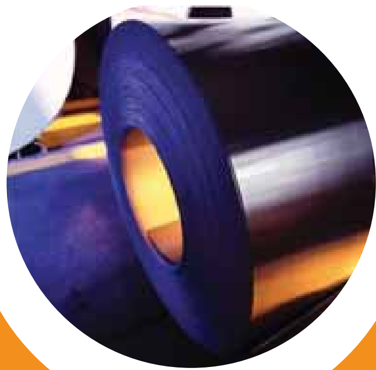
INSIMBI

Insimbi Refractory and Alloy Supplies Ltd

Reg. No. 2002/029821/06



Annual Report 2009

Insimbi Refractory and Alloy Supplies Limited

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Contents

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www.insimbi-alloys.co.za

Profile

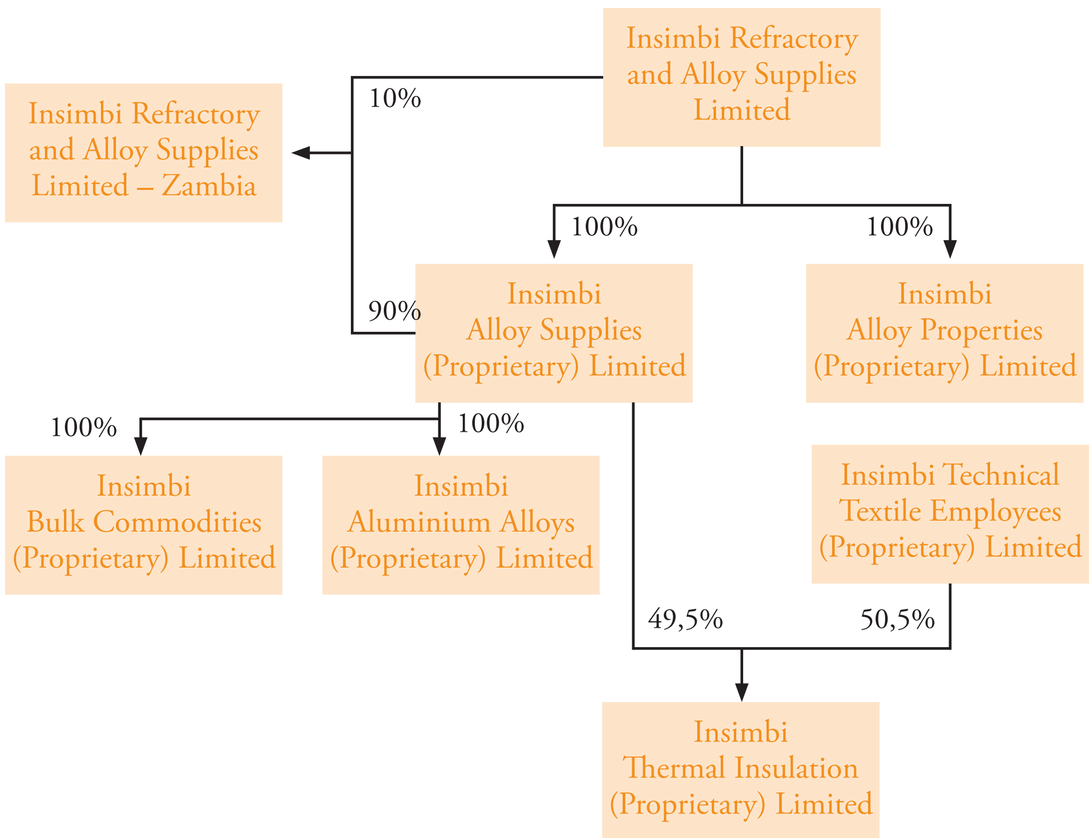
"Insimbi" is the Zulu word for metal and is taken from the saying "Insimbi Kayigobi". In this context, Insimbi is seen to be strong and able to withstand the hardships of nature and, in turn, the pressures of life.

Insimbi was converted from a private company to a public company on 12 February 2008 and listed on the Alternative Exchange (AltX) of the JSE Limited (JSE) on 14 March 2008.

This annual report is the second report to the public shareholders of Insimbi Refractory and Alloy Supplies Limited and outlines both financial and corporate issues.

Group Structure

The group structure of Insimbi is set out below:



Directorate

The profiles of the Insimbi directors are set out below:

EXECUTIVE DIRECTORS

Fathima Bee Bee Abdul Gany 33
Financial Director
Chartered Accountant (South Africa)
Appointed to the board on 1 December 2008

Fathima served her articles with Ernst&Young. She completed her Bachelors and Honours in Accounting Sciences at Unisa and holds an Advanced Certificate in Accounting. After completing her articles she was appointed as financial director of VWS Envig, a subsidiary belonging to the French Group – Veolia which is listed on the New York and Paris Stock Exchanges. She was with this company for six years and was the chief financial officer of its African operations. Prior to joining Insimbi she held the position of marketing planning manager of Yum Restaurants International, an American holding company of various franchised restaurants including KFC and Pizza Hut.

Colin Francis Botha 41
Sales Director – Non-ferrous and Foundry Division
National Higher Diploma in Metallurgical Engineering from Witwatersrand Technikon
Appointed to the board on 11 June 2004

Colin commenced employment with Insimbi in 1992 as a Technical Sales Representative and has been promoted during his tenure to Divisional Sales Director.

Frederik Botha 45
Commercial Director
Chartered Accountant (South Africa)
Appointed to the board on 11 June 2004

Fred has a BComm from the University of Cape Town and a BCompt (Honours) from the University of South Africa. He completed his articles with Coopers & Lybrandt (now PricewaterhouseCoopers). He worked in Malawi for four years from 1993 to 1997 in a large trading operation in the role of Group Financial Controller and Group Operations Director. From 1997 to 2002 he worked in Zambia in a large basic foodstuff manufacturing and agriculture trading operation in the role of Commercial Director. Fred joined Insimbi in 2002 and sits on the Pension Fund Management Committee and heads up the Investment Committee.

Eduard Philip Liechti 48
Sales Director – Speciality and Steel Divisions
National Diploma Engineering Metallurgy Witwatersrand Technikon
Appointed to the board on 11 June 2004

Prior to joining Insimbi in 1988, Eddie worked as trainee metallurgist at Haggie Rand Germiston. Over the past 21 years Eddie has gained extensive knowledge of Insimbi's product range and has worked in and sold products to the foundry, non-ferrous, refractory and steel industries.

Pieter Jacobus Schutte 50
Chief Executive Officer
National Diploma in Ceramic Technology
Appointed to the board on 11 June 2004

Prior to joining Insimbi in 1996, Pieter worked for Vereeniging Refractories (Proprietary) Limited in their Research Technical Department and later as a Technical Sales Representative and at Cullinan Refractories (Proprietary) Limited as their Export Sales Manager. Pieter was appointed Chief Executive Officer on 1 March 2008. He sits on the Pension Fund Management Committee and chairs the Equity Committee.

Leslie Gustav Tessendorf 65
Divisional Director – KwaZulu-Natal Division
Artisan Fitter and Turner
Appointed to the board on 20 July 2005 as alternate to Colin Francis Botha

Prior to joining Insimbi, Les worked for Tubemakers of South Africa (Proprietary) Limited in various positions and then as Sales Manager for Van Leeuwen Pipe and Tube (Proprietary) Limited. Les was also appointed a Sales Manager and later director of Natal Foundry Supplies (Proprietary) Limited. When the company was divisionalised in August 2004, Les was appointed to his current position.

NON-EXECUTIVE DIRECTORS

Dr Gilimamba Sylvester Mahlati 52
Independent Non-executive Director
MB ChB University of Natal, FRCS (SA), Clinical Fellow in liver surgery, King's College Hospital, London
Appointed to the board on 1 January 2009

Gil is an executive director on the board of Vuwa Investments, a private equity fund with Old Mutual, and Vuwa Healthcare. His non-executive directorships include Sephaku Holdings and Liseko Investments. Gil sits on the Audit Committee.

Lerato Yvonne Masholoqu 36
Independent Non-executive Director
Bachelor of Science (BSc) in Mathematics and Computer Science
Appointed to the board on 19 March 2008

Lerato graduated from the University of Lesotho in 1997 with a BSc in Mathematics and Computer Science and in 2005 completed her Masters in Business Administration at Wits Business School. Her research report for her MBA was on a funding model for the commercial financing of small and medium businesses. She completed her MBA electives in Finance at the Cranfield School of Management (UK). She headed the Post Investment Division at the National Empowerment Fund and worked as an Executive Director of the CIDA Empowerment Fund. Lerato sits on the Audit Committee.

Daniel John O'Connor 61
Non-executive Chairman
Higher National Diploma in Metallurgy
Appointed to the board on 11 June 2004

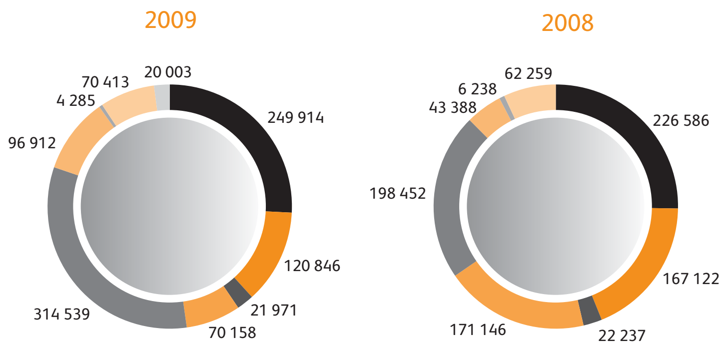
Danny has over 34 years' experience in the metal alloy, refractory, steel and iron industry. He commenced employment with Insimbi in 1982 as a Sales Representative and was appointed Managing Director in December 2002. Danny retired in February 2008 and was subsequently appointed as non-executive Chairman on 1 March 2008.

Financial Highlights

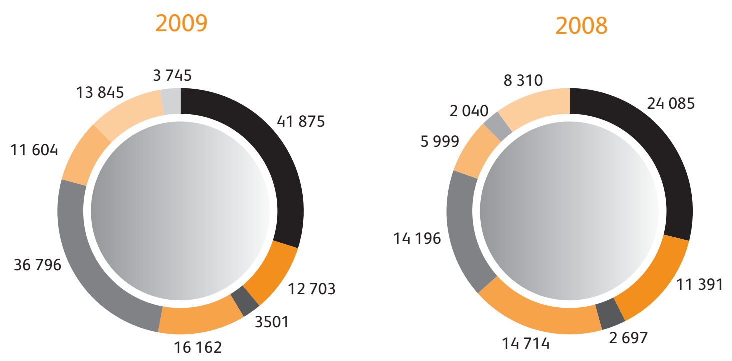
Revenue	R969 million
Operating profit	R87 million
Profit before tax	R76 million
Attributable and headline earnings	R54 million
Earnings per share (cents)	20,67
Headline earnings per share (cents)	20,86

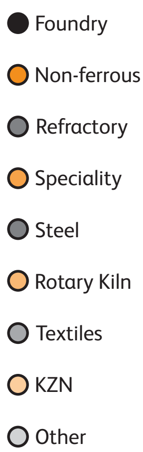
Segmental Report – Revenue and Gross Profit

Revenue by division R000's



Gross Profit by division R000's





Chairman's Report

In this, our maiden year listed on AltX, we have risen to the challenges and met the requirements associated with being a listed company.

The year under review can best be described as a game of two halves with the first half displaying exceptional results and then the second half experiencing the effects of the global recession. Insimbi continues to be a major supplier of metals, alloys and refractories to the Southern African metallurgical and cement industries. Our results for the year ending 28 February 2009 are excellent, and with our continual emphasis on reliability and quality, the future looks promising.

The effect of the global recession was noticeable after November 2008, as we saw many of our major customers working short time as well as cutting back on production. This was particularly noticeable in the iron and steel sector where we saw customers affected by the downturn in demand.

During the year we continued to seek out new opportunities with the formation of two new divisions, in Cape Town and Zambia. The Cape Town division came about as a result of the purchase of 100% of Global Materials South Africa (Proprietary) Limited, previously the Insimbi agent in Cape Town. The division in Zambia has been opened to focus on the activities in Zambia and the DRC.

PERFORMANCE

Record turnover of R584 million and profit after tax of R39 million were achieved in the first half of the financial year, resulting in an interim dividend of four cents per share, declared in September 2008. This exceptional performance continued in the third quarter before commodity prices started to show signs of strain.

The last three months of the year were challenging, compounded by the traditional shut-downs over the festive season being extended by many companies. However, it is very encouraging that, although the turnover during the final three months was under pressure, the margins achieved were higher than anticipated. This demonstrates the adaptability of our business and marketing strategies to prevailing market conditions.

The downturn had a limited effect on our cement refractory division which continued to exceed expectations throughout the period.

Despite the difficult trading conditions experienced during the final three months of the year, turnover was up by 8% on the previous year, margins were well above budget and gross profit achieved was very pleasing.

Group headline earnings per share were 20,94 cents and earnings per share amounted to 20,67 cents.

A great deal of attention was paid to working capital and this is firmly under control; in particular the inventory level was reduced from R75 million to R73 million.

PROSPECTS

The next financial year (2009/2010) promises to be testing but our company infrastructure is resilient and I am confident that Insimbi will ride out the recession and come out stronger than before. Much will depend on how quickly the USA, Europe and China recover, in particular the automotive industry.

When I look back at what was achieved this year I am extremely optimistic about the future of the group and I believe that Insimbi will triumph over the downturn.

BLACK ECONOMIC EMPOWERMENT

Insimbi remains committed towards Broad Based Black Economic Empowerment and it forms an integral part of our strategy going forward.

With effect from 1 March 2008, we formed Insimbi Thermal Insulation (Proprietary) Limited, which is 50,5% owned by previously disadvantaged Insimbi employees.

Mayibuye Capital (Proprietary) Limited (Mayibuye), a black owned corporate advisory company, took up 15 million shares in Insimbi in February 2009, increasing their shareholding from 0,86%, which was held since listing, to 6,62%.

Mayibuye and Insimbi have enjoyed a close relationship since listing and we believe that they have substantial value to add to the business. They have an option to increase their shareholding by a further 7,5 million shares or 2,88% after the release of Insimbi's 2010 annual results. This will result in a direct shareholding of 9,5%. Mayibuye has agreed to hold the shares for a minimum period of five years, as it intends to be a long-term shareholder in Insimbi.

Insimbi continues to focus on employment equity, social upliftment, procurement and skills development. We implemented a bursary and learnership programme early in 2008, focused on the creation of a talent pipeline for the foundry industry, from previously disadvantaged individuals.

CORPORATE GOVERNANCE

Insimbi is committed to uphold all the requirements of the King Commission as well as those set out by the JSE and an independent audit committee has been formed.

CONCLUSION

The achievements of the year would not have been possible without the effort and dedication of all staff and I would like to thank them all with special thanks to my fellow board members: it has been a pleasure to work with you.

DJ O'Connor
Non-executive Chairman

6 July 2009

Chief Executive Officer's Review

INTRODUCTION

The financial year ended 28 February 2009 marked almost a full year of trading as a listed company. It was a year faced with challenges that not many have experienced in their lifetime. The global economy began to show repercussions of the financial crisis but the fallout that we have subsequently seen, was underestimated, and recent figures put the global cost at US$4.0 trillion. The list of casualties includes many big names across many different industries. Initially, it seemed as if South Africa would, to a large degree, be insulated from this global crisis; I believe that this was true in the early stages and certainly, we have not suffered to the same degree as the leading economies of the world. South Africa has however not been immune to the crisis and economists expect that GDP growth for the current fiscal year will be negative. There is thus no doubt that we are currently faced with a recession. Despite this negative environment, Insimbi has posted exceptional results for the year ended February 2009 and we remain very optimistic for the year that lies ahead of us.

In this, Insimbi's first year since listing on the AltX, we achieved many goals, and continued to establish ourselves as a major player in the ferrous and non-ferrous alloy and refractory supply markets. It was also the first year in which we operated a large secondary aluminium smelter which we purchased on 1 March 2009. This operation has gone through some teething problems but we are confident that these are now under control.

I would like to thank the management team for their untiring support during the year and look forward to "pushing the boundaries" in the year ahead.

FINANCIAL REVIEW

The financial year under review can be summarised in four quarters. The first two quarters showed exceptional revenue, margins and volumes; the third quarter showed signs of changes in the market as commodity prices came under pressure and in some sectors, volumes started to shrink. In the last quarter, commodity prices dropped sharply and demand declined further in certain sectors. Many production facilities extended their annual shut-down periods into late January as the traditional three week shut-down, in many cases, doubled. This naturally also had a negative effect on production volumes.

Record revenue of R584 million and profit after tax of R39 million were achieved in the first half of the financial year, resulting in an interim dividend of four cents per share, declared in September 2008. This exceptional performance continued into the third quarter before commodity prices started to show signs of strain.

Despite difficult trading conditions experienced during the final three months of the financial year, compounded by the traditional shut-downs over the festive season being extended by many companies, the business adapted to prevailing market conditions and managed to maintain margins.

The increase in the cash position was attributable to strong working capital management and solid profitability.

Revenue for the year was up by 8% on the previous year and margins of 14,5% were well above the 9,3% achieved in the previous financial year.

Working capital is firmly under control. Inventory and receivable levels were reduced from R75 million to R73 million and from R105 million to R90 million respectively.

The unexpected severity of the slowdown in the last quarter, as a result of the drop in demand and subsequently a decline in commodity prices, impacted negatively on our revised forecasts that were announced in September 2008. However, this does not detract from the fact that Insimbi had an excellent year and showed strong earnings per share, headline earnings per share, net asset value and cash flow growth compared to the previous financial year. In fact, the year ending February 2009, produced the best results in our 40 year history.

OPERATIONAL REVIEW

High commodity prices coupled with high demand, which was partly as a result of Government's continued focus on infrastructure upgrades, had a positive impact on the business in the first nine months of the financial year. Weaker exchange rates also provided additional revenues and margin boosts.

The new aluminium plant initially experienced a few difficulties and only came into operation in July 2008. This was mainly due to an upgrade of the plant that consisted of a substantial rehabilitation as well as the introduction of additional furnaces and fuel sources. The delay in production will ,however, pay dividends in the medium to long term as the process of rehabilitation increased the expected capacity of the plant by 30%, to 1 200 tons per month.

The slowdown in the global market forced Insimbi to be more focused on skills and efficiency. We continue to offer a complete package, incorporating supply and service to our customers in the most effective way. Many exciting opportunities have become apparent in various areas of the business and we continue to expand our acquisitive vision by looking at each prospect on a case by case basis.

MARKET AND PROSPECTS

It is clear that the current world crisis will have a much bigger impact on the South African economy than originally anticipated. The diversification of Insimbi, the potential of a political solution in Zimbabwe and the opportunities that have arisen out of the

Chief Executive Officer's Review *(continued)*

current economic situation, will ensure that Insimbi continues to prosper in the next financial year. There is no doubt, however, that the 2009/2010 financial year will be a much more challenging year than we have experienced for some time. We are focused on ensuring that volumes and margins are maintained while keeping cost growth to a minimum. To this end, various marketing and cost cutting strategies have been implemented. We have also retained very tight control over working capital and our cash flow is evidence of the success we continue to have in this area. There are signs of a slow recovery in the market but it remains very volatile.

I am positive about the South African economy as well as the regional markets and opportunities. I am confident that, with the new leadership in Government, the continuous infrastructure spend and 2010 approaching fast, Insimbi will position itself to be an even bigger player in the future.

OUR PEOPLE

Insimbi currently employs over 200 permanent employees, many of whom are skilled or semi-skilled. Our workforce is our most valuable asset and the outstanding technical and "back-office" support we offer to our customers shows the commitment of these employees. It is our reputation of providing an exceptional service that has contributed largely to our growth as a company. Much of the credit for this growth must go to our loyal employees.

We remain committed to training and uplifting our workforce to mould future management from within the Insimbi Group.

We are also committed to the creation and maintenance of a safe, healthy and rewarding work environment for all our employees.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank our shareholders, my fellow directors and each and every member of our staff for their dedication, commitment and hard work throughout the year. I know I can rely on your continued loyalty and efforts in 2009/2010.

PJ Schutte
Chief Executive Officer
6 July 2009

Corporate Governance

Insimbi is committed to continue making good corporate governance a distinguishing feature of its business. The company endeavours to comply with the principles incorporated in the King Code. A summary of current compliance is as follows:

BOARD OF DIRECTORS

The board of directors of the company (the board) is based on a unitary structure and retains full and effective control and management of the group. There are five executive directors on the board and three non-executive directors with the positions of non-executive chairperson and chief executive officer being separate. No one director has unfettered powers of decision-making and there is a policy in place to ensure a clear division of responsibilities at board level. A formal policy has been established in terms of which levels of authority have been delegated to members of the management.

The non-executive directors and the executive directors do not have fixed-term service contracts. In terms of the company's articles of association, one third of the directors (or if their number is not a multiple of three, then the number nearest to one-third but not less than one-third) shall retire from office at the annual general meeting. The directors to retire shall, firstly, be those who were appointed since the previous annual general meeting and thereafter be those who have been longest in office since their last election. Retiring directors shall be eligible for re-election.

The board meets at least four times a year, to review the direction, strategic decisions, major contracts and commitments, group policies and stakeholder reporting. Should the need arise, ad-hoc meetings are held to consider specific issues.

All new directors are given a presentation on the group's strategy, as well as a document outlining the duties and liabilities of directors.

Each director has the right to seek independent professional advice on matters relating to his position as a director of the company at the company's expense, subject to prior approval of the chairperson, which shall not be unreasonably withheld.

BOARD COMMITTEES

Audit Committee.

Following the appointment of Dr GS Mahlati as a second independent non-executive director on 1 January 2009, the Audit Committee was formally constituted on 24 February 2009. In terms of its charter, the functions of the Audit Committee include:

– Evaluation of the independence of the external auditors, recommendation of their re-appointment and the audit fee; and
– Responsibility for the use of external auditors for non-audit purposes.

In carrying out its tasks the committee has a wide range of powers to consult both internally and externally in order to acquire the necessary resources to complete its duties.

The membership of the Audit Committee consists of the two non-executive directors of the company, namely Dr GS Mahlati and Ms LY Mashologu, and a representative of the company's designated advisors, PricewaterhouseCoopers. In terms of its charter, the financial director and members of the executive management may be invited to attend meetings of the Committee. The charter stipulates that no less than two meetings will be held each year, but in view thereof that the first financial year of the company as a listed entity (having listed on the Alternate Exchange on 14 March 2008) which ended on 28 February 2009, the committee did not meet during that financial year. As required by JSE Listings Requirement 3.84(h) the Audit Committee has satisfied itself that the financial director has appropriate expertise and experience.

The Audit Committee is satisfied that the auditor is independent.

Remuneration Committee

The company currently does not have a remuneration committee as this is not an AltX requirement.

COMPANY SECRETARY

The company secretary is accountable to the board on all governance and statutory matters and in this respect all directors have access to the services of the company secretary. The appointment and removal of the company secretary is a matter for the board as a whole.

INTERNAL CONTROL

The company's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets.

NON-FINANCIAL MATTERS

All directors and employees are required to maintain the highest ethical standards in ensuring that the group's business practices are conducted in a manner which in all reasonable circumstances is beyond reproach.

STAKEHOLDER COMMUNICATION

The board strives to present a balanced and understandable assessment of the group's position, addressing material matters of significant interest and concern to stakeholders.

CONTINUOUS DISCLOSURE

The company has a continuous disclosure policy in place for directors and officers to ensure that timely and accurate information is provided to all shareholders. The company secretary is the nominated communication officer and is responsible for liaising with the board to ensure that the company complies with its requirements.

Corporate Governance *(continued)*

CODE OF CONDUCT
The company has a Human Resources Policies and Procedures manual which provides a code of conduct for employees and directors to ensure that the business of the company is conducted in an ethical and legal manner.

MANAGEMENT REPORTING
Insimbi's performance is monitored continuously and issues arising are addressed at monthly management meetings that have board representation present. This is supported by management reporting disciplines, which include preparation of annual budgets and monthly variance reporting. Working capital and borrowing levels are monitored on an ongoing basis.

ETHICS
All directors and employees are required to maintain the highest levels of professionalism and integrity in conducting the company's business and in dealing with all stakeholders. Insimbi's policies ensure free enterprise, compliance with generally accepted principles regarding ethical behaviour and ensure that all business is conducted in a manner which, in all reasonable circumstances, is beyond reproach.

SHARE DEALINGS AND CLOSED PERIODS
Insimbi has enforced a restricted period of dealing in shares, in terms of which any dealings in shares by all directors and employees are not allowed during the time from which the financial reporting period has elapsed, to the time that results are released. This period includes any period that the company is trading under a cautionary announcement. A procedure for directors and employees to deal in shares has been implemented and Insimbi's designated advisor is available to give guidance on these matters at any time.

APPOINTMENT TO THE BOARD OF DIRECTORS
Directors' appointments are made in terms of formal and transparent procedures. The non-executive directors are evaluated based on their expertise and experience.

ATTENDANCE AT BOARD MEETINGS

Name	19 Mar 08	20 May 08	9 Jul 08	10 Sep 08	12 Nov 08	21 Jan 09
FBB Abdul Gany*	n/a	n/a	n/a	n/a	n/a	Yes
CF Botha	Yes	Yes	Yes	Yes	Yes	Yes
F Botha	Yes	Yes	Yes	Yes	Yes	Yes
EP Liechti	Yes	Yes	Yes	Yes	Yes	Yes
GS Mahlati**	n/a	n/a	n/a	n/a	n/a	Yes
RD Makkink***	Yes	Yes	Yes	Yes	n/a	n/a
LY Mashologu	Yes	Yes	Apology	Yes	Yes	Apology
DJ O'Connor	Yes	Yes	Yes	Apology	Yes	Yes
PJ Schutte	Yes	Yes	Yes	Yes	Yes	Yes
LG Tessendorf	Yes	Yes	Yes	Apology	Yes	Yes

Notes:

* *Appointed 1 December 2008*

** *Appointed 1 January 2009*

****Resigned 10 September 2008*

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 (reference to the group includes the company) 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 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable directors to meet these responsibilities, the board of directors 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, control 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 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 28 February 2010 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.

Although the board of directors is primarily responsible for the financial affairs of the group, they are supported by the external auditors.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 10.

The financial statements set out on pages 11 to 62, which have been prepared on the going concern basis, were approved by the board of directors on 6 July 2009 and were signed on its behalf by:

PJ Schutte
Director

FBB Abdul Gany
Director

Certificate by Company Secretary

In terms of Section 268G(d) of the South African Companies Act, ("the Act"), I certify that to the best of my knowledge and belief the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that all such returns are true and correct and up to date.

René de Villiers
Company Secretary
6 July 2009

Report of the Independent Auditors

TO THE SHAREHOLDERS OF INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

We have audited the accompanying annual financial statements of Insimbi Refractory and Alloy Supplies Limited, which comprise the balance sheet as at 28 February 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 62.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The group and the company's 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 28 February 2009, 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.

BDO Spencer Steward (Jhb) Inc.

BDO Spencer Steward (Johannesburg) Incorporated
per Ursula van Eck

6 July 2009
13 Wellington Road
Parktown
Johannesburg
2193

Directors' Report

The directors submit their report for the year ended 28 February 2009.

1. REVIEW OF ACTIVITIES

The company listed on the JSE's AltX on 14 March 2008.

During the year, Insimbi Alloy Supplies (Proprietary) Limited acquired the remaining 20% of the shares in Insimbi Aluminium Alloys (Proprietary) Limited for zero value and now holds 100% of the company. It also acquired an off the shelf company called Twin River Trading 103 (Proprietary) Limited on 26 November 2008 with the intention of creating a bulk commodity trading operation in partnership with a Broad Based Black Economic Empowerment partner. This company changed its name to Insimbi Bulk Commodities (Proprietary) Limited but due to the sudden downturn in global demand for ores and bulk commodities, the project was shelved until such time as the market changes, at which stage the project will be re-evaluated.

On 4 February 2009, the executive directors of the listed company disposed of a collective 15 million shares (equivalent to 5,76% of the issued share capital) to Mayibuye a Black Economic Empowerment company with a long standing relationship with the group and its directors. This deal was facilitated by Nedbank as well as the directors themselves, who provided interest free vendor funding to Mayibuye for the acquisition of these shares.

Insimbi continues to operate mainly out of its offices in Johannesburg and Durban but has also focused on establishing its brand in the new office in Kitwe, Zambia. The group bought its agent in Cape Town in March 2009, including land and buildings comprising warehousing and offices, in Atlantis. The acquisition of the agent provides Insimbi with a greater presence in the Western Cape as well as some diversity of products which it previously did not deal in.

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 R53 746 000 (2008: R26 559 000), after taxation and the company generated a net profit of R9 667 000 (2007: R1 837 000 loss) after taxation.

2. POST BALANCE SHEET EVENTS

Insimbi Alloy Properties (Proprietary) Limited, a wholly owned subsidiary of Insimbi Refractory and Alloy Supplies Limited, acquired land and buildings comprising warehousing and office space in Atlantis from its long standing agent, Global Materials South Africa (Proprietary) Limited for an amount of R6 000 000 in March 2009.

3. AUTHORISED AND ISSUED SHARE CAPITAL.

The authorised capital is 12 billion shares. Currently there are 260 million shares in issue. A buy-back of 12 000 shares was effected on 15 December 2008. These shares were not cancelled and are currently held as treasury shares by the subsidiary, Insimbi Alloy Supplies (Proprietary) Limited.

4. DIVIDENDS

Interim (maiden) dividend Number 1 of 4 cents per share was declared on 29 September 2008 payable on 27 October 2008 to shareholders registered on 17 October 2008. The total payout was R10 400 000 (2008: Nil).

In addition, a final dividend Number 2 of 5 cents per share was declared on 4 June 2009 payable on 22 June 2009 to shareholders registered on 11 June 2009. The total payout was R13 000 000 (2008: Nil).

5. ADDITIONS THROUGH BUSINESS COMBINATIONS

Insimbi Aluminium Alloys' newly acquired secondary aluminium smelter which was acquired for R17,0 million effective 1 March 2008, initially experienced a few difficulties and only came into operation in June 2008. In terms of IFRS 3, the acquisition of these assets is seen as a business combination. This company generated revenues of R46,8 million and a loss after tax of R4,4 million. This was mainly due to the delays in start up as a result of upgrades to the plant that consisted of a substantial rehabilitation as well as the introduction of additional furnaces and fuel sources. With these upgrades and improved processes, the production capacity has increased from 900mt to 1 200mt of finished product per month. The delays in production will pay dividends in the medium to long term as the process of rehabilitation has increased the expected capacity of the plant by 30%.

Directors' Report *(continued)*

5. ADDITIONS THROUGH BUSINESS COMBINATIONS (continued)

The increase in non-current assets is as a result of the investment by the group in this secondary aluminium smelter. During the process of upgrading the plant and equipment, one furnace was impaired.

The current global melt down and the dire state of the global automotive industry has had a severe impact on the performance of this entity but management are confident that, as a low cost producer of various aluminium alloys, it is well placed to react to market conditions as they change.

6. DIRECTORS

The directors of the company, all of whom are South African citizens, during the year and as at the date of this report are as follows:

FBB Abdul Gany	appointed 1 December 2008
CF Botha	appointed 11 June 2004
F Botha	appointed 11 June 2004
EP Liechti	appointed 11 June 2004
GS Mahlati	appointed 1 January 2009
RD Makkink	appointed 17 June 2004, resigned 10 September 2008
LY Mashologu	appointed 19 March 2008
DJ O'Connor	appointed 11 June 2004
PJ Schutte	appointed 11 June 2004
LG Tessendorf (alternate to CF Botha)	appointed 29 July 2005

7. SECRETARY

The secretary of the company is R de Villiers, who was appointed on 10 September 2008.

8. SPECIAL RESOLUTIONS

At the Annual General Meeting of members held on 23 September 2008 it was resolved that the directors be authorised to re-purchase up to 10% of the company's shares subject to certain conditions.

On 18 November 2008 Insimbi Bulk Commodities (Proprietary) Limited changed its name from Twin River Trading 103 (Proprietary) Limited.

On 9 May 2008 Insimbi Aluminium Alloys (Proprietary) Limited changed its name from Sugar Creek Trading 199 (Proprietary) Limited.

9. DIRECTORS' INTERESTS IN CONTRACTS

The directors do not have any direct or indirect interest in any contracts entered into between the group and company and third parties.

10. ADDRESS

The company's physical address is Stand 359, Crocker Road, Wadeville 1407, Germiston and its postal address is PO Box 14676, Wadeville 1422

11. AUDITORS

BDO Spencer Steward (Johannesburg) Incorporated was appointed on 6 May 2008 and was re-elected at the Annual General Meeting on 23 September 2008.

Directors' Report *(continued)*

12. INTERESTS IN SUBSIDIARIES

The following relates to the company's interest in subsidiaries.

Name of subsidiary	Par value of issued shares	Percentage holding 2009 %	Percentage holding 2008 %	Indebtedness 2009 R'000	Indebtedness 2008 R'000
Insimbi Alloy Supplies (Proprietary) Limited	100 ordinary shares of R1 each	100	100	(16 125)	(57 916)
Insimbi Alloy Properties (Proprietary) Limited	10 ordinary shares of R1 each	100	100	5 360	5 360
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia	20 ordinary shares of K1 000 each	10	1	–	–

INTEREST IN SUBSIDIARIES THROUGH INSIMBI ALLOY SUPPLIES (PROPRIETARY) LIMITED

Name of subsidiary	Par value of issued shares	Percentage holding 2009 %	Percentage holding 2008 %	Indebtedness 2009 R'000	Indebtedness 2008 R'000
Insimbi Aluminium Alloys (Proprietary) Limited	100 ordinary shares of R1 each	100	80	24 497	–
Insimbi Bulk Commodities (Proprietary) Limited	120 ordinary shares of R1 each	100	Nil	–	–
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia	175 ordinary shares of K1 000 each	90	99	676	–

13. INTEREST IN ASSOCIATED COMPANY THROUGH INSIMBI ALLOY SUPPLIES (PROPRIETARY) LIMITED

The following relates to the company's interest in its associated company.

Name of associated company	Percentage holding 2009 %	Percentage holding 2008 %	Issued capital including premium 2009 R'000	Issued capital including premium 2008 R'000	Indebtedness 2009 R'000	Indebtedness 2008 R'000
Insimbi Thermal Insulation (Proprietary) Limited	49,5	–	300	–	4 030	–

14. GOING CONCERN

The 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.

Directors' Report *(continued)*

15. DIRECTORS' INTERESTS

The interest of directors in the shares of the company are as follows:

Name	Direct beneficial	Percentage	Indirect beneficial	Percentage	Associates	Percentage
FBB Abdul Gany	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**
CF Botha	**44 375 000**	**17,06**	**nil**	**nil**	**250 000**	**0,10**
F Botha	**44 461 300**	**17,1**	**nil**	**nil**	**250 000**	**0,10**
EP Liechti	**44 375 000**	**17,06**	**nil**	**nil**	**250 000**	**0,10**
LY Mashologu	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**
GS Mahlati	**nil**	**nil**	**nil**	**nil**	**nil**	**nil**
DJ O'Connor	**7 500 000**	**2,88**	**nil**	**nil**	**nil**	**nil**
PJ Schutte	**44 485 000**	**17,11**	**nil**	**nil**	**312 500**	**0,12**
LG Tessendorf	**187 500**	**0,07**	**nil**	**nil**	**nil**	**nil**
As at 29 February 2008*						
CF Botha	nil	nil	46 250 000	23,125		
F Botha	nil	nil	46 250 000	23,125		
EP Liechti	nil	nil	46 250 000	23,125		
DJ O'Connor	nil	nil	15 000 000	7,5		
PJ Schutte	nil	nil	46 250 000	23,125		

* *As at 29 February 2008, and prior to listing, there were 200 million shares in issue, and held by Insimbi Holdings (Proprietary) Limited on behalf of the directors as shown above.*

There has been no change to the directors' interests above between year end and the date of this report.

16. DIRECTORS' REMUNERATION AND BENEFITS

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ending 28 February 2009.

Name	Salary R'000	Vehicle allowance R'000	Medical aid contribution R'000	Pension fund contribution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 263	148	18	–	108	65	1 602
F Botha	944	403	73	–	81	65	1 566
CF Botha	1 144	209	50	–	98	65	1 566
EP Liechti	1 174	173	54	–	100	65	1 566
LG Tessendorf	438	90	72	50	38	65	753
FBB Abdul Gany*	102	75	6	19	8	65	275
RD Makkink**	245	64	27	20	21	–	377
	5 310	1 162	300	89	454	390	7 705
Non-executive							
DJ O'Connor	220						220
GS Mahlati	20						20
LY Mashologu	100						100
	340	–	–	–	–	–	340
Directors of subsidiary company							
Executive							
JD Beeslaar	406	92	30	49	35	60	672
BL Homann	363	143	25	49	32	60	672
M Volschenk	344	108	30	43	30	60	615
RD Makkink	245	64	27	20	21	30	407
	1 358	407	112	161	118	210	2 366
TOTAL	7 008	1 569	412	250	572	600	10 411
Paid by subsidiary, Insimbi Alloy Supplies (Proprietary) Limited							
Executive	2 142	635	218	250	185	340	3 770
Non-executive	120	–	–	–	–	–	120
	2 262	635	218	250	185	340	3 890
Paid in the form of a management fee, to Insimbi Alloy Holdings (Proprietary) Limited							
Executive	4 525	933	195	–	387	260	6 300
Non-executive	220	–	–	–	–	–	220
	4 745	933	195	–	387	260	6 520

* *FBB Abdul Gany was appointed to the board on 1 December 2008*

** *RD Makkink resigned from the listed company board on 10 September 2008 but remained as a director of the Insimbi Aluminium Alloys (Proprietary) Limited.*

Income Statement

for the year ended 28 February 2009

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Revenue	9	969 041	897 428	–	–
Cost of sales	38	(828 847)	(813 996)	–	–
Gross profit		140 194	83 432	–	–
Other operating income		465	4 395	–	–
Administration expenses		(25 239)	(21 424)	344	(1)
Other operating expenses		(28 484)	(12 936)	–	–
Operating profit/(loss)	5	86 936	53 467	344	(1)
Investment revenue	8	525	190	10 487	89
Finance costs	7	(11 275)	(15 670)	(4)	(299)
Profit/(loss) before share of associated company's profit		76 186	37 987	10 827	(211)
Share of associated company's (loss)/profit		(225)	1 449	–	1 449
Profit on disposal of associate company		–	5 469	–	5 469
Profit before taxation		75 961	44 905	10 827	6 707
Taxation	10.1	(22 215)	(18 346)	(1 160)	(8 544)
Profit/(loss) for the year		53 746	26 559	9 667	(1 837)
Attributable to:					
Equity holders		53 746	26 559	9 667	(1 837)
Number of shares (000's)		260 000	260 000		
Basic and fully diluted					
Basic and diluted earnings per share (cents)		20,67	10,22*		

** Pro forma EPS and HEPS based on shares in issue on listing*

Balance Sheet
at 28 February 2009

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Assets					
Non-current assets					
Property, plant and equipment	11	19 394	10 897	–	–
Goodwill	14	39 938	29 938	23 574	23 574
Investments in subsidiaries	12	–	–	–	–
Investments in associates	13	75	–	–	–
Deferred tax	10.3	2 724	717	–	–
Other financial assets	19	8	–	–	–
		62 139	41 552	23 574	23 574
Current assets					
Inventories	16	72 789	74 613	–	–
Trade and other receivables	17	89 976	105 227	910	1 883
Cash and cash equivalents	18	42 196	7 469	446	–
Other financial assets	19	–	2 781	–	–
Amounts owing from group companies	15	12 202	138	5 360	5 360
Taxation	10.2	–	–	253	–
		217 163	190 228	6 969	7 243
Total assets		279 302	231 780	30 543	30 817
Equity and liabilities					
Equity					
Share capital	20	44 442	–	44 442	–
Reserves		78	–	–	–
Accumulated profit/(loss)		47 412	4 066	(30 662)	(29 929)
		91 932	4 066	13 780	(29 929)
Liabilities					
Non-current liabilities					
Other financial liabilities	21	55 993	69 310	–	–
Nedbank loan	22	1 000	15 200	–	–
		56 993	84 510	–	–
Current liabilities					
Trade and other payables	23	109 965	105 795	640	2 193
Bank overdraft	18	8 348	575	–	575
Amounts owing to group companies	15	–	–	16 123	57 916
Taxation	10.2	10 932	10 512	–	62
Other financial liabilities	21	1 132	26 322	–	–
		130 377	143 204	16 763	60 746
Total liabilities		187 370	227 714	16 763	60 746
Total equity and liabilities		279 302	231 780	30 543	30 817

Statement of Changes in Equity

for the year ended 28 February 2009

	Share* capital R'000	Share premium R'000	Foreign currency translation reserve R'000	Accumu-lated profit/(loss) R'000	Total equity R'000
Group					
Balance at 1 March 2007	–	–	–	65 411	65 411
Changes in equity					
Profit for the year	–	–	–	26 559	26 559
Dividends	–	–	–	(87 904)	(87 904)
Total changes	–	–	–	(61 345)	(61 345)
Balance at 1 March 2008	–	–	–	4 066	4 066
Changes in equity					
Currency translation differences	–	–	78	–	78
Net income recognised directly in equity	–	–	78	–	78
Profit for the year	–	–	–	53 746	53 746
Total recognised income and expenses for the year	–	–	78	53 746	53 824
Issue of shares	–	44 442	–	–	44 442
Dividends	–	–	–	(10 400)	(10 400)
Total changes	–	44 442	78	43 346	87 866
Balance at 28 February 2009	–	44 442	78	47 412	91 932
Note(s)	20	20			
Company					
Balance at 1 March 2007	–	–	–	59 812	59 812
Changes in equity					
Loss for the year	–	–	–	(1 837)	(1 837)
Dividends	–	–	–	(87 904)	(87 904)
Total changes	–	–	–	(89 741)	(89 741)
Balance at 1 March 2008	–	–	–	(29 929)	(29 929)
Changes in equity					
Profit for the year	–	–	–	9 667	9 667
Issue of shares	–	44 442	–	–	44 442
Dividends	–	–	–	(10 400)	(10 400)
Total changes	–	44 442	–	(733)	43 709
Balance at 28 February 2009	–	44 442	–	(30 662)	13 780
Note	20	20			

** Share capital equals 260 000 000 of 0,000025 cents each = R65*

Cash Flow Statement

for the year ended 28 February 2009

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	24	112 439	10 165	(237)	33 181
Investment revenue		525	190	87	89
Dividends received		–	–	10 400	–
Finance costs		(11 275)	(15 670)	(4)	(299)
Tax paid	10.2	(23 799)	(11 703)	(1 475)	(11 562)
Dividends paid	37	(10 400)	(87 904)	(10 400)	(87 904)
Net cash from operating activities		67 490	(104 922)	(1 629)	(66 495)
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(13 291)	(3 960)	–	–
Sale of property, plant and equipment		967	752	–	–
Purchase of goodwill		(10 000)	–	–	–
Acquisition of businesses (including subsidiaries, joint venture and associates)	38	(300)	–	–	–
Loans to group companies repaid		(12 064)	(138)	(41 792)	–
Loans advanced to group companies		–	–	–	52 557
Sale of financial assets		2 773	–	–	–
Proceeds from sale of net assets		–	–	–	9 034
Proceeds from disposal of the investment in associate		–	10 356	–	10 356
Net cash from investing activities		(31 915)	7 010	(41 792)	71 947
Cash flows from financing activities					
Proceeds on share issue	20	44 442	–	44 442	–
Long-term loans – Nedbank other		(27 517)	62 952	–	(21 558)
Long-term loans – shareholders		–	(2 863)	–	(2 863)
Current portion of long-term loans		(25 546)	7 002	–	(19 321)
Net cash from financing activities		(8 621)	67 091	44 442	(43 742)
Total cash movement for the year		26 954	(30 821)	1 021	(38 290)
Cash at the beginning of the year		6 894	37 715	(575)	37 715
Total cash at the end of the year	18	33 848	6 894	446	(575)

Notes to the Annual Financial Statements

for the year ended 28 February 2009

Insimbi Refractory and Alloy Supplies Limited is a listed company incorporated in South Africa. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report.

1. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, its interpretations adopted by the International Accounting Standards Board and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis except for certain financial instruments, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Basis of consolidation of financial results

The consolidated financial statements reflect the financial results of the group. All financial results are consolidated with similar items on a line by line basis except for investment in associate, which is equity accounted for. These investments are included in the group's results as set out below.

1.2 Investments in subsidiaries

Group annual financial statements

The group annual financial statements include those of the holding company, its subsidiaries and special purpose entities. The results of the subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

Intra group transactions, balances and un-realised gains on intra-group transactions are eliminated. Un-realised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

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.

1.3 Investments in associates

Group annual financial statements

The financial results of associates are included in the group's results according to the equity method from acquisition date until the disposal date. The group has adopted the equity method in accounting for investments in an associate.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Investments in associates (continued)

Group annual financial statements (continued)

Under this method, subsequent to the acquisition date, the group's share of profits or losses of associates is charged to the income statement as equity accounted earnings and its share of movements in equity reserves is recognised in the statement of changes in equity. All cumulative post-acquisition movements in the equity of associates are adjusted against the cost of the investment. When the group's share of losses in associates equals or exceeds its interest in those associates, the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates. The share of retained earnings and reserves of associates is generally determined from the latest audited financial statements of the associate.

Where a group entity transacts with an associate of the group, un-realised profits and losses are eliminated to the extent of the group's interest in the respective associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. Any impairment of goodwill relating to associates is charged to the income statement as part of equity accounted earnings of those associates and the carrying value of the group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment.

An investment in an associate is carried at cost less any accumulated impairment.

Any impairment losses are deducted from the carrying amount of the investment in associate. Distributions received from the associate reduce the carrying amount of the investment.

Profits and losses resulting from transactions with associates are recognised only to the extent of unrelated investors' interests in the associate.

Company annual financial statements

An investment in an associate is carried at cost less any accumulated impairment.

Distributions received from the associates reduce the carrying amount of the investment.

1.4 Business combinations

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised if, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is carried at cost less any accumulated impairment.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised is not reversed in a subsequent period.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss. Internally generated goodwill is not recognised as an asset.

The group's policy for goodwill arising on the acquisition of an associate is described under "Basis of consolidation".

1.6 Impairment of assets

The group assesses at each balance sheet date 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; and
- tests goodwill acquired in a business combination for impairment annually (refer to accounting policy on goodwill as stated above).

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Impairment of assets (continued)

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.

1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service 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. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial reporting period in which they are incurred.

The cost of self-constructed assets includes expenditure on materials, direct labour, and an allocated proportion of project overheads. Cost also includes the estimated costs of dismantling and removing the assets and site rehabilitation costs to the extent that they relate to the construction of the asset.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining book value of the component replaced is written off in the income statement. All other expenditure is charged to the income statement.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost. Depreciation on buildings is charged to profit or loss. Land is not depreciated. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss. Assets held under instalment sales are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant agreement.

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually and adjusted if appropriate. Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives as follows:

Item	Average useful life
Buildings	25 years
Plant and machinery	6 – 10 years
Furniture and fixtures	5 – 6 years
Motor vehicles	4 years
IT equipment	3 years

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 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 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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow moving stock older than 365 days is identified and written down to one tenth of a cent.

1.9 Share capital and equity

Issued share capital is stated in the statement of changes in equity at the amount of the proceeds received less directly attributable issue costs.

1.10 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.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.11 Leases

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

Finance leases – lessee

Finance leases are recognised as assets in the balance sheet 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 balance sheet 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 reducing 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 is recognised as an operating lease liability. This liability is not discounted.

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

1.12 Foreign currency translation

Items included in the financial results of each entity are measured using the functional currency of that entity. The consolidated financial results are presented in Rand, which is Insimbi Refractory and Alloy Supplies Limited's functional and presentation currency.

Foreign currency transactions

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities are translated into the functional currency of the entity at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are charged to the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Foreign currency translation (continued)

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year. All assets and liabilities, including fair value adjustments arising on acquisition, are translated at the rate of exchange ruling at the balance sheet date. Differences arising on translation are recognised in the statement of changes in equity as a foreign currency translation reserve.

On consolidation, differences arising from the translation of the net investment in a foreign operation are recognised in the statement of changes in equity.

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve in the statement of changes in equity are included in determining the profit or loss on disposal of that investment charged to the income statement.

1.13 Employee benefits

Defined contribution plans

The group contributes towards retirement benefits of employees by means of a defined contribution pension fund. A defined contribution plan is a plan under which the group pays fixed contributions into a separate fund. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees. Contributions to defined contribution pension plans in respect of service in a particular period are recognised as an expense in that period.

1.14 Financial instruments

Initial recognition

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 assets and financial liabilities are recognised on the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, cash and cash equivalents, other receivables and loans.

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. 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 group's financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the asset has been impacted.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Financial instruments (continued)

Trade and other receivables (continued)

Trade receivables that are assessed not to be individually impaired are subsequently assessed for impairment on a collective basis. Objective evidence for impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through the use of an allowance account. 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 the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Loans receivable

The financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates this is measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. The group does not make use of an allowance account for loans receivable. Impairments are processed directly to the loan receivable.

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.

Trade and other payables

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

Long-term borrowings

Long term borrowings are initially measured at fair value plus direct transaction, 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 using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Financial instruments (continued)

Derivative financial instruments

Held for trading

Forward exchange contracts are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in profit or loss for the period.

Derecognition

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the asset and substantially all the risk and rewards of ownership of the asset to another entity.

Financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

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.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Available-for-sale financial assets

These financial assets are non-derivatives that are either designated in this category or not classified elsewhere. Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Financial instruments (continued)

Available-for-sale financial assets (continued)

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of 'other income'. Dividends on available-for-sale equity instruments are recognised in the income statement as part of 'other income' when the group's right to receive payments is established.

Equity investments for which a fair value is not determinable are held at cost. Impairments on such investments are not reversed.

Loans to (from) group companies

These include loans to holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to (from) group companies are classified as loans and receivables.

1.15 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.

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

Interest income is recognised on a time proportionate basis, taking into account the principal amount outstanding and using the effective interest rate over the period to maturity.

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

Commission income is recognised when earned.

1.16 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Taxation

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 or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

Deferred tax is provided for using the liability method, on temporary differences between the carrying value of assets and liabilities for accounting purposes and the amounts used for tax purposes. 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. However, no deferred tax is provided on temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition (other than in a business combination) of an asset or liability at the time of the transaction affects neither accounting profit nor taxable profit (tax loss); and
- investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

The provision for deferred tax is calculated using enacted or substantively enacted tax rates at balance sheet date that are expected to apply when the asset is realised or liability settled. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be realised.

The provision for deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities.

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.

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, directly in equity; or
- a business combination.

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 to equity.

Secondary taxation on companies (STC) is recognised as part of the current tax charge in the income statement when the related dividend is declared. When dividends received in the current year can be offset against future dividend payment to reduce the STC liability, a deferred tax asset is recognised to the extent of a future reduction in STC.

1.18 Earnings per share

The group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Earnings per share (continued)

Headline earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 8/2007 issued by the South African Institute of Chartered Accountants (SAICA).

1.19 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographic segment is engaged in providing products or services within a particular economic environment that is subject to risk and rewards that are different from those of segments operating in other economic environments.

The group's primary format for segment reporting is based on business segments. This basis of the segment reporting is representative of the internal structure used for management reporting.

1.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are declared.

1.21 Critical accounting judgements and key sources of estimation uncertainty

In preparing the group annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the group 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 group annual financial statements. Significant judgements include:

Trade receivables

The group assesses its trade receivables and loans receivable for impairment at each balance sheet 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 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

Inventory is assessed on a continuous basis in order to ensure that it is correctly valued at the lower of cost or net realisable value. An allowance is made against stock to write stock down to the lower of cost or net realisable value when it is determined to be incorrectly valued as a consequence of changes in market conditions or it is considered to be damaged or unsaleable. Management's policy in regard to slow moving stock is that stock older than 365 days be written down to one tenth of a cent. The write-down is included in cost of sales.

Impairment testing

Management used their judgement and applied the internal and external impairment indicators to investments and property, plant and equipment. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets were not calculated.

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.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.21 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment testing (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. They are significantly affected by a number of factors including but not limited to entity specific variables, i.e. production estimates, supply and demand, together with economic factors such as exchange rates, inflation, interest and metal prices.

Property, plant and equipment

The group depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. Following the adoption of IAS 16 – Property, Plant and Equipment, of which the impact has been assessed as immaterial, the appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. During the current year no changes were made to the estimated useful lives, residual values and depreciation methods as management currently consider their assumptions to be appropriate under current circumstances. Future reviews of estimated useful lives are not expected to result in a significant adjustment to future depreciation charges and are limited to the extent of changes to the above mentioned factors, namely technological innovation, product life cycles and maintenance programmes.

Deferred tax

Deferred tax is provided for on a basis that is reflective of management's intention at year end relating to the expected manner of recovery of the carrying amount of the asset, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

Income taxes

Judgement is required in determining the provision for income taxes. 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.

1.22 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.22 Intangible assets (continued)

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; and
- 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. 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 definite 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.

2. NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE COMPRISE:

IFRS 8 – Operating Segments

This standard requires an entity to report financial and descriptive information about its reportable segments or aggregation of operating segments that meet specified criteria. This standard is effective for annual periods beginning on or after 1 January 2009. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

3. INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE COMPRISE:

IFRIC 9 – Reassessment of Embedded Derivatives

This amendment confirms that in addition to business combinations as defined by IFRS 3 (2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of IFRIC 9. This amendment is effective for annual periods beginning on or after 1 July 2009. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

IFRIC 12 – Service Concession Arrangements

This Interpretation addresses the accounting by private sector operations involved in the provision of public sector infrastructure and services, such as schools and roads. This Interpretation is effective for annual periods beginning on or after 1 January 2008. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

IFRIC 13 – Customer Loyalty Programmes

This Interpretation addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. This Interpretation requires the allocation of some of the proceeds of the initial sale to the award credits and recognises these proceeds as revenue only when they have fulfilled their obligations. They may fulfil their obligations by supplying awards themselves or engaging (and paying) a third party to do so. This Interpretation is effective for annual periods beginning on or after 1 July 2008. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

3. INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE COMPRISE: (continued)

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides general guidance on how to assess the limit in IAS 19 – Employee Benefits on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. No additional liability need be recognised by the employer under this Interpretation unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. IFRIC 14 is likely to have the most impact in countries that have a minimum funding requirement and where there are restrictions on a company's ability to obtain refunds or reduce contributions. This Interpretation is effective for annual periods beginning on or after 1 January 2008. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

IFRIC 15 – Agreements for the Construction of Real Estate

This Interpretation addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements within the scope of IFRIC 15 are described as 'agreements for the construction of real estate', and may include the delivery of other goods or services. IFRIC 15 addresses two (related) issues, being determining whether an agreement for the construction of real estate is within the scope of IAS 11 – Construction Contracts, or IAS 18 – Revenue, and when revenue from the construction of real estate should be recognised. The Interpretation is effective for annual periods beginning on or after 1 January 2009. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

This Interpretation provides guidance on net investment hedging, including; which foreign currency risks qualify for hedge accounting, and what amount can be designated; where within the group the hedging instrument can be held; and what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of. The Interpretation is effective for annual periods beginning on or after 1 October 2008. A further amendment was made to clarify that hedging instruments may be held by any entity or entities within the group, this includes a foreign operation that itself is being hedged. This amendment is effective for annual periods beginning on or after 1 July 2009. The group does not intend to adopt this standard. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

IFRIC 17 – Distribution of Non-Cash Assets to Owners

This Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The Interpretation is to be applied prospectively for annual periods beginning on or after 1 July 2009. The group does not intend to adopt this standard. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

IFRIC 18 – Transfers of Assets from Customers

This Interpretation provides guidance on when an item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient. It addresses measurement on the date of transfer and the corresponding credit entry. The Interpretation is to be applied prospectively to transfer of assets from customers received on or after 1 July 2009. The group does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the consolidated financial statements.

4. AMENDMENTS TO EXISTING STANDARDS ISSUED, BUT NOT YET EFFECTIVE COMPRISE:

IFRS 1 – First-time Adoption of International Financial Reporting Standards

This amendment deals with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IFRS 2 – Share Based Payments

This amendment deals with vesting conditions and cancellations. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. A further amendment confirms that in addition to business combinations as defined in IFRS 3 (2008) – Business Combinations, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 – Share Based Payments. This amendment is effective for annual periods beginning on or after 1 July 2009.

4. AMENDMENTS TO EXISTING STANDARDS ISSUED, BUT NOT YET EFFECTIVE COMPRISE (continued):

IFRS 3 – Business Combinations
This amendment deals with the accounting for business combinations. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009.

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
This amendment deals with plans to sell the controlling interest in a subsidiary. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009. A further amendment has been made to clarify that IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. This further amendment to the standard is effective for annual periods beginning on or after 1 January 2010 and is to be applied prospectively with earlier application permitted.

IFRS 7 – Financial Instruments: Disclosures
This amendment deals with presentation of finance costs. A further amendment has been made that deals with enhanced disclosures about fair value measurements and liquidity risk. These amendments to the standard are effective for annual periods beginning on or after 1 January 2009.

IFRS 8 – Operating Segments
A textual amendment has been made to the standard to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. This amendment is effective for annual periods beginning on or after 1 January 2010 with earlier application permitted.

IAS 1 – Presentation of Financial Statements
This amendment deals with amendments to the structure of financial statements and current/non-current classification of derivatives. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. A further amendment has been made to clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. This further amendment is effective for annual periods beginning on or after 1 January 2010 with earlier application permitted.

IAS 7 – Statement of Cash Flows
This amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. This amendment is effective for annual periods beginning on or after 1 January 2010 with earlier application permitted.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
This amendment deals with the status of implementation guidance. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 10 – Events after the Reporting Period
This amendment deals with dividends declared after the end of the reporting period. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. In conjunction with IFRIC 17 a further amendment has been made to IAS 10 that clarifies the recognition of a liability for a dividend payable. This amendment is effective for annual periods beginning on or after 1 July 2009.

IAS 16 – Property, Plant and Equipment
This amendment deals with recoverable amount and sale of assets held for rental. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 17 – Leases
This amendment resulted in the deletion of specific guidance regarding the classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification. As a consequence, the classification of land as finance or operating lease should be established by the application of the general principles of IAS 17. This amendment is effective for annual periods beginning on or after 1 January 2010 with earlier application permitted.

4. AMENDMENTS TO EXISTING STANDARDS ISSUED, BUT NOT YET EFFECTIVE COMPRISE: (continued)

IAS 18 – Revenue

This amendment deals with costs of originating a loan. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 19 – Employee Benefits

This amendment deals with curtailments and negative past service cost, plan administration costs, replacement of term 'fall due' and guidance on contingent liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

This amendment deals with government loans with a below-market rate of interest and consistency of terminology with other IFRS's. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 23 – Borrowing Costs

This amendment only allows the capitalisation model and components of borrowing costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 27 – Consolidated and Separate Financial Statements

This amendment deals with the measurement of the cost of investments when adopting IFRS for the first time, consequential amendments from changes to business combinations and measurement of a subsidiary held for sale in the separate financial statements. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 28 – Investments in Associates

This amendment deals with consequential amendments from changes to business combinations, required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 29 – Financial Reporting in Hyperinflationary Economies

This amendment deals with description of measurement basis in financial statements and consistency of terminology with other IFRS's. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 31 – Interests in Joint Ventures

This amendment deals with consequential amendments from changes to business combinations and required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 32 – Financial Instruments: Presentation

This amendment deals with certain financial instruments that will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 34 – Interim Financial Reporting

This amendment deals with earnings per share disclosures in interim financial reports. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 36 – Impairment of Assets

This amendment deals with disclosure of estimates used to determine the recoverable amount. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. A further amendment was made to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 – Operating Segments (i.e. before the aggregation of segments with similar economic characteristics permitted by IFRS 8.12). This amendment is effective for annual periods beginning on or after 1 January 2010.

4. AMENDMENTS TO EXISTING STANDARDS ISSUED, BUT NOT YET EFFECTIVE COMPRISE: (continued)

IAS 38 – Intangible Assets

This amendment deals with advertising activities, promotional activities and unit of production method of amortisation. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. Two further amendments were made. One includes clarifying the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination. This amendment is effective for annual periods beginning on or after 1 July 2009. The second amendment clarifies the description of the valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. This amendment is effective for annual periods beginning on or after 1 January 2010.

IAS 39 – Financial Instruments: Recognition and Measurement

This amendment deals with reclassification of derivatives into or out of the classification of at fair value through profit or loss, designating and documenting hedges at the segment level and applicable effective interest rate on cessation of fair value hedge accounting. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. Several further amendments have been processed that are effective at different dates. Amendments effective for annual periods beginning on or after 1 January 2010 deal with treating loan prepayment penalties as closely related embedded derivatives, scope exemption for business combination contracts, cash flow hedge accounting and hedging using internal contracts. An amendment effective for annual periods beginning on or after 1 July 2009 deals with the clarification of two hedge accounting issues surrounding inflation in a financial hedged item and a one sided risk in a hedged item. An amendment effective for annual periods ending on or after 30 June 2009 deals with embedded derivatives when reclassifying financial instruments.

IAS 40 – Investment Property

This amendment deals with property under construction or development for future use as investment property, consistency of terminology with IAS 8 and investment property held under lease. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 41 – Agriculture

This amendment deals with discount rate for fair value calculations, additional biological transformation, examples of agricultural produce and products and point-of-sale costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

The company does not intend to adopt these standards early and management is of the opinion that the adoption of these other than providing additional disclosure will not have a significant impact on the annual financial statements.

		GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
5.	**OPERATING PROFIT**				
	The following have been taken into account in arriving at operating profit:				
	Income from subsidiaries				
	Dividends	–	–	10 400	–
	Operating lease charges				
	Premises	796	407	–	–
	Profit on sale of property, plant and equipment	135	200	–	–
	Impairment on property, plant and equipment	826	–	–	–
	Exchange loss				
	– realised	28	(434)	–	–
	– unrealised	353	(2 781)	–	–
	Depreciation on property, plant and equipment	3 136	1 944	–	–
	Staff costs	22 624	18 202	–	–
	Directors' emoluments	3 890	2 273	–	–
	Contribution to Pension Fund	1 691	1 409	–	–
	Repairs and maintenance	2 337	497	–	–
	Summary of directors' emoluments				
	Paid by subsidiary				
	Executive directors				
	Salaries	2 142	1 554	–	–
	Vehicle allowance	635	391	–	–
	Medical aid contribution	218	106	–	–
	Pension fund contribution	250	143	–	–
	13th Cheque	185	–	–	–
	Bonus	340	79	–	–
	Non-executive directors	120	–	–	–
		3 890	2 273	–	–
6.	**AUDITORS' FEES**				
	Fees	485	89	–	–
7.	**FINANCE COSTS**				
	Shareholders loans	38	887	–	–
	Nedbank term loans	11 237	14 783	4	299
		11 275	15 670	4	299
	Finance cost paid on financial liabilities classified as loans at amortised cost.				

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
8. INVESTMENT REVENUE				
Dividend revenue				
Subsidiaries – Local	–	–	10 400	–
Interest revenue				
Bank	525	190	87	89
	525	190	10 487	89
Finance income received on financial assets classified as loans and receivable and held at amortised cost.				
9. REVENUE				
Sale of goods	965 243	895 204	–	–
Commission received	3 580	2 224	–	–
Rental income	218	–	–	–
	969 041	897 428	–	–
10. INCOME TAXES				
10.1 Income tax recognised in profit or loss				
Current				
Local income tax – current period	23 180	10 675	120	156
Secondary tax on companies	1 040	6 043	1 040	6 043
Capital gains tax	–	1 449	–	1 449
	24 220	18 167	1 160	7 648
Deferred				
Originating and reversing temporary differences	23	179	–	896
Change in tax rate	6	–	–	–
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	(2 215)	–	–	–
Arising from prior period adjustments	181	–	–	–
	(2 005)	179	–	896
	22 215	18 346	1 160	8 544
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense				
Accounting profit	75 961	44 905	10 827	6 707
Tax at the applicable tax rate of 28% (2008: 29%)	21 269	13 022	3 031	1 945
Tax effect of adjustments on taxable income				
Disallowable expenses	–	1 150	–	1 550
Deferred tax effect income	–	–	–	875
Income not subject to tax	(94)	(420)	(2 911)	(420)
Secondary tax on companies	1 040	6 043	1 040	6 043
Capital gains tax	–	(1 449)	–	(1 449)
	22 215	18 346	1 160	8 544

The income tax rate of 29% in 2008 was reduced to 28% in 2009.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
10. INCOME TAXES (continued)				
10.2 Tax paid				
Balance at beginning of the year	(10 512)	(4 048)	(62)	(3 975)
Current tax for the year recognised in income statement	(24 220)	(18 166)	(1 160)	(7 649)
Balance at end of the year	10 932	10 512	(253)	62
	(23 800)	(11 702)	(1 475)	(11 562)
10.3 Deferred tax				
Deferred tax asset				
Accelerated capital allowances for tax purposes	448	717	–	–
Tax losses available for set off against future taxable income	2 276	–	–	–
	2 724	717	–	–
Reconciliation of deferred tax asset (liability)				
At beginning of the year	717	896	–	896
Reduction due to rate change	6	–	–	–
Increase/(decrease) in tax losses available for set off against future taxable income	2 276	–	–	–
Originating temporary difference on property, plant and equipment	(275)	(179)	–	(896)
	2 724	717	–	–

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

– the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and

– the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

	2009 Cost/ valuation R'000	2009 Accumulated depreciation R'000	2009 Carrying value R'000	2008 Cost/ valuation R'000	2008 Accumulated depreciation R'000	2008 Carrying value R'000
11. PROPERTY, PLANT AND EQUIPMENT						
Group						
Buildings	9 771	(3 337)	6 434	9 771	(2 943)	6 828
Plant and machinery	13 564	(4 421)	9 143	4 518	(2 900)	1 618
Furniture and fixtures	2 576	(2 003)	573	2 286	(1 792)	494
Motor vehicles	4 314	(1 650)	2 664	2 750	(793)	1 957
IT equipment	2 382	(1 802)	580	1 849	(1 849)	–
Total	32 610	(13 216)	19 394	21 174	(10 277)	10 897

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Impairment loss R'000	Total R'000
Reconciliation of property, plant and equipment – Group – 2009						
Buildings	6 828	–	–	(394)	–	6 434
Plant and machinery	1 618	10 779	(811)	(1 617)	(826)	9 143
Furniture and fixtures	494	270	(5)	(186)	–	573
Motor vehicles	1 957	1 470	–	(763)	–	2 664
IT equipment	–	772	(16)	(176)	–	580
	10 897	13 291	(832)	(3 136)	(826)	19 394

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
11. PROPERTY PLANT AND EQUIPMENT (continued)					
Reconciliation of property, plant and equipment – Group – 2008					
Buildings	5 619	1 594	–	(385)	6 828
Plant and machinery	2 092	422	(80)	(816)	1 618
Furniture and fixtures	476	172	(1)	(153)	494
Motor vehicles	1 246	1 607	(471)	(425)	1 957
IT equipment	–	165	–	(165)	–
	9 433	3 960	(552)	(1 944)	10 897

	Opening balance R'000	Transfers R'000	Total R'000
Reconciliation of property, plant and equipment – Company – 2008			
Plant and machinery	2 049	(2 049)	–
Furniture and fixtures	334	(334)	–
Motor vehicles	1 291	(1 291)	–
	3 674	(3 674)	–

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
Assets subject to finance lease (net carrying amount)				
Motor vehicles	**2 015**	1 479	**–**	–

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. Land and buildings are situated on Stand 359, Crocker Road, Wadeville, Extension 4.

The directors' valuation of the land and buildings has been assessed at R32,3 million (2008: R24,1 million). Certain property, plant and equipment are pledged as security for a term loan (note 21).

12. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	**% holding 2009**	% holding 2008	**Carrying amount 2009 R'000**	Carrying amount 2008 R'000
Insimbi Alloy Properties (Proprietary) Limited	Insimbi Refractory and Alloy Supplies Limited	**100**	100	**–**	–
Insimbi Alloy Supplies (Proprietary) Limited	Insimbi Refractory and Alloy Supplies Limited	**100**	100	**–**	–
Insimbi Aluminium Alloys (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	**100**	80	**–**	–
Insimbi Refractory and Alloy Supplies Limited – Zambia	Insimbi Refractory and Alloy Supplies Limited	**10**	1	**–**	–
Insimbi Refractory and Alloy Supplies Limited – Zambia	Insimbi Alloy Supplies (Proprietary) Limited	**90**	99	**–**	–
Insimbi Bulk Commodities (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	**100**	–	**–**	–
				–	–
The carrying amounts of subsidiaries are shown net of impairment losses.					
Insimbi Alloy Properties (Proprietary) Limited					
– Loan account		**–**	–	**5 360**	5 360
Insimbi Alloy Supplies (Proprietary) Limited					
– Loan account		**–**	–	**(16 123)**	(57 916)

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

12. INVESTMENTS IN SUBSIDIARIES (continued)

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

The par value of shares held in subsidiaries is as follows:

Insimbi Alloy Properties (Proprietary) Limited 10 ordinary shares of R1 each	**R10**
Insimbi Alloy Supplies (Proprietary) Limited 100 ordinary shares of R1 each	**R100**
Insimbi Aluminium Alloys (Proprietary) Limited 100 ordinary shares of R1 each	**R100**
Insimbi Refractory and Alloy Supplies Limited – Zambia 195 ordinary shares of K1 000 each	**K195 000**
Insimbi Bulk Commodities (Proprietary) Limited 120 ordinary shares of R1 each	**R120**

13. INVESTMENTS IN ASSOCIATES

Name of company		**% holding 2009**	% holding 2008	**Carrying amount 2009 R'000**	Carrying amount 2008 R'000	**Fair value 2009 R'000**	Fair value 2008 R'000
Insimbi Thermal Insulation (Proprietary) Limited	Unlisted	**49,50**	–	**75**	–	**75**	–

The carrying amounts of associates are shown net of impairment losses.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
Insimbi Thermal Insulation (Proprietary) Limited				
– Shares at cost	**300**	–	**–**	–
Less: Accumulated losses	**(225)**	–	**–**	–
Carrying value	**75**	–	**–**	–
– Loan account (refer note 15)	**4 030**	–	**–**	–
	4 105	–	**–**	–

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

Set out below is a summary of financial information in regard to the associate for the December year ends 2009 and 2008.

	2009 R'000	2008 R'000
Revenue	**9 426**	–
Gross profit	**2 491**	–
Administration and other operating costs	**(3 017)**	–
Loss before taxation	**(526)**	–
Taxation	**147**	–
Retained loss for the year	**(379)**	–
Total assets	**5 263**	–
Share capital	**79**	–
Total liabilities	**5 342**	–

	2009 Cost/ valuation R'000	2009 Accumulated depreciation R'000	2009 Carrying value R'000	2008 Cost/ valuation R'000	2008 Accumulated depreciation R'000	2008 Carrying value R'000
14. GOODWILL						
Group						
Goodwill	39 938	–	39 938	29 938	–	29 938
Company						
Goodwill	23 574	–	23 574	23 574	–	23 574

	Opening balance R'000	Additions through business combinations R'000	Total R'000
Reconciliation of goodwill – Group – 2009			
Goodwill	29 938	10 000	39 938
Reconciliation of goodwill – Group – 2008			
Goodwill	29 938	–	29 938
Reconciliation of goodwill – Company – 2009			
Goodwill	23 574	–	23 574
Reconciliation of goodwill – Company – 2008			
Goodwill	23 574	–	23 574

Annual test for impairment

During the financial year, the group assessed the recoverable amount of goodwill, and determined that goodwill was not impaired.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing to the following cash-generating units:

- Insimbi Alloy Supplies (Proprietary) Limited
- Insimbi Aluminium Alloys (Proprietary) Limited

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
The carrying amount of goodwill was allocated to the following cash-generating units:				
• Insimbi Alloy Supplies (Proprietary) Limited	29 938	29 938	23 574	23 574
• Insimbi Aluminium Alloys (Proprietary) Limited	10 000	–	–	–
15. AMOUNTS OWING (TO)/FROM GROUP COMPANIES				
Subsidiaries				
Insimbi Alloy Properties (Proprietary) Limited	–	–	5 360	5 360
Insimbi Alloy Supplies (Proprietary) Limited	–	–	(16 123)	(57 916)
	–	–	(10 763)	(52 556)
The loans are unsecured, interest free and have no fixed terms of repayment.				
Associates				
Insimbi Thermal Insulation (Proprietary) Limited	4 030	–	–	–
The loans are unsecured, interest free and have no fixed terms of repayment.				
Other Related Party				
Insimbi Holdings (Proprietary) Limited	8 172	138	–	–

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

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
15. AMOUNTS OWING (TO)/FROM GROUP COMPANIES (continued)				
Current assets	**12 202**	138	**5 360**	5 360
Current liabilities	**–**	–	**(16 123)**	(57 916)
	12 202	138	**(10 763)**	(52 556)
16. INVENTORIES				
Merchandise at cost	**59 056**	73 025	**–**	–
Goods in transit	**15 411**	3 487	**–**	–
	74 467	76 512	**–**	–
Inventory write down	**(1 678)**	(1 899)	**–**	–
	72 789	74 613	**–**	–
Inventory pledged as security				
Inventory was pledged as security for the term loans (note 21).				
17. TRADE AND OTHER RECEIVABLES				
Trade receivables	**87 626**	103 041	**–**	–
Deposits and prepayments	**1 721**	2 200	**600**	1 883
VAT	**2 007**	–	**54**	–
Doubtful debt provision	**(1 378)**	(17)	**–**	–
Sundry debtor	**–**	3	**256**	–
	89 976	105 227	**910**	1 883
18. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	**48**	43	**–**	–
Bank balances	**42 148**	7 426	**446**	–
Bank overdraft	**(8 348)**	(575)	**–**	(575)
	33 848	6 894	**446**	(575)
Current assets	**42 196**	7 469	**446**	–
Current liabilities	**(8 348)**	(575)	**–**	(575)
	33 848	6 894	**446**	(575)
19. OTHER FINANCIAL ASSETS				
Held for trading				
Foreign exchange contract	**–**	2 781	**–**	–
Available for sale				
Listed shares – Insimbi Refractory and Alloy Supplies Limited 12 000 ordinary shares held by Insimbi Alloy Supplies (Proprietary) Limited	**8**	–	**–**	–
Total other financial assets	**8**	2 781	**–**	–
Non-current assets				
Available for sale	**8**	–	**–**	–
Current assets				
Held for trading	**–**	2 781	**–**	–
	8	2 781	**–**	–

19. OTHER FINANCIAL ASSETS (continued)

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.

Fair values are determined annually at balance sheet date.

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2009 and 2008, as all the financial assets were disposed of at their redemption date.

The group holds various foreign exchange contracts in US Dollars, British Pounds and Euro with various financial institutions at variable maturity dates (note 25 and note 31).

20. SHARE CAPITAL

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Authorised				
12 000 000 000 ordinary shares of 0,000025 cents each	3	–	3	–
300 000 ordinary shares of 1 cent each	–	3	–	3
350 000 Class A convertible or redeemable preference shares of 1 cent each	–	3	–	3
350 000 Class B variable rate redeemable preference shares of 1 cent each	–	4	–	4
	3	10	3	10
Reconciliation of number of shares issued (000's):				
Shares purchased by subsidiaries	12	–	12	–
Issue of shares – ordinary shares	73 542	–	73 542	–
Issue of shares to directors – ordinary shares	186 446	–	186 446	–
	260 000	–	260 000	–
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.				
Issued				
Ordinary – 260 000 000 of 0,000025 cents each	–	–	–	–
Share premium	46 533	–	46 533	–
Share issue costs written off against share premium	(2 091)	–	(2 091)	–
	44 442	–	44 442	–

The Class A convertible or redeemable preference shares were redeemed during March 2007 and cancelled.

The Class B variable rate redeemable preference shares were cancelled during the year.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
21. OTHER FINANCIAL LIABILITIES				
At fair value through profit or loss				
Foreign exchange contract	353	–	–	–
	353	–	–	–
Held at amortised cost				
Nedbank Limited – term loan	(540)	8 042	–	–
Nedbank Limited – loan number two	55 000	67 339	–	–
Nedbank Limited – loan number three	–	13 130	–	–
Nedbank instalment sale	2 312	1 769	–	–
Shareholders' loan	–	5 352	–	–
	56 772	95 632	–	–
	57 125	95 632	–	–
Non-current liabilities				
At amortised cost	55 993	69 310	–	–
Current liabilities				
At fair value through profit and loss	353	–	–	–
At amortised cost	779	26 322	–	–
	1 132	26 322	–	–
	57 125	95 632	–	–

The fair values of other financial liabilities was determined by restating the foreign exchange contracts outstanding at year end using the rate applicable at year end date for the outstanding duration of the contract (refer note 25).

Nedbank Limited – term loan – interest rate fixed at 12,65% (2008: 12,65%)

Loan secured by general notarial bond of R70,0 million (2008: R70,0 million) over inventories, plant and equipment and limited suretyships from shareholders/management of Rnil (2008: R25 million) as detailed hereunder:

	2009 R'000	2008 R'000
F Botha	–	5 000
CF Botha	–	5 000
EP Liechti	–	5 000
PJ Schutte	–	5 000
DJ O'Connor	–	5 000

The loan is repayable monthly at a rate of R635 912 for the period March 2008 to February 2009 with the last repayment of R194 890 due in March 2009.

The fire insurance policy entered into between Insimbi Alloy Supplies (Proprietary) Limited and Alexander Forbes Risk Services has been endorsed in respect of Nedbank Limited's interest in regard to the general notarial covering bond of R70 million.

Insimbi Alloy Supplies (Proprietary) Limited and Insimbi Aluminium Alloys (Proprietary) Limited signed a suretyship whereby both companies bound themselves as jointly and severally as surety and co-principal debtor to Nedbank Limited.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	R'000	R'000	**R'000**	R'000
21. OTHER FINANCIAL LIABILITIES (continued)				
The carrying amount of assets pledged as security for the term loan is detailed below.				
Property, plant and equipment	**19 394**	10 897	**–**	–
Inventories	**72 789**	74 613	**–**	–
	92 183	85 510	**–**	–

Nedbank Limited – loan number two – interest rate fixed at 12,03%
Interest is serviced on a monthly basis.

Nedbank Limited – loan number three – interest rate JIBAR plus 5% (2008: 16%)
The monthly repayments on this loan amount to R472 000. This loan was repaid in full during the year.

Nedbank instalment sale agreements – interest rates vary between 12,50% and 14,5%
Secured by motor vehicles and plant and equipment with a net book value of R2 015 000 (2008: R1 479 318) and repayable in monthly instalments of R60 750 (2008: R60 750).

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
22. LONG-TERM LOAN – NEDBANK				
Nedbank	**1 000**	15 200	**–**	–

Interest is charged on the loan at prime less 1,25% – 2009: 12,75% (2008: 13,25%).

The maximum amount that the group and company is permitted by Nedbank to have as a balance on the loan is R18 000 000. The balance varies from month to month depending on the cash flow of the group and company and there are no fixed repayment terms.

This loan forms part of the overall facility approved by Nedbank Limited – refer note 21 in regard to security held.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
23. TRADE AND OTHER PAYABLES				
Trade payables	**106 744**	98 840	**–**	2 183
VAT	**20**	3 454	**–**	10
Accrued leave pay	**1 045**	700	**–**	–
Accrued bonus	**1 428**	2 801	**–**	–
Other accrued expenses	**728**	–	**640**	–
	109 965	105 795	**640**	2 193

The group has financial risk management policies in place to make sure that all payables are paid within the credit timeframe, which is generally 30 days in respect of local suppliers and 90 to 180 days in respect of foreign suppliers.

Accrued leave pay
Employee benefits in the form of annual leave are provided for when they accrue to employees with reference to services rendered to balance sheet date.

Accrued bonus
Bonuses are paid to all employees on the basis of current year profits.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
24. CASH GENERATED FROM/(USED IN) OPERATIONS				
Profit before taxation	75 961	44 905	10 827	6 708
Adjustments for:				
Depreciation and amortisation	3 136	1 944	–	–
Profit on sale of assets	(135)	(200)	–	–
Profit on disposal of investment in associate	–	(5 469)	–	(5 469)
Share of associated company's (loss)/profit	225	(1 449)	–	(1 449)
Dividends received	–	–	(10 400)	–
Investment revenue	(525)	(190)	(87)	(89)
Finance costs	11 275	15 670	4	299
Impairment loss on property, plant and equipment	826	–	–	–
Fair value adjustment on foreign exchange contracts	353	(2 781)	–	–
Movement in Foreign Currency Translation Revenue	78	–	–	–
Changes in working capital:				
Inventories	1 824	(10 527)	–	64 086
Trade and other receivables	15 251	25 516	972	128 830
Trade and other payables	4 170	(57 254)	(1 553)	(159 735)
	112 439	10 165	(237)	33 181

25. FOREIGN CURRENCY EXPOSURE

The group entered into forward exchange contracts to buy specified amounts of foreign currency in the future at predetermined rates. The contracts are entered into to manage the group's exposure to fluctuations in foreign currency exchange rates on specific transactions.

Contracts entered into but not matured at year end were valued as follows:

	GROUP 2009 Foreign amount '000	GROUP 2009 Rand '000	GROUP 2008 Foreign amount '000	GROUP 2008 Rand '000
Currency				
US Dollars	1 170	11 959	1 723	12 706
British Pounds	58	850	68	973
Euro	1 344	17 489	1 362	14 312
		30 298		27 991

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
26. CONTINGENCIES				
Guarantees	350	350	–	–
All guarantees are performance guarantees held for Insimbi Alloy Supplies(Proprietary) Limited on behalf of various government beneficiaries.				
Tax consequences of undistributed reserves:				
STC on remaining reserves	4 310	370	–	–

27. EMPLOYEE BENEFITS

Pension obligations

The group employees are members of a defined contribution plan which is administered by Alexander Forbes Retirement Fund.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
28. SEGMENTAL REPORTING				
Revenue by division				
Foundry	249 914	226 586	–	–
Non-ferrous	120 846	167 122	–	–
Refractory	21 971	22 237	–	–
Speciality	70 158	171 146	–	–
Steel	314 539	198 452	–	–
Rotary Kiln	96 912	43 388	–	–
Textiles	4 285	6 238	–	–
KZN	70 413	62 259	–	–
Other	20 003	–	–	–
	969 041	897 428	–	–
Gross margin by division				
Foundry	41 875	24 085	–	–
Non-ferrous	12 703	11 391	–	–
Refractory	3 501	2 697	–	–
Speciality	16 162	14 714	–	–
Steel	36 796	14 196	–	–
Rotary Kiln	11 604	5 999	–	–
Textiles	(37)	2 040	–	–
KZN	13 845	8 310	–	–
Other	3 745	–	–	–
	140 194	83 432	–	–
29. CAPITAL AND LEASE COMMITMENTS				
Capital commitments				
Capital commitments relating to the acquisition in March 2009 of property in Cape Town pending at the balance sheet date.	6 000	–	–	–
Capital commitments relating to the acquisition in March 2008 of the secondary aluminium smelter	–	17 000	–	–
Lease commitment				
Haggie Fibre Products				
Rental payable for period March 2008 to February 2009 – due within 1 year	–	316	–	–
Rental payable for period March 2009 to October 2009 – due within 2 – 5 years	–	224	–	–
	–	540	–	–

The lease with Haggie Rand Fibre expired on 31 October 2008.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
JLL Properties (Proprietary) Limited				
Rental payable for period March 2009 to February 2010 – due within 1 year	480	–	–	–
Rental payable for period March 2010 to February 2014 – due within 2-5 years	2 334	–	–	–
Rental payable for period March 2014 to February 2018 – due after 5 years	3 175	–	–	–
	5 989	–	–	–

The lease with JLL Properties (Proprietary) Limited expires on 28 February 2018 but there is an option to renew for a further ten years period.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
29. CAPITAL AND LEASE COMMITMENTS (continued)				
Insimbi Alloy Properties (Proprietary) Limited				
Rental payable in the subsequent period – due within one year	771	714	–	–

Insimbi Alloy Properties (Proprietary) Limited leases premises to Insimbi Alloy Supplies (Proprietary) Limited.

In terms of the lease, rentals increase by 8% with effect from March of each year. There is no fixed expiry date in regard to this lease.

Instalment sale agreement

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Minimum lease payments due				
– within one year	1 077	730	–	–
– in second to fifth year inclusive	2 015	1 459	–	–
Less future finance charges	(641)	(420)	–	–
Present value of minimum lease payments due	2 451	1 769	–	–

30. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 12
Associates	Refer to note 13
Members of key management	Directors of the group per directors' report meet the definition of key management personnel. Key management personnel consists of directors only.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Related party balances				
Loan accounts				
Owing (to)/by related party to Insimbi Refractory and Alloy Supplies Limited				
Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)	–	–	5 360	5 360
Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	–	–	(16 123)	(57 916)
Owing (to)/by related party to Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
Insimbi Thermal Insulation (Proprietary) Limited (Associate)	4 030	–	–	–
**Insimbi Holdings (Proprietary) Limited	8 172	138	–	–
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	24 497	–	–	–
*Insimbi Refractory and Alloy Supplies Limited – Zambia (100% subsidiary)	676	237	–	–
*Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)	441	1 096	–	–
Receivables from related parties				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	130	–	–	–
Insimbi Thermal Insulation (Proprietary) Limited (Associate)	2	–	–	–
Allied Metallurg South Africa (Proprietary) Limited (Associate)	–	2	–	2
Payables to related parties				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	4 957	–	–	–
Insimbi Thermal Insulation (Proprietary) Limited (Associate)	(6)	–	–	–
Allied Metallurg South Africa (Proprietary) Limited (Associate)	–	360	–	–

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

	GROUP		COMPANY	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
30. RELATED PARTIES (continued)				
Related party transactions				
Dividends payable/(receivable)				
**Insimbi Holdings (Proprietary) Limited	–	39 558	–	39 558
***Corvest 5 Investments (Proprietary) Limited	–	48 346	–	48 346
*Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	–	–	(10 400)	–
Administration fee payable/(receivable)				
Insimbi Thermal Insulation (Proprietary) Limited (Associate)	(330)	–	–	–
Insimbi Holdings (Proprietary) Limited	7 845	5 390	–	–
Rent payable/(receivable) to Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)				
Insimbi Thermal Insulation (Proprietary) Limited (Associate)	(218)	–	–	–
*Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	(1 071)	(1 068)	–	–
Purchase of good and services from Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	28 551	–	–	–
Insimbi Thermal Insulation (Proprietary) Limited (Associate)	4 372	–	–	–
Sale of good and services to Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	732	–	–	–
Key management compensation				
Salaries and other employee benefits	3 890	2 273	–	–

** These balances/transactions have been eliminated on consolidation*

*** The five major shareholders of Insimbi Refractory and Alloy Supplies Limited are the shareholders of Insimbi Holdings (Proprietary) Limited.*

**** Corvest 5 Investments (Proprietary) Limited was a former shareholder of Insimbi Refractory and Alloy Supplies (Proprietary) Limited*

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

The group's overall risk management programme seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to mitigate foreign risk exposures. Risk management is carried out by management under policies approved by the board. Management evaluates financial risks in close co-operation with the group's operating units. The board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments.

The group is exposed to risks from its use of financial instruments. This note describes the group's objective, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. The group is currently exposed to credit risk, liquidity risk and market risk, which comprises currency risk, cash flow interest rate risk and price risk. Directors are of the opinion that the carrying amounts of all group and company financial assets and financial liabilities approximate their fair values except fixed rate loans. The carrying amount of current financial instruments approximate their fair values due to the short-term maturities of these financial instruments. Remaining long-term borrowings bear interest at market related interest rates which results in the current carrying amount being equivalent to its current fair value.

There have been no substantive changes to the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Information disclosed has been disaggregated, where the financial instruments used by the company have different economic characteristics and market conditions.

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

Principal financial instruments

The principal financial instruments used by the group, from which financial risk arises, are as follows:
Trade and other receivables
Cash and cash equivalents
Forward exchange assets
Loans receivable
Long-term borrowings
Variable rate instalment sale liabilities
Trade and other payables

The directors have an overall responsibility for the determination of the group's risk management, objectives and policies, and whilst retaining ultimate responsibility for them, they ensure that excess cash as generated from the operations is invested with financial institutions of good standing, finance is provided by AAA+ rated financial institutions and customers of good quality are accepted. The main purpose of financial liabilities is to raise finance to fund the acquisition of property, plant and equipment, working capital and future acquisitions. The directors on a monthly basis monitor their collections from the company's debtors, movement in prime lending rates, movements in exchange rates and the risks that the group is exposed to based on current market conditions. Currency risks are hedged directly through the use of foreign exchange contracts. Risks are managed as described above. The group does not speculate with derivative financial instruments.

The overall objective of the board is to set policies that seek to reduce risk that the group is exposed to directly as far as possible without unduly affecting the company's general business operation. Further details regarding these policies are set out below:

Procedures for mitigating risk include:

– Performing credit checks on potential customers.
– The preparation of cash flow forecasts. Cash flow forecasts are prepared regularly for three month periods and are reviewed daily.
– Forward exchange contracts are entered into with financial institutions in order to minimise the group's exposure to exchange rate fluctuations. Forward exchange contracts are taken for both import of material as well as the export of material. These contracts are reviewed on a regular basis and where necessary are extended due to changes in business conditions.

When a customer is identified as having cash flow problems, the credit manager will take the following steps:
– Confirm the situation with the customer.
– Advise the divisional director of the situation during the monthly meeting at which outstanding debtors balances are reviewed.
– Place customer on hold, request customer be changed to a cash on delivery basis and request owner or directors of customer to agree to sign a surety for amount due.
– Request customer to issue post dated cheques which are held by credit control until due date.

Procedures for avoiding excessive concentration of risk include:

– Maintaining a wide customer base.
– Offering a wide range of material to the market.
– Continually looking for opportunities to expand both customer and material base.
– Identifying opportunities to invest in other companies.
– Reviewing current material base in order to identify any product line which does not result in margins which are not in line with budgets and plans.

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

Liquidity risk

Liquidity risk arises from the group's management of trade payables, lease payments, overdrafts and principal repayments on its debt instruments. It is the risk that the group will experience financial difficulty in meeting financial obligations as they fall due. The group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they fall due. To achieve this it seeks to maintain agreed facilities with reputable financial institutions. This is also achieved by monitoring the economy to ensure that necessary price increases are effected. There have been no defaults or breaches on long-term loans, instalment sale liabilities and trade payables during the course of the financial year. Furthermore, security has been provided for long-term loans and instalment sale liabilities. This is further described in note 21.

Contractual maturity analysis

	Payable within one year/ on demand R'000	Payable within 2 to 5 years R'000	Payable after 5 years R'000
Group			
2009			
Undiscounted cash flows arising from financial liabilities due			
Trade payables			
– Local	**101 549**	**–**	**–**
– Foreign	**5 375**	**–**	**–**
Bank overdraft facility	**54 069**	**–**	**–**
Nedbank Limited – term loan	**–**	**–**	**–**
Nedbank Limited – loan number two	**–**	**55 000**	**–**
Nedbank Limited – instalment sale	**1 077**	**2 015**	**–**
	162 070	**57 015**	**–**
2008			
Undiscounted cash flows arising from financial liabilities due			
Trade payables			
– Local	82 132	–	–
– Foreign	8 687	–	–
Bank overdraft facility	30 000	–	–
Nedbank Limited – term loan	7 847	195	–
Nedbank Limited – loan number two	12 339	55 000	–
Nedbank Limited – loan number three	13 131	–	–
Nedbank Limited – instalment sale	535	1 234	–
Shareholder's loans	5 352	–	–
	160 023	56 429	–
Company			
2009			
Undiscounted cash flows arising from financial liabilities due			
Bank overdraft facility	**1 000**	**–**	**–**
	1 000	**–**	**–**
2008			
Undiscounted cash flows arising from financial liabilities due			
Bank overdraft facility	1 000	–	–
	1 000	–	–

At year end the group had R45 million available in the form of a bank overdraft facility. This amount can be utilised to settle trade payables should customers not settle their debts. This facility can also be utilised for future expansion of the business.

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

Management of liquidity risk in regard to financial liabilities includes:

Regular meetings are held with the group's bankers to discuss facilities required to meet the group's financial obligations and where agreed overdraft and loan facilities are amended. A summary of the group's and company's bank accounts are prepared daily which are reviewed and based on these summaries decisions are made to transfer excess funds from the main current account to other facilities in order to reduce the interest cost to the group and company. The group monitors the maturity date of all open forward exchange contracts.

Metal price risk

The purchase price of certain material purchased is influenced by the prices quoted on the London Metal Exchange (LME). Before orders are placed with an overseas supplier, the group's division dealing with the placement of orders will compare the supplier's quoted price to the LME. Based on the supplier's quote a purchase order is produced which is then counter signed by a director of the company in terms of the company's ISO requirements.

Sensitivity analysis

The group is predominantly exposed to the metal price risk. Fluctuations in the metal price as quoted on the LME will have an insignificant net effect on profit as any fluctuations in the metal price are effectively passed onto the consumer immediately. This represents no change from the prior period in the method and assumptions used. This analysis represents management's best estimate of the effect on profit.

Interest rate risk

Market risk arises from the group's use of variable interest rate instalment sale liabilities and fixed and variable long-term borrowings and bank accounts that are carried at amortised cost. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligation. The risk remains un-hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis. The benefits of fixing or capping interest rates on the group's various financing activities are considered on a case-by-case basis and project-by-project basis, taking the specific and overall risk profile into consideration.

Interest rates on certain loans are fixed for the period of the loan while the interest rates on other loans are linked to the overdraft rate. The prime rate as at year end was 14,0%. The Reserve Bank decreased the rate on 25 March 2009, 4 May 2009 and on 29 May 2009 by 1,0% respectively. Prime rate as at 22 June 2009 is 11,0%.

Detailed below are the interest rates applicable to interest bearing liabilities:

Shareholder's loans (prime plus 2%). The loans were repaid during 2009.

Nedbank instalment sale
Interest rates vary from 12,5% to 14,5%.

Nedbank loan number three (JIBAR plus 5%)
Initially rate was 14,08% but at February 2008 was 16,05%. The loan was repaid during 2009.

Nedbank long-term loan (prime less 1,25%)
Interest rate at February 2009 was 12,75%.

The group also holds cash and cash equivalents, which earns interest at variable rates and has variable rate debt in issue. Consequently, the group is exposed to cash flow interest rate risk.

Cash and cash equivalents comprise cash in hand and bank balances. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the group earns the most advantageous rates of interest available.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

Sensitivity analysis

The group is sensitive to the movements in the ZAR interest rates which are the primary interest rates to which the group is exposed. The group has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous increase or decrease, as detailed in the table below, in market interest rates on financial liabilities from the applicable rate as at year end, for each class of financial instrument with all other variables remaining constant. It has been established by management that interest rate fluctuations on cash denominated in British Pounds and Euro are immaterial. The calculations were determined with reference to the outstanding financial liability and financial asset balances. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in interest rates.

	2009 After tax effect on profit and loss		2008 After tax effect on profit and loss	
	2% increase	**1% decrease**	2% increase	1% decrease
Group (Rands)				
South African lending rate				
Variable rate instalment sale liabilities	**(30 703)**	**15 277**	(24 421)	12 054
Variable rate long-term loans	**–**	**–**	(258 883)	127 791
Cash and cash equivalents – Local	**431 238**	**(215 619)**	49 259	(24 629)

	2009 After tax effect on profit and loss		2008 After tax effect on profit and loss	
	3% increase	**3% decrease**	3% increase	3% decrease
United States of America lending rate				
Cash and cash equivalents – US Dollar	**57 809**	**(57 809)**	80 254	(80 254)

	2% increase	**1% decrease**	2% increase	1% decrease
Company (Rands)				
South African lending rate				
Cash and cash equivalents – Local	**6 423**	**(3 211)**	(8 165)	4 082

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade receivables and loans to group entities. With respect to cash and cash equivalents, cash is only invested with recognised and reputable financial institutions. The credit quality of customers is assessed by taking into account their financial position, past experience and other factors. Individual risk limits are set internally and are regularly monitored. Sales to retail customers are settled in cash.

The group sells material to customers who are considered to be credit worthy. It is the group's policy that all customers be subjected to a credit verification procedure before material is sold. In addition, the age analysis is reviewed monthly with the intention of minimising the group's exposure to bad debts. The maximum exposure of financial assets to credit risk is the carrying value of related financial assets as reflected on the face of the balance sheet.

Should the need arise it is the group's policy to take collateral. To date no collateral has been taken nor obtained. Trade receivables that are neither past due nor impaired are considered to be of high credit quality accompanied by an insignificant default rate.

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

At each balance sheet date, the group determines on a case-by-case basis whether there is objective evidence of an impairment loss. The following factors are considered in determining whether an impairment loss should be provided for:

– The number of days that the debt is in arrears;
– Whether the debtor has been liquidated or has closed down the business;
– If provisional liquidation has been sought against the debtor;
– Any litigation proceedings against the debtor and the likely outcomes;
– Any communication from the debtor indicating an inability to pay within the agreed credit terms;
– Any evidence of liquidity difficulties experienced by the debtor; and/or
– Adverse credit reports.

	GROUP		COMPANY	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000
Reconciliation of movement of doubtful debt provision for individually assessed trade receivables:				
Balance brought forward	**(17)**	(2,680)	**–**	(2 680)
Increase in provision	**(1 361)**	–	**–**	–
Decrease in provision	**–**	2 647	**–**	2 680
Debts written off against provision	**–**	16	**–**	–
Balance carried forward	**(1 378)**	(17)	**–**	–

Trade and other receivables past due but not yet impaired.

	Carrying amount R'000	Of which neither impaired nor past due on the reporting date R'000	Of which is not impaired on reporting date but past due: Current R'000	Greater than 30 days R'000	Greater than 60 days R'000	Greater than 90 days R'000	Greater than 120 days R'000
Group							
2009							
Trade receivables	**87 626**	**60 263**	**–**	**11 993**	**2 648**	**12 722**	**–**
– Foreign	**1 886**	**818**	**–**	**301**	**10**	**757**	**–**
– Local	**85 740**	**59 445**	**–**	**11 692**	**2 638**	**11 965**	**–**
2008							
Trade receivables	103 041	80 983	–	15 779	4 463	1 816	–
– Foreign	14 176	8 641	–	3 515	880	1 140	–
– Local	88 865	72 342	–	12 264	3 583	676	–
Company							
2009							
Trade receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Foreign	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Local	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2008							
Trade receivables	–	–	–	–	–	–	–
– Foreign	–	–	–	–	–	–	–
– Local	–	–	–	–	–	–	–

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

The group does not provide for impairment losses on a general basis. Debts that are past due are impaired based on evidence of the factors cited above. Impairment losses on individually impaired trade receivables are as follows:

	Carrying amount before impairment R'000	Impairment loss R'000	Fair value of collateral R'000
Group			
2009			
Trade receivables	–	–	–
– Foreign	–	–	–
– Local	–	–	–
2008			
Trade receivables	16	16	–
– Foreign	–	–	–
– Local	16	16	–
Company			
2009			
Trade receivables	–	–	–
– Foreign	–	–	–
– Local	–	–	–
2008			
Trade receivables	–	–	–
– Foreign	–	–	–
– Local	–	–	–

The debtor's book of Insimbi Alloy Supplies (Proprietary) Limited amounting to R79,0 million (2008: R102,0 million) has been ceded as security in respect of overdraft facilities amounting to R35,0 million (2008: R35,0 million).

Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities or future commercial transactions are denominated in a currency that is not the entity's functional currency. The group trades internationally and is therefore directly exposed to foreign exchange risk through its foreign currency denominated trade receivables, trade payables and forward exchange contracts.

Currency risk

Foreign currency monetary items are restated at each reporting date to incorporate the underlying foreign exchange movements, as prescribed by IAS 21 – The Effects of Changes in Foreign Exchange Rates. The group is predominantly exposed to currency risk that arises from US Dollar, Euro and British Pound denominated financial instruments. The following table indicates the group's sensitivity at year end to the indicated movements in the US Dollar, Euro and British Pound on financial instruments excluding forward exchange contracts. Refer note 25 for the fair values of unmatched foreign exchange contracts at year end.

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous strengthening or weakening in the Rand, as detailed in the table below, against the US Dollar, Euro and British Pound with reference to the closing exchange rates and foreign currency balances outstanding as at year end, for each class of financial instrument with all other variables remaining constant. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in foreign currency exchange rates. This analysis considers the impact of changes in foreign exchange rates on profit or loss.

31. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (continued)

	After tax effect on profit and loss arising from US Dollar		After tax effect on profit and loss arising from Euro		After tax effect on profit and loss arising from British Pound	
	16% increase	**16% decrease**	**11% increase**	**11% decrease**	**11% increase**	**11% decrease**
Group (Rands)/nominal amount						
2009						
Foreign trade payables	**(97 213)**	**97 213**	**(320 847)**	**320 847**	**(18 755)**	**18 755**
Foreign trade receivables	**248 390**	**(248 390)**	**43 286**	**(43 286)**	**792**	**(792)**
Foreign bank	**339 847**	**(339 847)**	**61 630**	**(61 630)**	**116**	**(116)**
	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
2008						
Foreign trade payables	(1 322 410)	1 322 410	(108 414)	108 414	55 905	(55 905)
Foreign trade receivables	736 510	(736 510)	(13 586)	13 586	–	–
Foreign bank	275 620	(275 620)	(55 129)	55 130	–	–

Forward exchange contracts

The group operates in the global business environment and many transactions are priced in a currency other than the South African Rand. Accordingly the group is exposed to the risk of fluctuating exchange rates and manages this exposure through the use of financial instruments. These instruments typically comprise forward exchange contracts. Forward exchange contracts are entered into in respect of both imports and exports in order to minimise the effect of fluctuations in exchange rates. Fair value foreign exchange risk arises upon mark to marketing of the forward exchange contracts.

Sensitivity analysis

The group is predominantly exposed to the currency of the European Union (Euro), the currency of the United States (Dollar) and the British Pound when taking out forward exchange contracts. All other currencies do not result in significant foreign exchange risk. The table below details the group's sensitivity to a fluctuation in the Rand against the US Dollar, the Euro and the British Pound. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in foreign currency exchange rates.

	US Dollar		Euro		British Pound	
	16% increase	**16% decrease**	**11% increase**	**11% decrease**	**11% increase**	**11% decrease**
Group (Rands)						
2009						
After tax effect on profit and (loss)	**20 931**	**(20 931)**	**1 108 287**	**(1 108 287)**	**66 019**	**(66 019)**
Financial assets	**20 931**	**(20 931)**	**1 108 287**	**(1 108 287)**	**66 019**	**(66 019)**
Financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**
	5% increase	2% decrease	6% increase	2% decrease	7% increase	2% decrease
2008						
After tax effect on profit and (loss)	474 053	(189 621)	450 819	(444 300)	52 105	(14 887)
Financial assets	474 053	(189 621)	450 819	(444 300)	52 105	(14 887)
Financial liabilities	–	–	–	–	–	–

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

32. FINANCIAL ASSETS BY CATEGORY

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

	Held for trading R'000	Loans and receivables R'000	Fair value through profit or loss – designated R'000	Held to maturity R'000	Available for sale R'000	Total R'000
Group – 2009						
Listed shares	–	–	–	–	8	8
Amounts owing by group companies	–	12 202	–	–	–	12 202
Trade and other receivables						
– Local	–	88 090	–	–	–	88 090
– Foreign	–	1 886	–	–	–	1 886
Cash and cash equivalents	–	33 348	–	–	–	33 348
	–	135 526	–	–	8	135 534
Group – 2008						
Forward exchange contract assets	2 781	–	–	–	–	2 781
Amounts owing by group companies	–	138	–	–	–	138
Trade and other receivables						
– Local	–	90 954	–	–	–	90 954
– Foreign	–	14 176	–	–	–	14 176
Cash and cash equivalents	–	6 894	–	–	–	6 894
	2 781	112 162	–	–	–	114 943
Company – 2009						
Loan to subsidiary company	–	5 360	–	–	–	5 360
Trade and other receivables						
– Local	–	910	–	–	–	910
– Foreign	–	–	–	–	–	–
Cash and cash equivalents	–	446	–	–	–	446
	–	6 716	–	–	–	6 716
Company – 2008						
Loans to subsidiary company	–	5 360	–	–	–	5 360
Trade and other receivables						
– Local	–	1 883	–	–	–	1 883
– Foreign	–	–	–	–	–	–
Cash and cash equivalents	–	(575)	–	–	–	(575)
	–	6 668	–	–	–	6 668

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2009

33. FINANCIAL LIABILITIES BY CATEGORY

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

	Held for trading R'000	At amortised cost R'000	Fair value through profit or loss – designated R'000	Total R'000
Group – 2009				
Forward exchange contract liabilities	–	–	**353**	**353**
Long-term loans – other	–	**56 772**	–	**56 772**
Nedbank long-term loan	–	**1 000**	–	**1 000**
Trade and other payables				
– Local	–	**104 590**	–	**104 590**
– Foreign	–	**5 375**	–	**5 375**
	–	**167 737**	**353**	**168 090**
Group – 2008				
Loans from shareholders	–	5 352	–	5 352
Long-term loans – other	–	90 281	–	90 281
Nedbank long-term loan	–	15 200	–	15 200
Trade and other payables				
– Local	–	82 132	–	82 132
– Foreign	–	8 687	–	8 687
	–	201 652	–	201 652
Company – 2009				
Loan from subsidiary company	–	**16 125**	–	**16 125**
Trade and other payables				
– Local	–	**640**	–	**640**
	–	**16 765**	–	**16 765**
Company – 2008				
Loan from subsidiary company	–	57 916	–	57 916
Trade and other payables				
– Local	–	2 192	–	2 192
	–	60 108	–	60 108

34. CAPITAL MANAGEMENT

The capital structure of the company consists of debt which includes interest bearing borrowings, cash and cash equivalents, equity attributable to equity holders of the company which comprises issued share capital and accumulated earnings. The group's capital management objective is to achieve an effective weighted average cost of capital while continuing to safeguard the group's ability to meets its liquidity requirements, repay borrowings as they fall due and continue as a going concern, whilst concurrently ensuring that at all times its credit worthiness is considered to be at least investment grade. This policy is consistent with that of the comparative period. The group is not subject to any external capital requirements.

Notes to the Annual Financial Statements *(continued)*
for the year ended 28 February 2009

	GROUP 2009 R'000	GROUP 2008 R'000
35. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Headline earnings for the group have been computed as follows:		
Profit attributable to ordinary shareholders	53 746	26 559
Adjusted for profit on sale of property, plant and equipment	(97)	(142)
Adjusted for impairment of property, plant and equipment	595	–
Adjusted for profit on disposal of investment in associate company	–	(4 019)
Headline earnings for the group	54 244	22 398
Basic attributable earnings per share are calculated by dividing the net profit attributable to shareholders by the number of shares in issue during the year.		
Number of shares on listing (000's)	260 000	260 000
Basic and fully diluted:		
Earnings per share (cents)	20,67	10,22
Headline earnings per share (cents)	20,86	8,61

36. BORROWING POWERS
In terms of the articles of association, article 61, the borrowing powers of the company are unlimited.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
37. DIVIDENDS PAID				
Dividends				
4 cents per ordinary share	(10 400)	–	(10 400)	–
1 297 182 cents per class A convertible redeemable preference share	–	(48 346	–	(48 346)
737 472 cents per ordinary share	–	(39 558)	–	(39 558)
	(10 400)	(87 904)	(10 400)	(87 904)
38. ACQUISITION OF INSIMBI THERMAL INSULATION (PROPRIETARY) LIMITED				
Fair value of assets acquired	300	–	–	–
Consideration paid in cash	(300)	–	–	–

Fair value of assets acquired comprises goodwill.

39. RECLASSIFICATION
The audited results for the year ended 28 February 2009 have been restated from the reviewed results previously published, due to re-allocations within the balance sheet categories. However, the attributable earnings for the period has not changed from the results previously published.

Segmental Report

for the year ended 28 February 2009

	Foundry R'000	Steel R'000	Non-ferrous R'000	Rotary Kiln R'000	Refractory R'000	Textiles R'000	Speciality R'000	KZN R'000	Other R'000	Total R'000
Revenue										
Sale of goods	255 120	316 055	122 902	94 162	21 513	4 298	71 105	71 351	19 818	976 324
Commission	–	–	–	2 750	549	–	96	–	185	3 580
Discounts taken	(5 206)	(1 516)	(2 056)	–	(91)	(13)	(1 043)	(938)	–	(10 863)
	249 914	314 539	120 846	96 912	21 971	4 285	70 158	70 413	20 003	969 041
Cost of sales										
Cost of manufactured goods	(208 039)	(277 743)	(108 143)	(85 308)	(18 470)	(4 322)	(53 996)	(56 568)	(16 258)	(828 847)
Gross profit	41 875	36 796	12 703	11 604	3 501	(37)	16 162	13 845	3 745	140 194
Operating and administration expenses										
Communication	68	9	13	64	31	–	47	111	754	1 097
Consulting and professional fees	–	–	–	–	–	–	–	45	2 895	2 940
Depreciation, amortisation and impairments	–	–	–	–	–	–	–	–	3 964	3 964
Employee costs	2 059	250	1 270	1 383	1 072	–	1 021	1 991	25 463	34 509
Motor vehicle expenses	186	35	57	166	109	–	81	122	369	1 125
Other expenses	675	83	98	209	171	13	189	368	7 486	9 292
Occupancy	–	–	–	–	–	–	–	377	419	796
	(2 988)	(377)	(1 438)	(1 822)	(1 383)	(13)	(1 338)	(3 014)	(41 350)	(53 723)
Operating profit	38 887	36 419	11 265	9 782	2 118	(50)	14 824	10 831	(36 615)	87 461

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

Shareholder Analysis

Analysis of ordinary shareholders as at 28 February 2009

Range	Number of shareholders	Number of shares	% of issued capital
1 000 001 and over	13	219 746 297	84,46
500 001 to 1 000 000	13	9 591 100	3,69
250 001 to 500 000	25	9 757 372	3,75
100 001 to 250 000	79	12 146 955	4,67
50 001 to 100 000	42	3 316 150	1,28
5 001 to 50 000	253	5 107 085	1,96
1 to 5 000	131	335 041	0,19
Total	556	260 000 000	100,00

Public and non-public shareholders as at 28 February 2009

Category	Number of shareholders	Number of shares	% of issued capital
Public	543	73 553 700	28,29
Non-public:			
– directors and associates	13	186 446 300	71,71
– persons (other than directors) interested directly or indirectly, in 10% or more	Nil	Nil	Nil
– other non-public	Nil	Nil	Nil

Analysis of shareholders by category as at 28 February 2009

Category	Number of shareholders	Number of shares	% of issued capital
Investment trusts, pension funds, banks and nominees	6	11 180 175	4,30
Companies and other corporates	9	862 250	0,33
Individuals	541	247 957 575	95,37
Total	556	260 000 000	100,00

Substantial interests as at 28 February 2009 (5% or more):
Except as disclosed under directors' interests on page 14, no shareholder has an interest of 5% or more in the share capital of the company.

Notice of Annual General Meeting

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/129821/06)
Share code: ISB ISIN: ZAE 000116828

NOTICE is hereby given That the annual general meeting of Insimbi Refractory and Alloy Supplies Limited will be held at stand 359 Crocker Road, Wadeville Ext 4, Germiston on 7 August 2009 at 12:00 for the following purposes:

1. To receive and adopt the auditors' report in respect of the year ended 28 February 2009.
2. To receive and adopt the annual financial statements of the group and company for the year ended 28 February 2009.
3. To re-appoint FBB Abdul Gany, GS Mahlati and PJ Schutte, as directors.
4. To confirm the directors' emoluments.
5. To appoint the company's auditors for the ensuing year.
6. To authorise directors to issue shares for cash.
7. To place unissued shares under the control of the directors.
8. To authorise directors or the company secretary to sign documents.
9. To authorise directors to, on behalf of the company, acquire shares of the company.
10. To effect a correction to the Articles of Association.
11. To consider and, if deemed fit, to pass, with or without modification, the following resolutions.

ORDINARY RESOLUTIONS

Ordinary resolution number 1

"Resolved to adopt the auditors' report in respect of the year ended 28 February 2009."

Ordinary resolution number 2

"Resolved to adopt the company's financial statements for the year ended 28 February 2009."

Ordinary resolution number 3

3.1 Re-election of FBB Abdul Gany

"Resolved that FBB Abdul Gany be re-elected as financial director of the company."

3.2 Re-election of GS Mahlati

"Resolved that GS Mahlati be re-elected as director of the company."

3.3 Re-election of PJ Schutte

"Resolved that PJ Schutte be re-elected as director of the company."

Ordinary resolution number 4
Directors' remuneration

"Resolved that the remuneration of executive and non-executive directors as set out on page 15 of the annual report of which this notice forms part, be and is hereby confirmed and ratified."

Ordinary resolution number 5
Appointment of auditors

"Resolved that BDO Spencer Steward (Johannesburg) Inc be re-appointed as auditors of the company."

Ordinary resolution number 6
General authority to issue unissued, but authorised shares for cash

"Resolved that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual meeting of the company, provided that it shall not extend beyond 15 months, to allot and issue any ordinary shares for cash subject to the Rules and Requirements of the JSE Limited (JSE) on the the following bases:

- the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirement of the JSE;
- 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;
- the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at such date of application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to rights issue (announced, irrevocable and fully underwritten)

or acquisition (concluded up to date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application.

- the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company; and
- 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 days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the Listings 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 must be cast in favour of ordinary resolution number 6 for it to be approved.

Ordinary resolution number 7
Unissued ordinary shares

"Resolved that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the Rules and Regulations of the JSE Limited (JSE) and the provisions of sections 221 and 222 of the Company Act, 1973 as amended, authorised to allot and issue any of such shares at such time or times, to 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."

Ordinary resolution number 8
Signing of documents

"Resolved that any director or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may necessary for or incidental to the implementation of ordinary resolutions numbers 1, 2, 3, 4, 5, 6 and 7 and special resolutions 1 and 2 and which are passed by the members at this meeting in accordance with and subject to the terms thereof."

SPECIAL RESOLUTIONS

Special resolution number 1
General share repurchases

"Resolved, as a special resolution, that the directors be authorised pursuant *inter alia* to the company's articles of association, until this authority lapses at the next annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company and provided that this authority shall not extend beyond 15 months from date of passing this special resolution, for the company or any subsidiary of the company to acquire shares of the company, subject to the Listings Requirements of the JSE Limited (JSE), provided that:

– the company must be authorised thereto by its articles of association;
– any repurchases of securities must be effected through the order book operated by the JSE trading system and done without prior understanding or arrangement between the company and the counter-party;
– the company may only appoint one agent to effect any repurchases on its behalf;
– the number of shares which may be acquired pursuant to this authority in any financial year (which commenced 1 March 2009) may not in the aggregate exceed 10% (ten percent) of the company's issued share capital as at date of passing of this special resolution;
– 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;
– repurchases may not be undertaken by the company or one of its wholly owned subsidiaries during a prohibited period (as defined in paragraph 3.67 of the Listings Requirements of the JSE);
– repurchases may only take place if, after such repurchase, the shareholder spread of the company still complies with the Listings Requirements of the JSE;
– after the company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the number of shares in issue (at the time that authority from shareholders for the repurchase is granted), the company shall publish an announcement to such effect, or any other announcements that may be required in such regard in terms of the Listings Requirements of the JSE which may be applicable from time to time; and
– the company's designated advisor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase."

Notice of Annual General Meeting *(continued)*

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

Although there is no immediate intention to effect a repurchase of securities of the company, the directors would utilise the general authority to repurchase securities as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors, after considering the maximum number of securities which may be purchased and the price at which the repurchases may take place pursuant to the repurchase general authority, are of the opinion that for a period of 12 months after the date of notice of this annual general meeting:

– 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, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company and of the group after the repurchase;
– the share capital and reserves of the company and of the group will be adequate for the purpose of the business of the company and its subsidiaries; and
– the working capital available to the company and its subsidiaries will be adequate for the purposes of the business of the company and its subsidiaries.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of this general authority:

– Directors – page 2;
– Major beneficial shareholders – page 14;
– Directors' interests in ordinary shares – page 14; and
– Share capital of the company – page 18.

Litigation statement

The directors, whose names appear on page 2 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened that may have had, in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

The directors whose names appear on page 2 of the annual report collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution 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, that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in the terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for year ended 28 February 2009 and up to the date of this notice.

Reasons for and effect of special resolution number 1

The reason for special resolution number 1 is to afford directors of the company or a subsidiary of the company a general authority to effect a repurchase of the company's shares on the JSE. The effect of the resolution will be that the directors will have the authority subject to the Rules and Requirements of the JSE, to effect a repurchase of the company's shares on the JSE.

Special resolution number 2

"Resolved as special resolution to amend clause 15.5 of the company's Articles of Association to read as follows:
For the purposes of this Article 15 "director" shall include non-executive directors."

Reasons for and effect of special resolution number 2

Article 15 deals with the rotation of directors. In the way it is currently worded it applies to non-executive directors only. The re-worded article will result therein that the provisions relating to the rotation of directors will apply to all directors.

ACTION REQUIRED

Certificated shareholders and "own name" dematerialised shareholders

If you are unable to attend the annual general meeting of the company to be held at Insimbi's offices at stand 359 Crocker Road, Wadeville ext. 4, Germiston on 7 August 2009 at 12:00, and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions contained therein and lodge it with, or post it to, the transfer secretaries, namely Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown 2017), so as to be received by them by no later than 12:00 on 3 August 2009.

Notice of Annual General Meeting *(continued)*

Dematerialised shareholders

If you hold dematerialised shares in the company through a CSDP or broker and do not have an "own name" registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the general meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary authorisation to do so, or should you not wish to attend the annual general meeting in person but wish to be represented thereat, you must timeously provide your CSDP or broker with your voting instructions in order for the CSDP or broker to vote in accordance with your instruction at the annual general meeting.

Each shareholder, whether present in person or represented by proxy, is entitled to attend and vote at the annual general meeting. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

A form of proxy, which sets out the relevant instructions for use, is attached for those members who wish to be represented at the annual general meeting of members. Duly completed forms of proxy must be lodged with the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown 2017), to be received by not later than 12:00 on 3 August 2009.

By order of the board

René de Villiers
Company Secretary

Germiston
6 July 2009

Administration

Directors
FBB Abdul Gany
CF Botha
F Botha
EP Liechti
GS Mahlati*
LY Mashologu*
PJ Schutte
LG Tessendorf
DJ O' Connor*

**Non-executive*

Company Secretary and registered office
R de Villiers

Stand 359 Crocker Road, Wadeville, Ext 4
Germiston 1407
(PO Box 14676, Wadeville 1422)
Telephone: (011) 902-6930
Facsimile: (011) 902-5749

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)

Ground Floor
70 Marshall Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

Attorneys
Routledge Modise in association with Eversheds
(Registration number 1992/006150/21)
(PO Box 78333, Sandton 2146)

Designated adviser
PricewaterhouseCoopers Corporate Finance (Proprietary) Limited
(Registration number 1970/003711/07)
2 Eglin Road
Sunninghill 2157
(Private Bag X36, Sunninghill 2157)

Auditors
BDO Spencer Steward (Johannesburg) Inc.
13 Wellington Road
Parktown 2193
(Private Bag X60500, Houghton 2041)

Commercial banker
Nedbank Limited
(Registration number 1951/00009/06)

SHAREHOLDERS' DIARY

Annual general meeting	7 August 2009
Reports and financial statements	
Provisional results announcements	26 May 2009
Publication of annual reports (mailed to shareholders)	16 July 2009
Interim results announcements	30 September 2009
Financial year end	28 February

Form of proxy

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2002/129821/06)
Share code: ISB ISIN: ZAE 000116828

Form of proxy for the annual general meeting of Insimbi to be held at their offices at 359 Crocker Road, Wadeville Ext 4, Germiston on 7 August 2009 at 12:00 (the annual general meeting).

For use by certificated shareholders, nominee companies of Central Securities Depository Participants (CSDP), brokers' nominee companies and shareholders who have dematerialised their shares and who have elected own name registration, who wish to vote on the ordinary and special resolutions per the Notice of the Annual General Meeting to which this form is attached.

Shareholders who have dematerialised their shares through a CSDP or broker must not complete this form of proxy and must provide their CSDP or broker with their voting instructions, except for shareholders who elected own name registration in the sub-register through a CSDP, which shareholders must complete this form of proxy and lodge it with Computershare Investor Services (Proprietary) Limited. Holders of dematerialised shares other than with own name registration, wishing to attend the annual general meeting must inform their CSDP or broker of such intention and request their CSDP or broker to issue them with the necessary authorisation to attend.

I/We(name in block letters) ____________________

Of (address) ____________________

Being the holder/s of ____________________ ordinary shares in the company, do hereby appoint

1. ____________________ or failing him/her

2. ____________________ or failing him/her

3. The chairperson of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting of the company which will be held for the purpose of considering and, if deemed fit, of passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof, and to vote in favour of and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see notes):

	Number of votes on a poll (one vote per ordinary share)		
	In favour	Against	Abstain
To pass ordinary resolutions 1. To receive and adopt the auditors' report for the year ended 28 February 2009			
2. To receive and adopt the annual financial statements of the company for the year ended 28 February 2009			
3. To re-appoint the following directors			
3.1 FBB Abdul Gany			
3.2 GS Mahlati			
3.3 PJ Schutte			
4. To ratify the directors' remuneration			
5. To re-appoint BDO Spencer Steward (JHB) Inc as auditors			
6. General authority to issue shares for cash			
7. To place the unissued shares under the control of the directors			
8. To authorise the signing of documents			
Special resolution number 1: To effect general share buy-backs			
Special resolution number 2: To effect a correction to the Articles of Association			

Signed at ____________________ on ____________________ 2009

Signature ____________________

Assisted by (if applicable) ____________________

Notes to the form of proxy

1. A shareholder may insert the name(s) of one or more proxies (none of whom need be a company shareholder) in the space provided, with or without deleting the words "the chairperson of the annual general meeting". The person whose name stands first on the form of proxy and has not been deleted and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson.

2. A shareholder's instruction to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote as he/she deems fit; where the proxy is the chairperson, such failure shall be deemed to authorise the chairperson to vote in favour of the ordinary and special resolutions in respect of all the shareholder's votes exercisable thereat.

3. The completion and lodging of this form of proxy shall in no way preclude the shareholder from attending, speaking and voting in person at the annual general meeting to exclusion of any proxy appointed in terms hereof.

4. Should this form of proxy not be completed and/or received in accordance with these notes, the chairperson may accept or reject it, provided that, in respect of its acceptance, the chairperson is satisfied as to the manner in which the shareholder wishes to vote.

5. Documentary evidence establishing the authority of the person signing this form of 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 meeting.

6. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form unless it has previously been registered with the company.

7. Where shares are held jointly, all joint holders are required to sign.

8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity have been produced or have been registered by the transfer secretaries of the company.

9. Any alteration or correction made to this form of proxy must be signed in full and not initialled by the signatories.

10. This form of proxy must be lodged with, or posted to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) so as to be received by no later than 12:00 on 3 August 2009.

11. The completion and lodging of this form of proxy by the shareholders holding certificated shares, nominee companies of CSDP's or brokers and the shareholders who have dematerialised their shares and have elected own name registration, will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of proxy appointed in terms thereof. The shareholders who have dematerialised their shares, other than with own name registration, and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

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