding advisory vote, the remuneration philosophy of the company as set out on page 41 of this report.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Special Business:

Special resolution no 1: General Authority to repurchase shares:

Resolved in terms of the MoI of the company (or one of its wholly-owned subsidiaries) and section 48 of the Companies Act, No 71 of 2008 that the directors of the company be authorised, by way of a general authority, until this authority lapses at the next annual general meeting of the company provided that it shall not extend beyond fifteen months from the date of passing of this special resolution (whichever period is the shorter), to acquire the company's own shares, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the Listings Requirements of the JSE Limited ("JSE") subject to the following terms and conditions:

1 any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party;
2 at any point in time, the company may only appoint one agent to effect any repurchases on its behalf;

NOTICE OF ANNUAL GENERAL MEETING *- continued*

Special resolution no 1: General Authority to repurchase shares - continued

3 the number of shares which may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 20% (twenty percent) of the company's issued share capital as at the date of passing of this general resolution or 20% of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;

4 repurchases of shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the five business days immediately preceding the date on which the transaction was effected;

5 repurchases may not be undertaken by the company or any of its wholly owned subsidiaries during a prohibited period as defined in the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

6 after the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, the company shall publish an announcement containing full details of such repurchase, and;

7 the company may not enter the market to proceed with the repurchase of its shares until the company's Designated Advisor has confirmed the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE.

8 the Board of directors have passed a resolution authorizing the repurchase and that the company has passed the solvency and liquidity test contained in s 4 of the Companies Act, and that since the test was done, there have been no material changes to the financial position of the company.

The effect of the general resolution and the reason there for is to extend the general authority given to the directors of the company or any subsidiary of the company in terms of the Act and the JSE Listings Requirements for the acquisition by the company or its subsidiaries of the company's securities which authority shall be used at the directors' discretion during the course of the period authorised.

In accordance with the Listings Requirements of the JSE, the directors record that:

The directors have no specific intention to repurchase shares, but would utilise the renewed general authority to repurchase securities to serve our shareholders' interests, as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the effect of the maximum number of securities which may be repurchased pursuant to the general authority, are of the opinion that for a period of 12 months after the date of the general repurchase:

- the company and the group will be able to pay their debts in the ordinary course of business;
- the consolidated assets of the company and of the group will be in excess of the liabilities of the company and the group; the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited group annual financial statements ;
- the share capital and reserves of the company and of the group are adequate for ordinary purposes; and
- the working capital of the company and the group will be adequate for ordinary business.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% plus one vote to be cast on the resolution.

NOTICE OF ANNUAL GENERAL MEETING *- continued*

Special resolution no 2: Approval of directors' remuneration:

Resolved that in terms of s 66(9) of the Companies Act, the company be authorised to pay remuneration to its directors for their services as directors as listed below.

	Fees Y/E 31 March 2011	Fees Y/E 31 March 2012
Board member	80 000	89 000
Audit Committee chairman	76 000	79 000
Audit Committee member	40 000	41 500
Risk committee chairman	54 000	57 000
Remuneration committee chairman	42 750	44 000

The reason for special resolution 2 is to obtain shareholder approval by special resolution for directors' remuneration for services as directors in compliance with the Companies Act.

It is noted that the remuneration payable to directors is in their capacities as such and does not include salaries and other benefits payable to directors in other capacities.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote to be cast on the resolution.

Special resolution no 3: Financial assistance to related or inter-related companies:

Resolved that the Board of directors be authorised in terms of s 45 of the Companies Act, to allow the company to give financial assistance to related or inter-related companies within the BSI group of companies. Such authority to remain in force for a period of 2 years.

The reason for special resolution no 3 is to the authorise the Board of directors in terms of s 45 of the Companies Act, to allow the company to give financial assistance to related or inter-related companies within the BSI group of companies.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote to be cast on the resolution.

Special resolution no 4: Financial assistance for subscription of securities to related or inter-related companies:

Resolved that the Board of directors be authorised in terms of s 44 of the Companies Act, to allow the company to give financial assistance for the subscription of securities to related or inter-related companies within the BSI group of companies. Such authority to remain in force for a period of 2 years.

The reason for special resolution no 4 is to the authorise the Board of directors in terms of s 44 of the Companies Act, to allow the company to give financial assistance for the subscription of securities to related or inter-related companies within the BSI group of companies.

Special resolution no 5: Financial assistance to a director or prescribed officer of the company:

Resolved that the Board of directors be authorised in terms of s 45 of the Companies Act, to allow the company to give financial assistance to a director or prescribed officer of the company or of a related or inter-related company. Such authority to remain in force for a period of two years.

The reason for this resolution is that in terms of the company's senior executive profit share scheme, it is possible for a director or prescribed officer to be overpaid. In terms of the scheme, profit share payments are made quarterly. Given the extreme volatility of the industry in which the company operates, on occasion the profit in one quarter may be offset by a loss in another quarter resulting in a director or prescribed officer being overpaid. The director or prescribed officer is required to repay the overpayment by receiving reduced future profit share payments.

NOTICE OF ANNUAL GENERAL MEETING *- continued*

Special resolution no 5: Financial assistance to a director or prescribed officer of the company - continued

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote to be cast on the resolution.

Disclosures required in terms of paragraph 11.26 of the JSE Listings Requirements:

The following additional information, some of which may appear elsewhere in this annual report is provided in terms of the JSE Listing Requirements for purposes of the special resolution:

Directors of the company – pages 12 to 14

Major shareholders – page 103

Directors' interest in the company's shares – page 51

Company's share capital – page 90

Directors' responsibility statement

The directors, whose names are given on page 12 to 14 of this annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution no. 1, 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 aforementioned special resolution contains all the information required by the JSE.

Material change

Other than the facts and developments reported on in this Annual Report, there have been no material changes in the financial or trading position of the company or its subsidiaries since the company's financial year end and the signature date of this annual report.

Litigation statement

Other than as disclosed or accounted for in this annual report, the directors are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened of which the company is aware which may have or have had in the recent past, being at least the previous 12 months from date of this annual report, a material effect on the financial position of the company and its subsidiaries.

Voting and Proxies

A shareholder of the company entitled to attend, speak, and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and on a poll, vote in his stead. The proxy need not be a shareholder of the company. A form of proxy is attached for the convenience of any certificated shareholder and own name registered dematerialised shareholder who cannot attend the annual general meeting, but who wishes to be represented.

Additional forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address set out on the inside of the back cover, to be received by no later than 9:00 on Wednesday 21 September 2011. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

On a show of hands, every shareholder of the company present in person or by proxy shall have 1 (one) vote only, irrespective of the number of shares he holds or represents, provided that a proxy shall, irrespective of the number of members he represents have only 1 (one) vote. On a poll, every shareholder of the company who is present in person or represented by proxy, shall have one vote for every share held in the company by such shareholder.

NOTICE OF ANNUAL GENERAL MEETING *- continued*

Voting and Proxies - continued

Shareholders who have dematerialised their ordinary shares through a CSDP or broker, other than own name registered dematerialised shareholders, and who wish to attend the annual general meeting must request their CSDP or broker to issue them with a Letter of Representation. Alternatively dematerialised shareholders other than own name registered dematerialised shareholders, who wish to be represented, must provide their CSDP or broker with their voting instructions in terms of the custody agreement between them and their CSDP or broker in the manner and by time-frame stipulated.

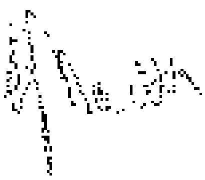
Any shareholder of the Company that is company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the Companies Act 71 of 2008, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Voting will be performed by way of a poll so that each shareholder present or represented by way of proxy will be entitled to vote the number of shares held or represented by them.

Equity securities held by a share trust or scheme will not have their votes at the Annual General Meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Unlisted securities (if applicable) and shares held as treasury shares may not vote.

By order of the Board



S J Hackett

Company Secretary

Pietermaritzburg
11 August 2011

FORM OF PROXY

BSI Steel Limited
(Incorporated in the Republic of South Africa)
(Registration no 2001/023164/06)
JSE code: BSS   ISIN: ZAE000125134
("BSI" or "the Company")

For use by the holders of the company's certificated ordinary shares ("certificated shareholder") and/or dematerialised ordinary shareholders whose shares are held through a CSDP or broker and who have selected own name registration ("own name dematerialised shareholders") at the annual general meeting of the company to be held at BSI Steel Limited Gauteng, Erf 24, Farm Waterval, M61, Klipriver on Friday, 23 September 2011 at 4.00 pm and at any adjournment thereof.

Not for the use by holders of the company's dematerialised ordinary shares who are not own name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary Letter of Representation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We (Please print full names) ____
of (address) ____
being the holder(s) of ____________________ ordinary shares in the company, hereby appoint
____ or failing him / her
____ or failing him / her

the chairperson of the annual general meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting which will be held for the purpose of considering and deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for/and or against the special and ordinary resolution and/or abstain from voting in respect of the ordinary share register in my/our name/s, in accordance with the following instruction:
(*Please indicate with an "X" the appropriate space below how you wish your votes to be cast unless otherwise instructed my/our proxy may vote as he/she thinks fit.

	In favour	Against	Abstain
ORDINARY BUSINESS			
1. To adopt the annual financial statements for the year ended 31 March 2011			
2. To re-appoint Deloitte and Touche as independent auditors of the company (the designated Auditor being Mr C Sagar)			
3. (a) To re-elect Mr W L Battershill as a director			
(b) To re-elect Mr G D G Mackenzie as a director			
(c) To re-elect Mr J R Waller as a director			
4. (a) To appoint Mr N G Payne as a member of the Audit Committee			
(b) To appoint Mr B M Khoza as a member of the Audit Committee			
(c) To appoint Mr R G Lewis as a member of the Audit Committee			
5. To place unissued shares under the control of the directors			
6. General authority to issue shares for cash			
7. Remuneration philosophy.			
SPECIAL BUSINESS			
1. General authority to repurchase shares			
2. Approval of director's remuneration			
3. Financial assistance to related companies			
4. Financial assistance for subscription of securities			
5. Financial assistance to directors / prescribed officers			

Signed this ____________ day of ____________________ 2011

Signature
Assisted by (if applicable)
Please read the notes on the reverse.

FORM OF PROXY

1 This form of proxy is to be completed only by those members who are:

a) holding shares in certificated form; or

b) recorded in the sub register in electronic form in their “own name”.

2 A shareholder may insert the name or names of two alternative proxies of his/her choice in the space provided, with or without deleting “the chairman of the meeting”. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the company, is entitled to attend, speak and vote on behalf of the shareholder.

3 A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder’s instructions to the proxy must be indicated in the appropriate spaces.

4 If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.

Forms of proxy must be lodged at, posted to or faxed to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2107) to reach the company by no later than 09.00 on Wednesday, 21 September 2011.

5 Documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company’s transfer secretaries or waived by the chairperson of the annual general meeting.

6 The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms of this proxy form.

7 Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

8 The chairman of the meeting may accept or reject any form of proxy, which is completed and/or received other than in accordance with these notes, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a member wishes to vote.

9 Shareholders who have dematerialised their shares must inform their Central Securities Depository Participant (“CSDP”) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary Letter of Representation to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented there at. This must be done in terms of the agreement entered into between the members and their CSDP or broker.

10 Please note that in terms of section 58(3):

- the appointment of a proxy is revocable unless the proxy appointment expressly states otherwise. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy; and delivering a copy of the revocation instrument to the proxy, and to the company. The revocation will take effect on the later of (i) the date stated in the revocation instrument; or (ii) the date on which the revocation instrument was delivered to the proxy and the company.
- a proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- a proxy must be delivered to the company, or to the transfer secretary of the company , namely Computershare Investor Services (Pty) Limited, before your proxy exercises any of your rights as a shareholder at the general meeting.