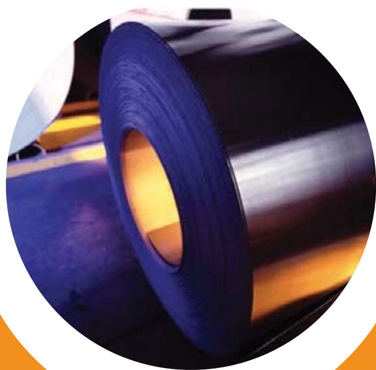
INSIMBI

Insimbi Refractory and Alloy Supplies Ltd
Reg. No. 2002/029821/06

Annual Report 2010



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www.insimbi-alloys.co.za

Profile

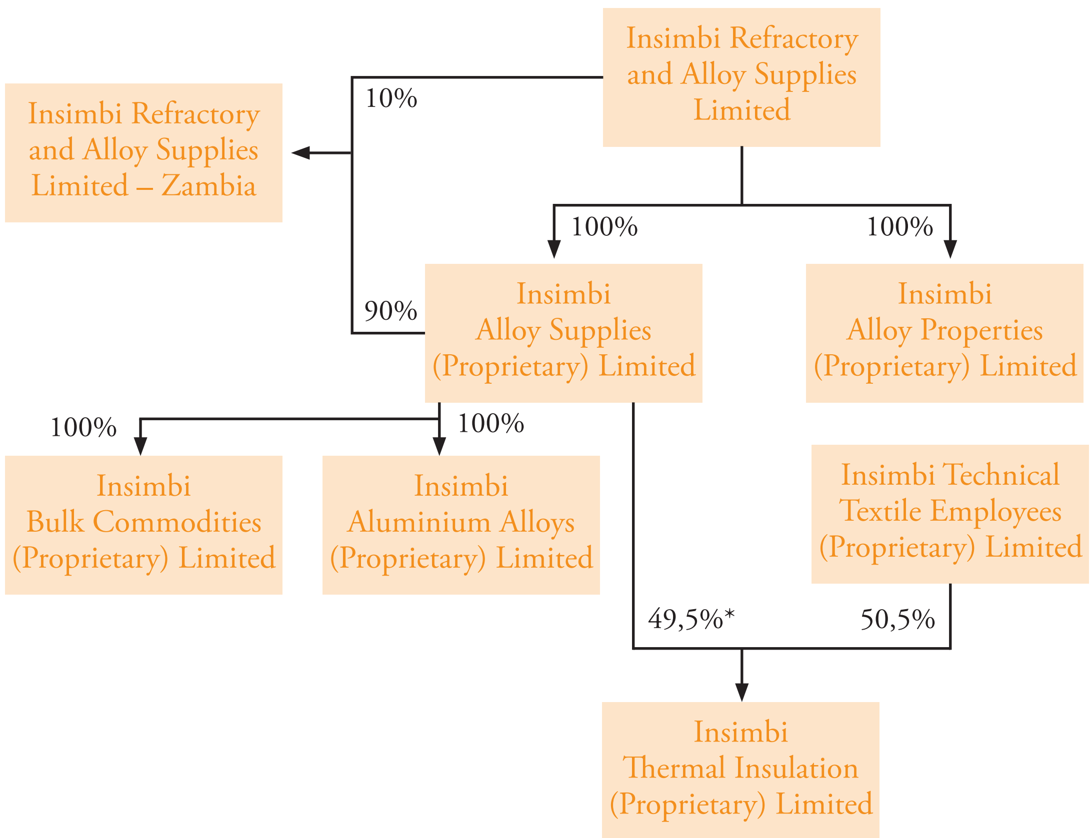
"Insimbi" is the Zulu word for metal and is taken from the saying "Insimbi Kayigobi". In this context, Insimbi is seen to be strong and able to withstand the hardships of nature and, in turn, the pressures of life.

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 third 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:



**Effectively 100% controlled*

Directorate

Profiles of the directors of Insimbi are set out below:

EXECUTIVE DIRECTORS

Fathima Bee Bee Abdul Gany 34
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 42
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.

Frederik Botha 46
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 49
Sales Director – Speciality Division
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 22 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 51
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 (Pty) Limited in their Research Technical Department and later as a Technical Sales Representative, and at Cullinan Refractories (Pty) 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 66
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 (Pty) Limited in various positions and then as Sales Manager for Van Leeuwen Pipe and Tube (Pty) Limited. Les was also appointed a Sales Manager and later director of Natal Foundry Supplies (Pty) Limited. When the company was divisionalised in August 2004, Les was appointed to his current position.

NON-EXECUTIVE DIRECTORS

Dr Gilimamba Sylvester Mahlati 53
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 Mashologu 37
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 the Wits Business School. She completed her MBA electives in Finance at the Cranfield School of Management (UK). She has several years' experience in private equity investments, including through heading a number of BEE investment companies such as the CIDA Empowerment Fund. Lerato chairs the Audit Committee.

Daniel John O'Connor 62
Non-executive Chairman
Higher National Diploma in Metallurgy
Appointed to the board on 11 June 2004

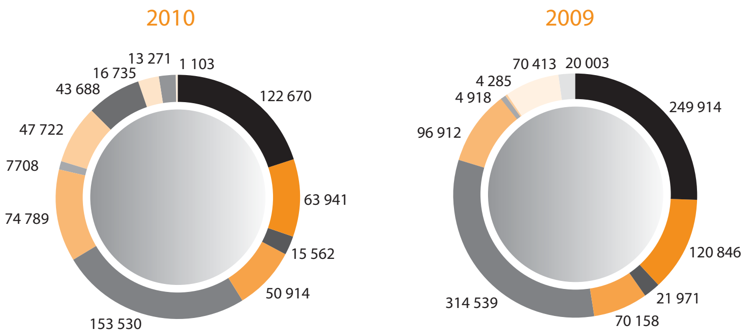
Danny has over 35 years' experience in the metal alloy, refractory, steel and iron industry. He commenced employment with Insimbi in 1982 as a Sales Representative and was appointed Managing Director in December 2002. Danny retired in January 2008 and was subsequently appointed as non-executive Chairman on 1 March 2008.

Financial Highlights

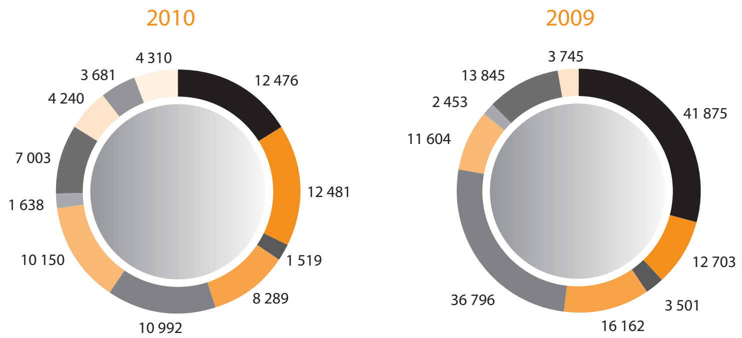
Revenue	R612 million
Operating profit	R27 million
Profit before tax	R18 million
Attributable and headline earnings	R11 million
Earnings per share (cents)	4,12
Headline earnings per share (cents)	4,13

Segmental Report – Revenue and Gross Profit

Revenue by division (R'000)



Gross profit by division (R'000)



Chairman's Report

INTRODUCTION

The twelve months under review was one of the toughest financial periods in living memory and the South African economy suffered under the negative effects of the world wide recession. We had anticipated a difficult year as we saw our revenues and earnings decline in the last quarter of the previous financial year ended 28 February 2009, but we certainly had not expected the rapid and severe impact on our economy or its knock on effects throughout our client base.

It was particularly noticeable in the Foundry, Steel and Non-Ferrous divisions where we experienced a drop in demand for our product range to levels last seen ten years ago. This was also true of the steel and iron castings industry and we saw many foundries working only a three day week for most of the period under review with many extending the traditional industrial break over the festive season by as much as two weeks. The Steel division was especially hard hit as many of the steel plants were sitting on excess inventory as a result of the expectation of huge demand going into 2010. Sadly the opposite happened and the demand for finished steel products was the lowest for many years. Excess inventories were run down during the period under review and many plants ceased production for months at a time and this obviously impacted on our Steel and related divisions.

It is traditional for the cement and related industries to lag behind the steel and foundry industries and we experienced a very successful year in the Rotary brick and Mechanical maintenance divisions. However, the cement industry has publicly declared that they are experiencing difficult market conditions in the current year, just as the steel and foundry industries.

In line with the rationale behind our listing in March 2008, we are always on the look out for organic and acquisitive growth and we have recently added steel and polypropylene fibres to our basket of product via the acquisition of a small company in March 2010. These products strengthen our product offering into the concrete and cement reinforcing industries.

PERFORMANCE

We had hoped that the global and local economies would recover in the latter half of our financial year ended 28 February 2010 and in August 2009, there were signs of this happening. Sadly, this "recovery" failed to materialise and in fact we experienced a far more difficult second half of the year than we anticipated. This was partly due to the extended shut-downs at many of our clients over the festive season which resulted in the second half of the year being effectively only five months. As a result our revenues and profit after tax were well down on our previous financial year.

It is important to note, however, that we experienced a commodity "super-cycle" in the previous financial year which saw our revenue and EPS grow at a rate of 7,9% and 102,2% respectively on the financial year ended 29 February 2008 and so to make comparisons between the years ending February 2010 and February 2009, does give a "skewed picture", considering the speed with which the global and local economy moved from this "super-cycle" into recession.

The consolidated turnover for the year ended at R612 million, a drop of 37% on the previous financial period and with virtually all divisions recording lower revenues.

The "core" business of Insimbi Alloy Supplies (Proprietary) Limited performed well considering the very difficult trading conditions and it posted EPS of 7,07 cents per share compared to the previous period of 22,73 cents per share. Unfortunately, on a consolidated basis, the relatively pleasing performance of the core business was offset by yet another disappointing year in Insimbi Aluminium Alloys (Proprietary) Limited and this company posted a loss per share of 17,25 cents per share compared with a loss of 1,70 cents per share in the corresponding period. This was as a result of the virtual collapse of the automotive industry during the global recession coupled with widespread theft of raw material and finished product. On a positive note, we have managed to stem this syndicated theft and are currently trying to bring the culprits to justice. We have also seen a noticeable increase in the demand for our aluminium ingots and de-oxidant in the new financial year.

Highlights of the difficult year were the attention paid to margins as well as working capital and management responded very effectively to the declining market conditions and as a result of this, cashflows remained strong throughout the financial year.

CORPORATE GOVERNANCE

Insimbi is fully committed towards ensuring that we adhere to the requirements as laid out by the King Commission under King III and those set out by the JSE.

The Audit Committee is fully functional and several other key requirements of King III are being undertaken.

BLACK ECONOMIC EMPOWERMENT

Insimbi has received an official accreditation of Level 7 Contributor and it is our goal to continue to improve our rating on a sustainable basis.

This can be easily accomplished as our larger suppliers themselves become rated and are able to supply us with their own accredited rating certificates.

PROSPECTS

The period under review was definitely one of the most difficult and challenging for Insimbi in many years. However we do already see an improvement in the new financial year but expect it to be slower but sustainable rather than a return to the "heady" days of the super-cycle. There are clear indications of improvement in the USA, Europe and the Far East and it is reported that factory output in the USA for February 2010 is the highest in 10 years.

Locally there have also been some very positive signs with car sales and steel production showing considerable improvement, this bodes well for the future.

CONCLUSION

One of the most difficult trading periods for many a year is now behind us and looking back at how the board, management and staff have handled the recession makes one very proud to be associated with them. Throughout this period the staff have always remained positive and this is indicated in the results.

I would like to take this opportunity to thank my fellow board members and thank them for the pleasure of being associated with them.

DJ O'Connor
Non-executive Chairman

19 May 2010

Chief Executive Officer's Review

INTRODUCTION

A year ago nobody really knew how badly affected the South African market was going to be by the global recession. We can now acknowledge that the financial year ending 28 February 2010 was one of the most challenging in Insimbi's 40 year history.

We know now that the South African economy is not immune from shifts in the global economy, as many people believed a year ago, the only difference being the time lag between these global shifts and the impact on the South African economy. As a result, South Africa found itself in the grip of a full blown recession throughout the last financial reporting period.

We hope that the recovery in the South African economy will not lag to the same extent when compared to the rest of the world and we have seen some clear indications that we have reached the end of the recession and that the economy is now in the process of recovery. We all hope the recovery is speedy and sustainable.

Insimbi is still very well placed within our market to establish ourselves even more firmly as a major player in the ferrous, non-ferrous alloy and refractory supply market and as global and local markets improve, we expect to take advantage of opportunities that present themselves. These are expected to be organic as well as acquisitive. We are also proud to announce the establishment of a new division responsible for the marketing of a wide range of steel and polypropylene fibre products to the concrete and construction industries.

I would like to thank my management team for their support during this difficult year and look forward to taking on new challenges and opportunities, that will generate growth for Insimbi in the coming year.

FINANCIAL REVIEW

The financial year under review was a very challenging year in all aspects of the business but in particular from a demand perspective. We came out of the previous financial period where we experienced record highs in commodity prices and extreme demand, into a financial period where we experienced exactly the opposite i.e. low demand and very low commodity prices, in some cases down by over 70%. The previous two financial years were years of extremes: the year ending February 2009 being a year of extreme highs (a "super-cycle") and the year ending February 2010 being a year of full blown recession.

Many industries went into idle mode just to survive. Industrial shutdowns were extended from the traditional two weeks, to four weeks or even longer over December and many of them shut again in April. We have not experienced this before. The slowdown of these industries also had a negative impact on product availability and so compounded our problem.

The core business of the group, Insimbi Alloy Supplies (Proprietary) Limited, actually performed very well in these challenging times. Unfortunately, the same cannot be said of our secondary aluminium smelting business, Insimbi Aluminium Alloys (Proprietary) Limited, which experienced a severe contraction of the aluminium market both locally and from an export perspective. This was directly related to the collapse of the global and local automotive industries. The losses incurred in this company have had a negative effect on the consolidated financial results of Insimbi Refractory and Alloys Supplies Limited.

Despite difficult trading conditions during the February 2010 financial year which were compounded by shortages of product in certain divisions and the extended shut downs over the festive season, the business adapted to prevailing market conditions and managed to maintain and, in some cases, increase margins.

Revenue for the year was down by 37% when compared to the previous financial year and EBITDA was down to R30 704 000 from the previous year of R86 765 000. Gross margins fared well despite the tough trading conditions and we finished the year on a gross margin of 12,44% compared to 14,47% last year.

We maintained exceptional control over our working capital and we reacted timeously to market conditions. This enabled us to be cash generative at an operational level despite the downturn and enabled us to declare an interim dividend of 2 cents per share in September 2009.

OPERATIONAL REVIEW

The severity of the decline, as described earlier in my report, had a negative impact on Insimbi Refractory and Alloy Supplies Limited results.

The aluminium plant experienced some operational difficulties during the year which, coupled with the difficult aluminium market during this period, resulted in a loss for the year of R4 485 000. We have spent a great deal of management time and effort in solving these operational problems and we are confident that they are, to a large degree, resolved and we remain optimistic about the future of our aluminium business. We are also seeing noticeable signs of recovery in the automotive industry locally and globally as well as in other industries where we sell our products, eg the steel and foundry industries, and we are strategically placed to take advantage of these developments.

Insimbi Alloy Supplies (Proprietary) Limited operated well under these difficult trading conditions and costs declined by 8%. Staff had to change focus and reduced stock levels rapidly as the market showed signs of a slowdown. The new Western Cape Division fitted in well with the Insimbi culture and performed well under the difficult trading conditions.

The economic slowdown forced all Insimbi staff to be more focused on their skills and efficiency to ensure that we continue to offer a completely integrated service offering of products, logistics, finance, skills and back-up service to our customer base. We have focused our attention on providing the best service possible to these clients and see ourselves as a service provider rather than a commodity trader in the pure sense of the word.

Many exciting opportunities have become apparent and we continue our commitment to our acquisitive vision by evaluating all possibilities. Market conditions have made any such acquisition targets very challenging, mainly due to the price expectations of sellers compared to what we, as buyers, have felt their businesses are worth.

SEGMENTAL ANALYSIS

The financial year saw a continued decline in commodity prices and demand until the last quarter of the financial year under review. Unfortunately due to the extended industrial shutdown, the last quarter was effectively only a two month trading period.

Chief Executive Officer's Review *(continued)*

The Foundry Division was one of the worst affected divisions due to the extreme market conditions. Not only did demand drop together with commodity prices, they also lost some customers that closed down permanently or others on short production weeks for very long periods.

The Non-Ferrous Division was similar to the Foundry Division and some non-ferrous commodities had price reductions of over 70%. This had a huge impact on the division's revenues. They also had the challenge of sourcing additional materials as some of their suppliers reduced production due to the difficult market conditions.

The Speciality Division was also exposed under the difficult conditions and also had to protect their market share due to cheap imports on the back of the strong rand entering the market. This put their margins under pressure but despite this, they achieved their goals for the year.

The Steel Division was the worst affected in these conditions and all steel mills slowed production when compared to the previous financial year. Many of them closed for long periods at a time while others cut their outputs by as much as 50% during this period under review. This division traditionally has high volumes and revenues with low margins and with the drop in revenues due to slowdown in demand, this also contributed to a very difficult year.

The Rotary Division experienced very positive conditions for the first three quarters of the year. Traditionally the cement industry lags behind other industries and the demand for the first three quarters was good with the slowdown only becoming evident in the last quarter of the financial year. The drop in revenue is a result of the creation of the new Mechanical Division. This new division was split out of the Rotary Division in August 2009.

The Mechanical Division was established mid 2009. It operated under the Rotary Division until July 2009 and performed well under the difficult conditions.

The Refractory Division had another disappointing year, compounded by the challenging times. Unfortunately the political and economic environment in Zimbabwe did not change as was expected and this again had a major impact on their performance. Some progress was made with new products and markets but they remained a much smaller contributor to the overall picture.

The KwaZulu Natal Division performance was satisfactory and it was less affected by the economic slowdown. possibly as a result of our diversity within this division. They only started to see the effects of the slow down in the latter part of the year.

The Western Cape Division originally operated as our agent in the Western Cape. Insimbi purchased their warehouse and operations and incorporated it as a division in March 2009. This division is now responsible to strengthen the Insimbi brand and service offering in the Western Cape. Previously all sales went through the Foundry, Rotary or Steel divisions.

Insimbi Aluminium Alloys (Proprietary) Limited experienced a difficult second year of operations. and it took management much longer to optimise the processes and controls of the plant. In addition to these operational challenges, the collapse of the automotive and related industries both locally and globally led to a collapse of the LME price for aluminium alloy. This drop did not filter through to aluminium scrap prices locally. As a result we experienced low production, low revenues and lower margins than we anticipated during the year under review. However, we are optimistic about the future of this business and we have already seen very positive signs of a resurgence in this market, in the new financial year.

MARKET AND PROSPECTS

It is clear that the global recession had a much bigger impact on the South African market than originally anticipated. However, initial indications in the new financial year are that the global economy, including South Africa, is showing signs of sustainable improvement. We all hope that this will continue. Despite these positive signs, we do expect the recovery period will be longer than initially hoped. The ongoing diversification of Insimbi and the continued hope for a political solution in Zimbabwe will hopefully ensure that Insimbi has a much improved year to 28 February 2011.

The newly acquired Fibre Division will play a part in the revenue and profit growth of Insimbi going forward. This division supplies steel and polypropylene fibres to the concrete and construction industry and is well placed to benefit from the Government's commitment to upgrading the South African infrastructure.

I remain very positive that the market is changing for the better and that we will see continued signs of a slower but sustainable recovery and that Insimbi will position ourselves to be an even bigger player in the future.

OUR PEOPLE

Insimbi has grown to permanent staff of + 180 heads and the continuous technical support we offer to our customer base and commitment of our workforce are our most valuable assets.

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

We are committed to a safe, healthy and rewarding work environment for all our employees.

Insimbi is very proud to announce that during this difficult financial year under review no individual was retrenched and Insimbi secured a better standard of life for all employees.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank each and every member of our staff and my fellow directors for their dedication, commitment and hard work they have shown throughout the year. I know I can rely on their continuing loyalty and effort for the current financial year ending February 2011 which I believe will be a better year for Insimbi, but not without some challenges. I also believe that it will be a year of opportunities.

PJ Schutte
Chief Executive Officer
19 May 2010

Corporate Governance

INTRODUCTION

Insimbi is committed to continue making good corporate governance a distinguishing feature of its business. The company adheres to the provisions of the Companies Act and endeavours to comply with the principles incorporated in the King Codes of Corporate Practices and Conduct. The company has taken note of the provisions of the King III report which applies to companies whose financial years commence on or after 1 March 2010 and will endeavour, in time, to comply with the provisions of the revised code. A summary of current compliance is as follows:

BOARD OF DIRECTORS

Structure, independence and board balance

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. The Articles of Association do not impose an upper limit on the number of directors, but stipulate that there may not be less than five directors. At the year end, and indeed throughout the year, there were six executive directors on the board and three non-executive directors with the positions of non-executive chairperson and chief executive officer being separate in order to ensure a balance of power and authority. 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 offer independent judgment and, apart from their fees, there are no extraneous factors that could materially affect their judgment. If there is an actual or potential conflict of interest, the director (executive and non-executive) concerned, after declaring his/her interest in terms of the Companies Act, is excluded from the related decision-making process. The board is chaired by a non-executive chairperson and is scheduled to meet at least four times a year, but meets more frequently if circumstances so require.

Board responsibilities

The board is ultimately responsible for the company's performance and affairs, which includes protecting and enhancing the company's wealth and resources, timely and transparent reporting and acting at all times in the best interest of the company and its stakeholders. In fulfilling this responsibility, the board oversees the strategy, acquisition and disinvestment policy, risk management, financing and corporate governance policies of the company.

The board is responsible for ensuring that controls and procedures are in place to ensure the accuracy and integrity of accounting records so that they provide reasonable assurance that assets are safeguarded from loss or unauthorised use and that the financial records may be relied upon for maintaining accountability for assets and liabilities and preparing the financial statements. The directors' statement of responsibilities is set out on page 10 of this report.

Appointments to the board

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. All current directors have completed the required AltX Directors Induction Programme, and all new directors will be required to do the same.

Although there currently is no formal nominations committee as such, directors' appointments are made in terms of formal and transparent procedures. Non-executive directors are evaluated based on their expertise and experience.

Advice

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

Terms of reference and functions

The Audit Committee was established to assist the board in discharging its duties relating to the safeguarding of assets, the operation systems, control processes and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards. The Committee does not perform any management functions or assume any management responsibilities. The Committee provides a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the board.

In terms of its charter, the functions of the Audit Committee include:

- Consider and make recommendations on the appointment of the external auditors for non-audit services;
- Prior to the commencement of the audit discuss and review the auditor's engagement letter, the nature and scope of the audit and the audit fee; and
- Evaluation of the independence and effectiveness of the auditors and consideration of any non-audit services rendered so as to determine if these substantively impair their independence.

The Committee has taken note of the fact that at this point no formal internal audit function as such exists in the company. However, it has satisfied itself that the company's internal controls are designed to provide reasonable assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets.

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.

Membership and meetings

The membership of the Audit Committee consists of two of the non-executive directors of the company, namely Dr GS Mahlati and Ms LY Mashologu, and, by invitation, a representative of the company's Designated Advisors.

Corporate Governance *(continued)*

The Committee and board are cognisant of the recommendation contained in the King III report in that the Committee should consist of no less than three non-executive directors and will, in due time, seek a suitable candidate for the vacant position. 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. In the year under review three meetings were held on 1 and 28 July 2009 and on 2 October 2009. Both members of the Committee attended all of these meetings.

In terms of the JSE Listings Requirement 3.84(h), the Audit Committee has satisfied itself that the financial director has appropriate expertise and experience.

Change in auditors

The Group's previous auditors, BDO Spencer Steward Inc. resigned during the financial year. On the recommendation of the Audit Committee, PricewaterhouseCoopers Inc was appointed as external auditors on 11 March 2010.

Executive Committee

An Executive Committee (Exco) comprising all executive directors was formed on 12 November 2008 with the brief of considering potential projects, investments, joint ventures and the like for reference to the board for a final decision. However, it was found that the holding of separate meetings represented a duplication of effort. The Exco was accordingly disbanded on 11 June 2009 and its duties delegated to the board of wholly-owned subsidiary, Insimbi Alloy Supplies (Pty) Limited.

Remuneration Committee

The company currently does not have a remuneration committee as this is not a requirement in terms of the JSE Limited Listings Requirements for an AltX listed entity.

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. The company secretary, Mr R de Villiers resigned his position with effect from 22 April 2010, and the resignation was duly reported on SENS (Stock Exchange News Service) on 24 March 2010. Details of the company secretary appear on page 12 of this report.

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.

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 its 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 IN PROHIBITED PERIODS, CLOSED PERIODS AND PRICE SENSITIVE INFORMATION

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. Additionally, individuals are not allowed to trade in shares if they are in possession of price-sensitive information, irrespective of whether the company is trading under cautionary announcement as a result of such information or not. 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.

Corporate Governance *(continued)*

ATTENDANCE AT BOARD MEETINGS

Name	12 Mar 09	11 Jun 09	17 Sep 09	12 Nov 09
FBB Abdul Gany	Yes	Yes	Yes	Yes
CF Botha	Apology	Yes	Yes	Yes
F Botha	Apology	Yes	Yes	Yes
EP Liechti	Yes	Yes	Apology	Yes
GS Mahlati	Yes	Apology	Apology	n/a
LY Mashologu	Yes	Yes	Yes	Yes
DJ O'Connor	Yes	Yes	Yes	Yes
PJ Schutte	Yes	Yes	Yes	Yes
LG Tessendorf	Yes	Yes	Yes	Yes

Directors' Responsibilities and Approval

The directors are required by the Companies Act 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 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 judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable 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 pre-determined 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 2011 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 11.

The financial statements set out on pages 12 to 55, which have been prepared on the going concern basis, were approved by the board of directors on 19 May 2010 and were signed on its behalf by:

DJ O'Connor
Director

PJ Schutte
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.

FBB Abdul Gany
Acting Company Secretary
19 May 2010

Independent Auditors' Report

TO THE MEMBERS OF INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

We have audited the group annual financial statements and annual financial statements of Insimbi Refractory and Alloy Supplies Limited, which comprise the consolidated and separate statements of financial position as at 28 February 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 12 to 55.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these 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 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the consolidated and separate financial position of Insimbi Refractory and Alloy Supplies Limited as at 28 February 2010, and its consolidated and separate financial performance and its consolidated and separate 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.

PricewaterhouseCoopers Inc
Director: FJ Lombard
Registered Auditor
Johannesburg
19 May 2010

Directors' Report

The directors submit their report for the year ended 28 February 2010.

1. REVIEW OF ACTIVITIES

Insimbi acquired land and buildings comprising warehouse and office space for an amount of R6 680 000 on 1 March 2009. The rationale behind this acquisition was to strengthen the Insimbi brand and presence in the Western Cape and the location of the property, comprising warehouse and office space in Atlantis, is strategically placed to service our larger customers in Saldanha, Atlantis and Riebeek West.

Insimbi continues to operate out of our offices in Johannesburg, Durban, Atlantis and Kitwe and we are actively represented in Democratic Republic of the Congo and Zimbabwe via our agents there. In addition, we continue to service most sub-Saharan and Central African countries, certain north, west and east African countries. We are also active in South America, Eastern Europe, certain Middle East countries and the UAE, Japan and Korea as well as India.

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 other than what has been disclosed in both the Chairman's and CEO's report on prevailing market conditions during the period under review.

2. POST BALANCE SHEET EVENTS

Insimbi acquired the fixed assets and business of Metalloy Fibres (Proprietary) Limited, previously a wholly owned subsidiary of Nimag (Proprietary) Limited, itself a wholly owned subsidiary of Coal of Africa Limited, for an amount of R1,0 million, effective 1 March 2010. This operation has been divisionalised into Insimbi Alloy Supplies (Proprietary) Limited. It produces steel fibres and sells these, along with polypropylene fibres, into the concrete industry for specialised applications mainly in the infrastructure arena.

3. AUTHORISED AND ISSUED SHARE CAPITAL

The authorised capital is 12 billion shares. Currently there are 260 million shares in issue. Shares repurchased by a subsidiary and held in treasury amounted to 341 700 shares at year end, which are disclosed as a reduction of equity in the statement of changes in equity.

4. DIVIDENDS

Interim dividend Number 3 of 2 cents per share was declared on 9 October 2009 payable on 2 November 2009 to shareholders registered on 26 October 2009. The total payout was R5 2000 000 (2009: R10 400 000).

No final dividend has been declared (2009: R13 000 000).

5. 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
CF Botha
F Botha
EP Liechti
GS Mahlati
LY Mashologu
DJ O'Connor
PJ Schutte
LG Tessendorf (alternate to CF Botha)

6. SECRETARY

The secretary of the company, R de Villiers, resigned effective 22 April 2010 to pursue other interests. The board wishes him well with these and takes the opportunity to thank him for his dedicated service during his tenure. The financial director has assumed this responsibility in the interim.

7. SPECIAL RESOLUTIONS

At the Annual General Meeting held on 23 September 2009 it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.

8. DIRECTORS' INTERESTS IN CONTRACTS

A management fee agreement exists between the group and Insimbi Holdings (Proprietary) Limited. Five of the major shareholders of the company are the shareholders of Insimbi Holdings (Proprietary) Limited.

9. ADDRESS

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

10. AUDITORS

PricewaterhouseCoopers Inc was appointed on 11 March 2010.

Directors' Report *(continued)*

11. INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Par value of issued shares	Percentage holding 2010 %	Percentage holding 2009 %	Indebtedness 2010 R'000	Indebtedness 2009 R'000
Insimbi Alloy Supplies (Proprietary) Limited	100 ordinary shares of R1 each	100	100	(19 753)	(16 123)
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	10	–	–

INTEREST IN SUBSIDIARIES THROUGH INSIMBI ALLOY SUPPLIES (PROPRIETARY) LIMITED

Name of subsidiary	Par value of issued shares	Percentage holding 2010 %	Percentage holding 2009 %	Indebtedness 2010 R'000	Indebtedness 2009 R'000
Insimbi Aluminium Alloys (Proprietary) Limited	100 ordinary shares of R1 each	100	100	31 891	24 497
Insimbi Bulk Commodities (Proprietary) Limited	120 ordinary shares of R1 each	100	nil	1	–
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	175 ordinary shares of K1 000 each	90	90	2 159	676
Insimbi Thermal Insulation (Proprietary) Limited	404 ordinary shares of R1 each	100	100	6 304	4 030

**Effectively 100% holding within the group*

12. 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.

13. 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
D 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

The above is applicable for the years ended February 2009 and February 2010. No change has been recorded from year end to the date of this report.

Directors' Report *(continued)*

14. DIRECTORS' REMUNERATION AND BENEFITS

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 28 February 2010.

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	1 275	148	35	–	106	–	1 564
F Botha	963	403	82	–	80	–	1 528
CF Botha	1 174	209	47	–	98	–	1 528
E Liechti	1 194	173	61	–	100	–	1 528
FBB Abdul Gany	402	300	26	77	34	–	839
LG Tessendorf	449	90	72	51	37	–	699
	5 457	1 323	323	128	455	–	7 686
Non-executive							
D O'Connor	240	–	–	–	–	–	240
GS Mahlati	123	–	–	–	–	–	123
L Mashologu	123	–	–	–	–	–	123
	486	–	–	–	–	–	486
Directors of subsidiary company							
Executive							
JD Beeslaar	418	92	34	50	35	–	629
BL Homann	381	143	23	51	31	–	629
M Volschenk	378	108	40	48	33	–	607
RD Makkink	496	127	62	61	41	–	787
	1 673	470	159	210	140	–	2 652
TOTAL	7 616	1 793	482	338	595	–	10 824
Paid by subsidiary							
Executive	2 524	860	257	338	211	–	4 190
Non-executive	246	–	–	–	–	–	246
	2 770	860	257	338	211	–	4 436
Paid in the form of a management fee							
Executive	4 606	933	225	–	384	–	6 148
Non-executive	240	–	–	–	–	–	240
	4 846	933	225	–	384	–	6 388

There has been no change in the directors' remuneration from the year end to the date of this report.

Directors' Report *(continued)*

14. DIRECTORS' REMUNERATION AND BENEFITS (continued)

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 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							
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							
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 Insimbi Aluminium Alloys (Proprietary) Limited.*

Statement of Comprehensive Income

for the year ended 28 February 2010

	Notes	GROUP 2010 R'000	GROUP 2009 Restated R'000	COMPANY 2010 R'000	COMPANY 2009 Restated R'000
Revenue	10	611 631	969 674	–	–
Cost of sales		(534 854)	(826 990)	–	–
Gross profit		76 777	142 684	–	–
Other operating income		1 205	465	–	–
Other operating expenses	6	(30 093)	(28 255)	(794)	344
Administration expenses	6	(21 092)	(31 265)	–	–
Operating profit/(loss)	5	26 797	83 629	(794)	344
Investment revenue	9	1 087	525	18 200	19 587
Finance costs	8	(10 142)	(11 275)	(2)	(4)
Profit before taxation		17 742	72 879	17 404	19 927
Taxation	11	(7 100)	(21 289)	(1 597)	(1 160)
Profit for the year		10 642	51 590	15 807	18 767
Other comprehensive income:					
Currency translation differences		56	78	–	–
Other comprehensive income for the year net of tax		56	78	–	–
Total comprehensive income for the year		10 698	51 668	15 807	18 767
Attributable to:					
Equity holders		10 698	51 668	15 807	18 767
Number of shares (000's)					
Basic and fully diluted	34	259 658	259 988		
Basic and diluted earnings per share (cents)		4,12	19,87		

Statement of Financial Position

at 28 February 2010

	Notes	GROUP 2010 R'000	GROUP 2009 Restated R'000	GROUP 2008 Restated R'000	COMPANY 2010 R'000	COMPANY 2009 Restated R'000	COMPANY 2008 R'000
Assets							
Non-current assets							
Property, plant and equipment	12	23 277	19 394	10 897	–	–	–
Goodwill	14	39 938	39 938	29 938	23 574	23 574	23 574
Investments in subsidiaries	13	–	–	–	–	–	–
Deferred tax	11	4 180	2 724	717	223	–	–
		67 395	62 056	41 552	23 797	23 574	23 574
Current assets							
Inventories	16	54 883	75 834	74 613	–	–	–
Other financial assets	19	453	–	2 781	–	–	–
Taxation	11	283	–	–	253	253	–
Trade and other receivables	17	101 570	89 369	105 365	1 730	910	1 883
Cash and cash equivalents	18	27 177	42 196	7 469	–	446	–
Amounts owing from group companies	15	–	–	–	5 360	5 360	5 360
		184 366	207 399	190 228	7 343	6 969	7 243
Total assets		251 761	269 455	231 780	31 140	30 543	30 817
Equity and liabilities							
Equity							
Share capital and premium	20	44 442	44 442	–	44 442	44 442	–
Reserves		134	78	–	–	–	–
Retained earnings		28 598	36 156	4 066	(33 055)	(30 662)	(29 929)
Treasury shares	20	(238)	(8)	–	–	–	–
		72 936	80 668	4 066	11 387	13 780	(29 929)
Liabilities							
Non-current liabilities							
Borrowings	21	42 222	55 993	69 310	–	–	–
		42 222	55 993	69 310	–	–	–
Current liabilities							
Amounts owing to group companies	15	–	–	–	19 753	16 123	57 916
Loans from shareholders		–	–	5 352	–	–	–
Current portion of borrowings	21	32 174	10 127	36 745	–	–	575
Taxation	11	6 094	10 153	10 512	–	–	62
Trade and other payables	23	98 335	112 161	105 795	–	640	2 193
Other financial liabilities	22	–	353	–	–	–	–
		136 603	132 794	158 404	19 753	16 763	60 746
Total liabilities		178 825	188 787	227 714	19 753	16 736	60 746
Total equity and liabilities		251 761	269 455	231 780	31 140	30 543	30 817

Statement of Changes in Equity

for the year ended 28 February 2010

	Notes	Share capital R'000	Share premium R'000	Treasury shares R'000	Reserves R'000	Retained earnings R'000	Total equity R'000
Group							
Balance at 01 March 2008		**–**	**–**	**–**	**–**	**4 066**	**4 066**
Changes in equity							
Comprehensive income							
– Profit for the year		–	–	–	–	53 746	53 746
– Currency translation differences		–	–	–	78	–	78
Issue of shares	20	–	44 442	–	–	–	44 442
Dividends		–	–		–	(10 400)	(10 400)
Purchase of shares by subsidiary	20	–	–	(8)	–	–	(8)
Total changes		–	44 442	(8)	78	43 346	87 858
Balance at 28 February 2009 as previously reported		**–**	**44 442**	**(8)**	**78**	**47 412**	**91 924**
Prior year adjustment – profit for the year	36	–	–	–	–	(2 156)	(2 156)
Prior year adjustment – equity	36	–	–	–	–	(9 100)	(9 100)
Restated balance at 28 February 2009		**–**	**44 442**	**(8)**	**78**	**36 156**	**80 668**
Changes in equity							
Comprehensive income							
– Profit for the year		–	–	–	–	10 642	10 642
– Foreign currency differences		–	–	–	56	–	56
Dividends		–	–	–	–	(18 200)	(18 200)
Purchase of shares by subsidiary	20	–	–	(230)	–	–	(230)
Total changes		–	–	(230)	56	(7 558)	(7 732)
Balance at 28 February 2010		**–**	**44 442**	**(238)**	**134**	**28 598**	**72 936**
Company							
Balance at 01 March 2008		**–**	**–**	**–**	**–**	**(29 929)**	**(29 929)**
Changes in equity			–				
Total comprehensive income for the year		–	–	–	–	9 667	9 667
Issue of shares	20	–	44 442	–	–	–	44 442
Dividends		–	–	–	–	(10 400)	(10 400)
Total changes		–	44 442	–	–	(733)	43 709
Balance at 28 February 2009 as previously reported		**–**	**44 442**	**–**	**–**	**(733)**	**43 709**
Prior year adjustment – profit for the year	36	–	–	–	–	9 100	9 100
Prior year adjustment – equity	36	–	–	–	–	(9 100)	(9 100)
Restated balance at 28 February 2009		**–**	**44 442**	**–**	**–**	**(30 662)**	**13 780**
Changes in equity							
Total comprehensive income for the year		–	–	–	–	15 807	15 807
Dividends		–	–	–	–	(18 200)	(18 200)
Total changes		–	–	–	–	(2 393)	(2 393)
Balance at 28 February 2010		**–**	**44 442**	**–**	**–**	**(33 055)**	**11 387**

Statement of Cash Flows

for the year ended 28 February 2010

	Notes	GROUP 2010 R'000	GROUP 2009 Restated R'000	COMPANY 2010 R'000	COMPANY 2009 Restated R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	24	**24 907**	111 807	**(2 254)**	(237)
Investment revenue		**1 087**	525	**–**	87
Finance costs		**(10 142)**	(11 275)	**(2)**	(4)
Tax paid	11	**(12 898)**	(23 653)	**(1 820)**	(1 475)
Net cash generated from/(utilised in) operating activities		**2 954**	77 404	**(4 076)**	(1 629)
Cash flows from investing activities					
Purchase of property, plant and equipment	12	**(8 060)**	(13 291)	**–**	–
Sale of property, plant and equipment		**240**	967	**–**	–
Acquisition of businesses		**–**	(10 000)	**–**	–
Loans to group companies repaid		**–**	–	**–**	(41 792)
Loans advanced to group companies		**–**	–	**3 630**	–
Purchase of treasury shares		**(230)**	(8)	**–**	–
Dividends received		**–**	–	**18 200**	19 500
Net cash (utilised in)/generated from investing activities		**(8 050)**	(22 332)	**21 830**	(22 292)
Cash flows from financing activities					
Proceeds on share issue	20	**–**	44 442	**–**	44 442
Decrease in long term borrowings		**(13 771)**	(18 669)	**–**	–
Increase/(decrease) in current portion of borrowings		**24 504**	(34 391)	**–**	–
Dividends paid		**(18 200)**	(19 500)	**(18 200)**	(19 500)
Net cash (utilised in)/generated from financing activities		**(7 467)**	(28 118)	**(18 200)**	24 942
Total cash movement for the year		**(12 563)**	26 954	**(446)**	1 021
Cash at the beginning of the year		**33 848**	6 894	**446**	(575)
Total cash at the end of the year	18	**21 285**	33 848	**–**	446

Accounting Policies

for the year ended 28 February 2010

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 financial assets and financial liabilities (including derivative financial instruments) that are shown at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Consolidation

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.

Business combinations

Acquisition of 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.

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. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less then the fair value of the net assets of the subsidiaries acquired, the difference is recognised in profit/(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.

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 consolidated from the date on which control is transferred to the group.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are deconsolidated from the date that control ceases.

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.

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.

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.

1.3 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.

Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to those cash-generating units or groups of cash-generating units expected to benefit from the synergies of the combination in which the goodwill arose, identified according to operating segment. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Impairment of non-financial assets

The group assesses at each statement of financial position 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 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 which is recognised in profit/(loss).

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.5 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.

Property, plant and equipment are initially carried at cost less accumulated depreciation and any impairment losses. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial reporting period in which they are incurred.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation. 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 sales 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 to their residual values over their estimated useful lives as follows:

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

1.6 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 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.

1.8 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.

1.9 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 and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The 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.

1.10 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 statement of financial position date. Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are charged to the statement of comprehensive income.

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 statement of financial position date. Differences arising on translation are recognised in the Statement of Comprehensive Income 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 Comprehensive Income.

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 Comprehensive Income are included in determining the profit or loss on disposal of that investment charged to the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 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.

1.12 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 statement of financial position 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 financial liability of allocating interest income and expense 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 and financial liability, 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, plus transaction costs 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 statement of financial position 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.

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, 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 receivables

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. 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. These are initially and subsequently recorded at fair 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.

Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Financial instruments (continued)

Long-term borrowings

Long-term borrowings are initially measured at fair value plus direct transaction costs, 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 statement of financial position 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.

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 risks 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.

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.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

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

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are classified as financial assets at fair value through profit or loss – held for trading.

1.13 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 and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Revenue (continued)

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 and rental income is recognised when earned.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. If applicable, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying fixing asset as part of the cost of that asset.

1.15 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 statement of financial position 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; or
- 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 statement of financial position date that are expected to apply when the asset is realised or liability settled.

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.

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.

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 statement of comprehensive income when the related dividend is declared.

1.16 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.

1.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee ("chief operating decision maker"). The committee is responsible for allocating resources and assessing performance of the operating segments.

1.18 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.

Accounting Policies *(continued)*

for the year ended 28 February 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.19 Critical account estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

Impairment of goodwill

The group determines if goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and a market related pre-tax discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence of significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments.

Estimation of useful lives of property, plant, equipment and intangible assets

The assets' residual values and estimated useful lives are reviewed annually, considering market conditions and projected disposal values. Uniform depreciation and amortization rates are established based on the straight-line method which may not represent the actual usage of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Inventory net realizable value

Inventory net realizable value is based on estimates of future market conditions and the ability to recover the cost of inventory.

Deferred tax assets

The recoverability of deferred tax assets is based on the future profitability of the relevant entity and the ability to generate future taxable income.

Financial instruments

Financial instruments are fair valued at balance sheet date. The value of financial instruments instruments are subject to fluctuations and disclosed amounts may differ from values ultimately realised.

Notes to the Annual Financial Statements

for the year ended 28 February 2010

2. NEW STANDARDS ADOPTED BY THE GROUP

Accounting policy developments include new standards issued, amendments to standards and interpretations issued on current standards. The developments resulted in the first time adoption of new standards and revised and additional disclosures required.

International Financial Reporting Standards and amendments effective in 2010 and adopted by the group			
Number	**Title**	**Effective date***	**Executive summary**
IFRS 8	Operating Segments	1 Jan 2009	IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The Standard sets out requirements for disclosure of information about and entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
IAS 1	Presentation of Financial Statements – Revised	1 Jan 2009	The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2010 BUT NOT RELEVANT

International Financial Reporting Standards and amendments effective in 2010 but not relevant to the groups operations			
Number	**Title**	**Effective date***	**Executive summary**
IAS 23	Borrowing Costs – Revised	1 Jan 2009	The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.
Amendment to IFRS 2	Amendment to IFRS 2 Share-Based Payment: Vesting Conditions and Cancellations	1 Jan 2009	The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
Amendment to IAS 32 and IAS 1	Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 Jan 2009	The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.
Amendments to IFRS 1 and IAS 27	Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 Jan 2009	The amendment allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2010 BUT NOT RELEVANT (continued)

International Financial Reporting Standards and amendments effective in 2010 but not relevant to the groups operations			
Amendments to IFRS 7	Amendments to IFRS 7 – Financial Instruments disclosures: Improving Disclosures about Financial Instruments	1 Jan 2009	The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

Interpretations of International Financial Reporting Standards effective in 2010 but not relevant to the group			
Number	**Title**	**Effective date***	**Executive summary**
IFRIC 13	Customer Loyalty Programmes	1 Jul 2008	IFRIC 13 addresses accounting by entities that grant loyalty award credits 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 to customers who redeem award credits.
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009	IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction contracts or IAS 18 - Revenue and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008	IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.
Amendment to IFRIC 9 and IAS 39	Amendments to IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement	1 Jul 2008	The amendments clarify that if a financial asset is reclassified out the fair value through profit or loss category it must be assessed for embedded derivatives at the date of reclassification. In addition, a contract that includes an embedded derivative that cannot be separately measured, is prohibited from being reclassified out of the 'at fair value through profit or loss' category.
IFRIC 18	Transfers of assets from customers	Effective for transfers from 1 Jul 2009	IFRIC 18 clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This Interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

4. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AND DO NOT SIGNIFICANTLY IMPACT ON THE COMPANY'S OPERATIONS

International Financial Reporting Standards and amendments issued but not effective in 2010 and not early adopted by the group			
Number	**Title**	**Effective date***	**Executive summary**
IFRS 3	Business Combinations – Revised	1 Jul 2009	The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
IAS 27	Consolidated and Separate Financial Statements – Revised	1 Jul 2009	IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
Amendments to IAS 39	Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items	1 Jul 2009	The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.
IFRS 1	First time Adoption of International Financial Reporting Standards – Revised	1 Jul 2009	The revised standard has an improved structure but does not contain any technical changes.
Amendments to IFRS 2	Amendments to IFRS 2: Group cash-settled share-based payment transactions	1 Jan 2010	The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.
Amendments to IAS 32	Amendments to IAS 32 – Classification of rights issues	1 February 2010	The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.
Amendments IAS 24	Amendment to IAS 24 – Related party disclosures	1 January 2011	This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.
IFRS 9	IFRS 9 – Financial Instruments	1 January 2013	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.
Amendments to IFRS 1 and IFRS 7	Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010	The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is effective from for annual periods beginning on or after 1 July 2010 with early adoption permitted.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

4. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AND DO NOT SIGNIFICANTLY IMPACT ON THE COMPANY'S OPERATIONS

Interpretations of International Financial Reporting Standards issued but not yet effective in 2010			
Number	**Title**	**Effective date***	**Executive summary**
IFRIC 17	Distributions of Non-cash Assets to Owners	1 Jul 2009	IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.
IFRIC 19	IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.
Amendments to IFRIC 14	Pre-payments of a Minimum Funding Requirement (amendments to IFRIC 14)	1 January 2011	This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

**= Annual periods beginning on or after*

Improvements to IFRS (issued April 2009) was issued by the IASB as part the 'annual improvements process' resulting in the following early adoption to standards effective in 2010:

IFRS 8 Operating Segments	Disclosure of information about segment assets

	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
5. OPERATING PROFIT				
The following have been taken into account in arriving at operating profit:				
Income from subsidiaries				
Dividends	–	–	18 200	19 500
Operating lease charges				
Premises	1 237	796	–	–
Loss/(profit) on sale of property, plant and equipment	30	(135)	–	–
Foreign exchange loss/(profit)				
– realised	1 793	28	–	–
– unrealised	(2 628)	3 135	–	–
Depreciation on property, plant and equipment	3 907	3 136	–	–
Staff costs	24 502	24 611	–	–
Directors' emoluments	4 436	3 890	–	–
Contributions to pension fund	2 065	1 691	–	–
Repairs and maintenance	1 609	2 337	5	–
Summary of directors' emoluments				
Paid by subsidiary				
Executive directors				
Salaries	2 524	2 142	–	–
Vehicle allowance	860	635	–	–
Medical aid contribution	257	218	–	–
Pension fund contribution	338	250	–	–
13th cheque	211	185	–	–
Bonus	–	340	–	–
Non-executive directors	246	120	–	–
	4 436	3 890	–	–

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

		GROUP		COMPANY	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
6.	**GENERAL EXPENSES**				
	Administration fees	5 717	7 845	–	–
	Advertising	370	1 054	–	–
	Auditors' remuneration	1 012	485	122	–
	Movement in provision for impairment of trade receivables	(538)	1 501	–	–
	Bank charges	362	376	1	–
	Computer expenses	220	265	20	–
	Legal expenses	1 584	2 211	436	(344)
	Donations	48	136	–	–
	Insurance	502	457	–	–
	Lease rentals on operating lease	1 237	796	–	–
	Motor vehicle expenses	312	323	–	–
	Petrol and oil	835	860	–	–
	Postage	45	34	–	–
	Printing and stationery	588	571	187	–
	Repairs and maintenance	1 609	2 337	5	–
	Security	641	578	–	–
	Subscriptions	103	181	23	–
	Telephone and fax	1 106	1 018	–	–
	Travel – local	1 094	513	–	–
	Travel – overseas	325	624	–	–
	Electricity	840	408	–	–
	Other expenses – deductible	1 163	2 147	–	–
	Employee costs – salaried staff	24 502	24 611	–	–
	Employee costs – directors	4 436	3 890	–	–
	Depreciation, amortisation and impairments	3 907	3 136	–	–
	Profit and loss on exchange differences	(835)	3 163	–	–
		51 185	59 520	794	(344)
7.	**AUDITORS' REMUNERATION**				
	Fees	1 012	485	122	–
8.	**FINANCE COSTS**				
	Shareholders' loans	–	38	–	–
	Nedbank term loans	10 142	11 237	2	4
		10 142	11 275	2	4
9.	**INVESTMENT REVENUE**				
	Dividend revenue				
	Subsidiaries – Local	–	–	18 200	19 500
	Interest revenue				
	Bank	1 087	525	–	87
		1 087	525	18 200	19 587

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
10. REVENUE				
Sale of goods	**608 121**	965 876	**–**	–
Commission received	**3 223**	3 580	**–**	–
Rental income	**287**	218	**–**	–
	611 631	969 674	**–**	–
11. INCOME TAXES				
Income tax recognised in profit or loss				
Current				
Local income tax – current period	**6 736**	22 254	**–**	120
Secondary tax on companies	**1 820**	1 040	**1 820**	1 040
	8 556	23 294	**1 820**	1 160
Deferred				
Originating and reversing temporary differences	**1 168**	84	**(223)**	–
Changes in tax rates	**–**	6	**–**	–
Benefits of recognised tax loss	**(2 624)**	(2 276)	**–**	–
Arising from prior period adjustments	**–**	181	**–**	–
	(1 456)	(2 005)	**(223)**	–
	7 100	21 289	**1 597**	1 160
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	**17 742**	72 879	**17 404**	19 927
Tax at the applicable tax rate of 28% (2009: 28%)	**4 968**	20 406	**4 873**	5 579
Tax effect of adjustments on taxable income				
Disallowable expenses	**312**	–	**–**	–
Income not subject to tax	**–**	(157)	**(5 096)**	(5 459)
Secondary tax on companies	**1 820**	1 040	**1 820**	1 040
	7 100	21 289	**1 597**	1 160

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
11. INCOME TAXES (continued)				
Tax paid				
Balance at the beginning of the year	(10 153)	(10 512)	253	(62)
Current tax for the year recognised in statement of comprehensive income	(8 556)	(23 294)	(1 820)	(1 160)
Balance at end of the year	5 811	10 153	(253)	(253)
	(12 898)	(23 653)	(1 820)	(1 475)
Deferred tax				
Deferred tax asset				
Accelerated capital allowances for tax purposes	(720)	448	–	–
Tax losses available for set off against future taxable income	4 900	2 276	–	–
	4 180	2 724	–	–
Reconciliation of deferred tax asset/(liability)				
At beginning of the year	2 724	717	–	–
Reduction due to rate change	–	6	–	–
Increase in tax losses available for set off against future taxable income	2 624	2 276	–	–
Originating temporary difference on property, plant and equipment	(1 168)	(275)	223	–
	4 180	2 724	223	–

Recognition of deferred tax asset

The deferred tax asset arises predominantly from tax losses generated by the aluminium business. This asset will be utilised against future taxable income that management expects the company to generate.

12. PROPERTY, PLANT AND EQUIPMENT

	2010 Cost/ valuation R'000	2010 Accumulated depreciation R'000	2010 Carrying value R'000	2009 Cost/ valuation R'000	2009 Accumulated depreciation R'000	2009 Carrying value R'000
Group						
Buildings	15 959	(4 005)	11 954	9 771	(3 337)	6 434
Plant and machinery	13 874	(5 221)	8 653	13 564	(4 421)	9 143
Furniture and fixtures	2 733	(2 208)	525	2 576	(2 003)	573
Motor vehicles	4 237	(2 530)	1 707	4 314	(1 650)	2 664
IT equipment	2 521	(2 083)	438	2 382	(1 802)	580
	39 324	(16 047)	23 277	32 607	(13 213)	19 394

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
Reconciliation of property, plant and equipment – Group – 2010					
Buildings	6 434	6 184	–	(664)	11 954
Plant and machinery	9 143	1 573	(192)	(1 871)	8 653
Furniture and fixtures	573	158	–	(206)	525
Motor vehicles	2 664	–	(73)	(884)	1 707
IT equipment	580	145	(5)	(282)	438
	19 394	8 060	(270)	(3 907)	23 277

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	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

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 group. Land and buildings are situated on Stand 359, Crocker Road, Wadeville, Extension 4 and corner of John van Niekerk and Charles Mathews, Atlantis, Industria, 7349. The directors' valuation of the land and buildings has been assessed at R32,3 million. Certain property, plant and equipment are pledged as security for a term loan (note 21).

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Assets subject to finance lease (Net carrying amount)				
Motor vehicles	1 141	2 015	–	–

13. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	% holding 2010	% holding 2009	Carrying amount 2010 R'000	Carrying amount 2009 R'000
Insimbi Alloy Properties (Proprietary) Limited	Insimbi Refractory and Alloy Supplies Limited	100,00	100,00	–	–
Insimbi Alloy Supplies (Proprietary) Limited	Insimbi Refractory and Alloy Supplies Limited	100,00	100,00	–	–
Insimbi Aluminium Alloys (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	100,00	100,00	–	–
Insimbi Refractory and Alloy Supplies Limited – Zambia	Insimbi Refractory and Alloy Supplies Limited	10,00	10,00	–	–
Insimbi Refractory and Alloy Supplies Limited – Zambia	Insimbi Alloy Supplies (Proprietary) Limited	90,00	90,00	–	–
Insimbi Bulk Commodities (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	100,00	100,00	–	–
Insimbi Thermal Insulation (Proprietary) Limited*	Insimbi Alloy Supplies (Proprietary) Limited	100,00	100,00	–	–
				–	–

The carrying amounts of subsidiaries are shown net of impairment losses. The par value of shares held in subsidiaries are 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
Insimbi Thermal Insulations (Proprietary) Limited 404 ordinary shares of R1 each	R404

** Previously treated as an associated however now restated as a subsidiary, refer note 36*

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

14. GOODWILL

	2010 Cost R'000	2010 Accumulated impairment R'000	2010 Carrying value R'000	2009 Cost R'000	2009 Accumulated impairment R'000	2009 Carrying value R'000
Group						
Goodwill	39 938	–	39 938	39 938	–	39 938
Company						
Goodwill	23 574	–	23 574	23 574	–	23 574

	Opening balance R'000	Total R'000
Reconciliation of goodwill – Group – 2010		
Goodwill	39 938	39 938

	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

	Opening balance R'000	Total R'000
Reconciliation of goodwill – Company – 2010		
Goodwill	23 574	23 574
Reconciliation of goodwill – Company – 2009		
Goodwill	23 574	23 574

Impairment test for goodwill

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

Goodwill is allocated to the group's cash-generating unit (CGU) identified at an operating segment level, as follows:

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Insimbi Alloy Supplies (Proprietary) Limited	29 938	29 938	23 574	23 574
Insimbi Aluminium Alloys (Proprietary) Limited	10 000	10 000	–	–

The impairment test for goodwill identifies the recoverable amount of a cash-generating unit and is determined based on value-in-use calculations.

All operating segments per the segment report, except for the Aluminium segment, form part of the Insimbi Alloy Supplies CGU and goodwill is allocated to the operating segment as follows:

Segment	GROUP 2010 R'000	GROUP 2009 R'000
Foundry	7 721	7 721
Steel	9 718	9 718
Non-ferrous	3 733	3 733
Rotary	2 994	2 994
Refractory	679	679
Speciality	2 167	2 167
KZN	2 175	2 175
Other	751	751
	29 938	29 938

14. GOODWILL (continued)

Value-in-use calculations use cash flow projections based on financial budgets approved by management and cover a five year period. The estimated growth rates applied are in line with that of the industry in which the companies operate and are materially similar to assumptions of external market sources. The cash-generating unit's recoverable amount is most sensitive to the growth rate assumptions applied. Growth rates for impairment testing purposes beyond five years were assumed at 3 percent. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted gross margin based on past performance and its expectations of market developments. The discount rates used are pre-tax and reflect the appropriate risk associated with the industry and respective businesses.

The key assumptions used for value-in-use calculations are as follows:

	2010	
	Insimbi Alloy Supplies (Proprietary) Limited %	Insimbi Aluminium Alloys (Proprietary) Limited %
Gross margin[1]	17,79	11,83
Growth rate[2]	5,00	7,50 – 10,00
Discount rate[3]	16,83	16,83

[1] *Budgeted gross margin*
[2] *Minimum growth rate used to extrapolate cash flows beyond the budget period*
[3] *Pre-tax cost of capital used as discount rate applied to the cash flow projections*

These assumptions have been used for the analysis of each CGU.

Management have determined budgeted gross margin based on past performance and its expectations of market development. The minimum growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

Sensitivity analysis
A decrease in the growth rate by 1% and an increase of 1% in the discount rate assumed, will result in an impairment of R2 million in respect of the goodwill allocated to the aluminium business.

	GROUP		COMPANY	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
15. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiaries				
Insimbi Alloy Properties (Proprietary) Limited	–	–	5 360	5 360
Insimbi Alloy Supplies (Proprietary) Limited	–	–	(19 753)	(16 123)
	–	–	(14 393)	(10 763)
The loans are unsecured, interest free and have no fixed terms of repayment.				
16. INVENTORIES				
Merchandise at cost	54 614	62 101	–	–
Goods in transit	2 784	15 411	–	–
	57 398	77 512	–	–
Inventories write–downs	(2 515)	(1 678)	–	–
	54 883	75 834	–	–
Inventory pledged as security				
Inventory was pledged as security for the term loans (note 21).				
17. TRADE AND OTHER RECEIVABLES				
Trade receivables	98 664	87 019	–	–
Prepayments and deposits	3 228	1 721	1 643	600
VAT	87	2 007	87	54
Sundry debtors	–	–	–	256
Provision for impairment of trade receivables	(409)	(1 378)	–	–
	101 570	89 369	1 730	910

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

		GROUP		COMPANY	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
18.	**CASH AND CASH EQUIVALENTS**				
	Cash and cash equivalents consist of:				
	Cash on hand	41	48	–	–
	Bank balances	27 136	42 148	–	446
	Bank overdraft	(5 892)	(8 348)	–	–
		21 285	33 848	–	446
	Current assets	27 177	42 196	–	446
	Bank overdraft included in current portion of borrowings	(5 892)	(8 348)	–	–
		21 285	33 848	–	446
19.	**OTHER FINANCIAL ASSETS**				
	At fair value through profit or loss				
	Foreign exchange contract	453	–	–	–
	Current assets	453	–	–	–

Fair values are determined annually at statement of financial position date by translation of open FEC's to market rates.

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 30.)

		GROUP		COMPANY	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
20.	**SHARE CAPITAL**				
	Authorised				
	12 000 000 000 ordinary shares of 0,000025 cents each	3	3	3	3
		3	3	3	3

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Issued				
Ordinary – 260 000 000 of 0,000025 cents each	–	–	–	–
Share premium	46 533	46 533	46 533	46 533
Share issue costs written off against share premium	(2 091)	(2 091)	(2 091)	(2 091)
Treasury shares held by subsidiary	(238)	(8)	–	–
	44 204	44 434	44 442	44 442
Reconciliation of number of shares issued: (000's)				
Shares purchased by subsidiaries	342	12	342	12
Issue of shares – ordinary shares	73 212	73 542	73 212	73 542
Issue of shares to directors – ordinary shares	186 446	186 446	186 446	186 446
	260 000	260 000	260 000	260 000

Shares repurchased by a subsidiary and held in treasury amounted to 341 700 at year end which are disclosed as a reduction of equity in the statement of changes in equity.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
21. BORROWINGS				
Non-current				
Interest-bearing borrowings				
Held at amortised cost				
Nedbank Limited – Term Loan	–	(540)	–	–
Nedbank Limited – Loan Number two	37 322	55 000	–	–
Nedbank Mortgage Bond	4 900	–	–	–
Nedbank Instalment Sale	–	1 533	–	–
Total Non Current Borrowings	42 222	55 993	–	–
Current				
Interest-bearing borrowings				
Held at amortised cost				
Nedbank Limited – Loan Number two	9 518	–	–	–
Nedbank Mortgage Bond	601	–	–	–
Nedbank Instalment Sale	1 465	779	–	–
Nedbank Limited – Overnight Loan	14 700	1 000	–	–
Bank Overdraft	5 892	8 348		
Total Current Borrowings	32 175	10 127	–	–

The fair value of borrowings approximate carrying amounts.

Nedbank Limited – Term Loan – interest rate fixed at 12,65% (2009: 12,65%)
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.

Nedbank Limited – Loan number two – interest fixed at 12,03% (2009: 12,03%)
The monthly instalment is R 1 210 144 which is includes capital and interest with the last repayment falling due on 31 March 2014.

Nedbank instalment sale agreements – interest rates vary between 12,50% and 14,50%
Secured by motor vehicles and plant and equipment with a net book value of R 1 141 000 (2009: R 2 015 000) and repayable in monthly instalments of R60 750 (2009: R60 750), with the last repayment falling due in October 2012.

Nedbank Mortgage Bond – interest rate – prime less 0,5%
The monthly capital repayment is R50 000. This loan is secured by the property acquired in Atlantis, Cape Town. Interest at year end was 10%.
The last repayment falls due on 30 March 2019.

Nedbank Limited – Overnight Loan – interest rate – prime less 1,25% – 9,25% (2009: 12,75%)
The maximum amount that the group and company is permitted by Nedbank to have as a balance is R 18 000 000. The balance varies from month to month depending on the cash flow of the group and company and there are no fixed repayment terms.

Bank Overdraft
The overdraft facility is allocated is split into R10 million for Insimbi Aluminium Alloys (Proprietary) Limited and R27 million for Insimbi Alloy Supplies (Proprietary) Limited.

Security
Loan is secured by general notarial bond of R70,0 million (2009: R70,0 million) over inventories, plant and equipment.

The fire insurance policy entered into between the company and Alexander Forbes Risk Services has been endorsed in respect of Nedbank Limited's interest in regard to the general notarial covering bond of R70,0 million.

Insimbi Alloys Supplies signed a deed of cession whereby all its rights, title and interest in and to it debtors is ceded to Nedbank Limited as security.

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

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
21. BORROWINGS (continued)				
The carrying amount of assets pledged as security is detailed as follows:				
Property plant and equipment	**23 277**	19 394	–	–
Inventories	**52 379**	72 789	–	–
	75 656	92 183	–	–

Covenants

The groups borrowing facilities are subject to covenant clauses, whereby it is required to meet certain key performance indicators. The group did not fulfil its senior debt service ratio as required for the contract of the above mentioned facility of which a total of R61 540 000 has been drawn down. Due to the breach of the covenant clause the bank is contractually entitled to request early repayment of the outstanding amount. Nedbank Limited has issued a waiver of this covenant for the year end February 2010 and have not requested early re-payment of the loan as of the date when these financial statements were approved by the board of directors. Management expects the situation will be remedied in the 2011 financial year. The loans remain classified under non current and current liabilities.

Borrowing Powers

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

Borrowing facilities

The group has contracted the following borrowing facilities:

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Fixed rate				
Expiring within one year	**9 518**	–	–	–
Expiring beyond one year	**37 322**	54 460	–	–
	46 840	54 460	–	–
Floating rate				
Expiring within one year	**22 657**	10 127	–	–
Expiring beyond one year	**4 900**	1 533	–	–
	27 557	11 660	–	–
Total interest-bearing borrowings	**74 397**	66 120	–	-
22. OTHER FINANCIAL LIABILITIES				
At fair value through profit or loss				
Foreign exchange contract	–	353	–	–
Current liabilities	–	353	–	–

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 for the outstanding duration of the contract (note 25 and note 32).

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
23. TRADE AND OTHER PAYABLES				
Trade payables	**89 362**	108 940	–	–
Accrued expenses and other payables	**8 973**	3 221	–	640
	98 335	112 161	–	640

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 statement of financial position date.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
24. CASH GENERATED FROM/(USED IN) OPERATIONS				
Profit before taxation	**17 742**	72 879	**17 404**	19 927
Adjustments for:				
Depreciation and amortisation	**3 907**	3 136	**–**	–
Loss/(profit) on sale of assets	**30**	(135)	**–**	–
Dividends received	**–**	–	**(18 200)**	(19 500)
Investment revenue	**(1 087)**	(525)	**–**	(87)
Finance costs	**10 142**	11 275	**2**	4
Fair value adjustment on foreign exchange contracts	**(835)**	3 163	**–**	–
Movement in foreign currency translation reserve	**56**	78	**–**	–
Impairment loss on plant and equipment	**–**	826	**–**	–
Changes in working capital:				
Inventories	**20 951**	(1 221)	**–**	–
Trade and other receivables	**(12 173)**	15 965	**(820)**	972
Trade and other payables	**(13 826)**	6 366	**(640)**	(1 553)
	24 907	111 807	**(2 254)**	(237)

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. These contracts will mature within three months of year end.

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

	2010		2009	
Currency	**Foreign amount 000**	**Rand R'000**	Foreign amount 000	Rand R'000
US Dollars	**1 377**	**10 744**	1 170	11 959
British Pounds	**201**	**2 398**	58	850
Euro	**1 042**	**11 050**	1 344	17 489
		24 192		30 298

	GROUP		COMPANY	
	2010 R'000	2009 R'000	**2010 R'000**	2009 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	**3 655**	4 310	**–**	–

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 2010

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
28. CAPITAL AND LEASE COMMITMENTS				
Capital commitments				
Capital commitments relating to the acquisition in March 2010 of the fixed assets and business of Metalloy Fibres (Proprietary) Limited	1 000	–	–	–
Capital commitments relating to the acquisition in March 2009 of property in Cape Town pending at the statement of financial position date.	–	6 000	–	–
	1 000	6 000	–	–
JLL Properties (Proprietary) Limited				
Rental payable for period March 2009 to February 2010 – due within 1 year	518	480	–	–
Rental payable for period March 2010 to February 2014 – due within 2 – 5 years	2 520	2 334	–	–
Rental payable for period March 2014 to February 2018 – due after 5 years	2 571	3 175	–	–
	5 609	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 year period.

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Insimbi Alloy Properties (Proprietary) Limited				
Rental payable in the subsequent period – due within 1 year	832	771	–	–

Insimbi Alloy Properties (Proprietary) Limited leases premises to Insimbi Alloy Supplies (Proprietary) Limited, which is eliminated on consolidation.

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 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
Minimum lease payments due				
– within one year	905	938	–	–
– in second to fifth year inclusive	1 001	2 015	–	–
Less: Future finance charges	(441)	(641)	–	–
Present value of minimum lease payments due	1 465	2 312	–	–

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
29. RELATED PARTIES				
Relationships				
Subsidiaries — 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.				
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)	–	–	(19 753)	(16 123)
Owing (to)/by related party to Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	6 304	4 030	–	–
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	31 891	24 497	–	–
* Insimbi Refractory and Alloy Supplies Limited – Zambia (100% subsidiary)	2 159	676	–	–
*Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)	755	441	–	–
*Insimbi Bulk Commodities (Proprietary) Limited (100% subsidiary)	1	–	–	–
Receivables from related parties				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	30	130	–	–
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	1	2	–	–
Payables to related parties				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	3 323	4 957	–	–
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	226	(6)	–	–
Related party transactions				
Dividends payable/(receivable)				
**Insimbi Holdings (Proprietary) Limited	–	9 100	–	–
*Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	–	–	(18 200)	(19 500)
Administration fee payable/(receivable)				
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	(363)	(330)	–	–
*Insimbi Holdings (Proprietary) Limited	5 718	7 845	–	–
Rent payable/(receivable) to Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)				
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	(234)	(218)	–	–
*Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	(965)	(1 071)	–	–

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
29. RELATED PARTIES (continued)				
Purchase of goods and services from Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	**29 187**	28 551	**–**	–
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	**336**	4 372	**–**	–
Sale of goods and services to Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	**461**	732	**–**	–
Key management compensation				
Salaries and other employee benefits	**4 436**	3 890	**–**	–
Other				
Advance consulting fees paid to a shareholder	**1 042**	600	**1 042**	600
This is included within trade and receivables.				

** 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.*

30. FINANCIAL INSTRUMENT RISK EXPOSURE 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. The carrying amounts 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.

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

30. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)

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 reputable 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. All currency risks are hedged directly through the use of foreign exchange contracts. 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

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; and/or
- Request customer to issue post dated cheques which are held by credit control until due date.

Procedures for avoiding excessive concentration of risk

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; and
- 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.

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			
At 28 February 2010			
Undiscounted cash flows arising from financial liabilities due			
Trade payables			
– Local	83 720	–	–
– Foreign	5 642	–	–
Bank overdraft	5 892	–	–
Nedbank Limited – loan number two	14 522	44 775	–
Nedbank Mortgage Bond	1 126	5 477	1 446
Nedbank Limited – instalment sale	1 803	–	–
Nedbank Limited – overnight loan	14 700	–	–
	127 405	50 252	1 446

	Payable within one year/ on demand R'000	Payable within 2 to 5 years R'000	Payable after 5 years R'000
30. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)			
Contractual maturity analysis (continued)			
At 28 February 2009			
Undiscounted cash flows arising from financial liabilities due			
Trade payables			
– Local	103 565	–	–
– Foreign	5 375	–	–
Bank overdraft facility	8 348	–	–
Nedbank Limited – overnight loan	1 000	–	–
Nedbank Limited – loan number two	14 522	59 297	–
Nedbank Limited – instalment sale	1 077	2 015	–
	133 887	61 312	–

At year end the group had R55 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.

Management of liquidity risk in regard to financial liabilities

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 on to 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 10,5%. The Reserve Bank decreased the rate on 26 March 2010 by 0,5%.

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 2010 was 9,25% and the loan was repaid during the current year.

Nedbank Mortgage Bond (prime less 0,5%)
Interest rate at February 2010 was 10%.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2010

30. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)

Interest rate risk (continued)

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.

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 statement of comprehensive income 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.

	2010 After tax effect on profit and loss		2009 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	**(30 626)**	**15 241**	(30 703)	15 277
Cash and cash equivalents – Local	**300 937**	**(150 168)**	431 238	(215 619)

	2010 After tax effect on profit and loss		2009 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	**(15 310)**	**15 310**	57 809	(57 809)

	2010 After tax effect on profit and loss		2009 After tax effect on profit and loss	
	2% increase	**1% decrease**	2% increase	1% decrease
Company (Rands)				
South African lending rate				
Cash and cash equivalents – Local	**–**	**–**	6 423	(3 211)

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 statement of financial position.

Should the need arise it is the group's policy to take collateral. To date collateral to the value of R4 million has been obtained over certain trade receivables. Trade receivables that are neither past due nor impaired are considered to be of high credit quality accompanied by an insignificant default rate.

30. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)

Credit risk (continued)

At each statement of financial position 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	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Reconciliation of movement of provision for impairment of trade and other receivables for individually assessed trade debtors:				
Balance brought forward	(1 378)	(17)	–	–
Increase in provision	(275)	(1 361)	–	–
Decrease in provision	–	–	–	–
Debts written off against provision	1 243	–	–	–
Balance carried forward	(410)	(1 378)	–	–

Trade and other receivables past due but not yet impaired.

	Fully performing R'000	Past due and not impaired R'000	Impaired and provided for R'000	Total R'000
Group				
2010				
Trade receivables	74 087	24 168	409	98 664
– Foreign	4 410	353	–	4 763
– Local	69 677	23 815	409	93 901
2009				
Trade receivables	72 378	13 263	1 378	87 019
– Foreign	1 575	311	–	1 886
– Local	70 803	12 952	1 378	85 133

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.

The debtor's book of Insimbi Alloy Supplies (Proprietary) Limited amounting to R86,0 million (2009: R79,0 million) has been ceded as security in respect of total borrowing facility.

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 statement of comprehensive income 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.

	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	
	5% increase	5% decrease	7% increase	7% decrease	5% increase	5% decrease
30. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)						
Group (Rands)/*nominal						
2010						
Foreign trade payables	(6 188)	6 188	(267 398)	267 398	(4 702)	4 702
Foreign trade receivables	217 956	(217 956)	12 683	(12 683)	–	–
Foreign bank	(22 486)	22 486	44 028	(44 028)	2 304	(2 304)
	16% increase	16% decrease	11% increase	11% decrease	11% increase	11% decrease
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)

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	
	5% increase	5% decrease	7% increase	7% decrease	5% increase	5% decrease
Group (Rands)						
2010						
After tax effect on profit and (loss)	(111 271)	111 271	202 766	(202 766)	7 501	(7 501)
Financial assets	–	–	202 766	(202 766)	7 501	(7 501)
Financial liabilities	(111 271)	111 271	–	–	–	–
	16% increase	16% decrease	11% increase	11% decrease	11% increase	11% decrease
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	–	–	–	–	–	–

31. FINANCIAL ASSETS BY CATEGORY

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

	Loans and receivables R'000	Fair value through profit or loss – designated R'000	Total R'000
Group			
2010			
Foreign exchange contract asset	–	453	453
Trade and other receivables			
– Local	96 807	–	96 807
– Foreign	4 763	–	4 763
Cash and cash equivalents	21 285	–	21 285
	122 855	453	123 308
2009			
Trade and other receivables			
– Local	87 483	–	87 483
– Foreign	1 886	–	1 886
Cash and cash equivalents	33 348	–	33 348
	122 717	–	122 717
Company			
2010			
Trade and other receivables			
– Local	1 730	–	1 730
	1 730	–	1 730
2009			
Trade and other receivables			
– Local	910	–	910
Cash and cash equivalents	446	–	446
	1 356	–	1 356

32. FINANCIAL LIABILITIES BY CATEGORY

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

	At amortised cost R'000	Fair value through profit or loss – designated R'000	Total R'000
Group			
2010			
Nedbank Limited – loan number two	46 840	–	46 840
Nedbank Limited – overnight loan	14 700	–	14 700
Nedbank Limited – Mortgage Bond	5 500	–	5 500
Nedbank instalment sale	1 465	–	1 465
Trade and other payables			
– Local	92 693	–	92 693
– Foreign	5 642	–	5 642
	166 840	–	166 840
2009			
Forward exchange contract liabilities	–	353	353
Nedbank Limited – loan number two	55 000	–	55 000
Nedbank Limited – overnight loan	1 000	–	1 000
Nedbank instalment sale	2 312	–	2 312
Trade and other payables			
– Local	106 786	–	106 786
– Foreign	5 375	–	5 375
	170 473	353	170 826
Company			
2010			
Loan from subsidiary company	14 393	–	14 393
	14 393	–	14 393
2009			
Loan from subsidiary company	10 763	–	10 763
Trade and other payables			
– Local	640	–	640
	11 403	–	11 403

33. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

The gearing ratios at 28 February 2010 and 28 February 2009 were as follows:

	GROUP 2010 R'000	2009 R'000
Total borrowings (refer note 21)	74 396	66 120
Less: Cash and cash equivalents (refer note 18)	(21 285)	(33 848)
Net debt	53 111	32 272
Total equity	72 936	80 668
Total capital	126 047	113 395
Gearing ratio (%)	42,14	28,46

Notes to the Annual Financial Statements *(continued)*

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	GROUP 2010 R'000	GROUP 2009 R'000
34. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Headline earnings for the group have been computed as follows:		
Profit attributable to ordinary shareholders	10 698	51 668
Adjusted for loss/(profit) on sale of property, plant and equipment	22	(97)
Adjusted for impairment of property, plant and equipment	–	595
Headline earnings for the group	10 720	52 166
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 in issue at the end of the year	260 000	260 000
Less: treasury shares held in a subsidiary at the end of the year	(342)	(12)
	259 658	259 988
Basic and fully diluted:		
Earnings per share (cents)	4,12	19,87
Headline earnings per share (cents)	4,13	20,06

	GROUP 2010 R'000	GROUP 2009 R'000	COMPANY 2010 R'000	COMPANY 2009 R'000
35. DIVIDENDS PAID				
Dividends				
7 cents per ordinary share	(18 200)	–	(18 200)	–
4 cents per ordinary share	–	(10 400)	–	(10 400)
	(18 200)	(10 400)	(18 200)	(10 400)

36. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

The following restatements in respect of the prior year adjustments can be summarised as follows:

Group	Note	Revenue R'000	Cost of sales R'000	Other operating expense R'000	Administration Expenses R'000	Share of associate company's loss R'000	Tax R'000	Transferred to equity R'000
Adjustment to prior year income statement increase/(decrease) in profit								
Prior year FEC asset expensed	1	–	–	–	(2 781)	–	779	(2 002)
Insimbi Thermal Insulation (Proprietary) Limited consolidated as a subsidiary	3	633	1 857	(3 016)	–	225	147	(154)
Adjustments		633	1 857	(3 016)	(2 781)	225	926	(2 156)

Notes to the Annual Financial Statements *(continued)*

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36. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS(continued)

Group	Note	Investment in associate R'000	Inventories R'000	Trade and other receivables R'000	Amounts owing from group companies R'000	Retained earnings R'000	Trade and other payables R'000	Taxation R'000
Adjustment to other changes (increase)/decrease in assets and liabilities								
FEC asset expensed	1	–	–	(2 781)	–	2 002	–	779
Reclassification of loan receivable to retained earnings	2	–	–	–	(8 172)	9 100	(928)	–
Insimbi Thermal Insulation (Proprietary) Limited consolidated as a subsidiary	3	(75)	3 045	2 174	(4 030)	154	(1 268)	–
Adjustments		(75)	3 045	(607)	(12 202)	11 256	(2 196)	779

Company	Note	Investment revenue R'000	Transferred to equity R'000
Adjustment to prior year income statement increase/(decrease) in profit			
Dividend received from Insimbi Alloy Supplies (Proprietary) Limited	4	9 100	9 100
Adjustments		9 100	9 100

	Note	Reserves R'000
Adjustments to other changes (increase)/decrease in assets and liabilities		
Dividend received from Insimbi Alloy Supplies (Proprietary) Limited	4	9 100
Dividend paid to Insimbi Holdings (Proprietary) Limited	4	(9 100)
Adjustments		–

Notes:

1. An FEC asset created for the year ended 29 February 2008 was not subsequently reversed as it had matured.

2. During the 2008 financial year, a dividend paid and declared was incorrectly treated as a loan and is now recorded within retained earnings.

3. Insimbi Thermal Insulations (Proprietary) Limited was incorrectly recognised as an associate and is adjusted to be consolidated as a wholly owned subsidiary.

4. Insimbi Alloys Supplies (Proprietary) Limited declared a dividend to the company which was not accounted for and in turn, paid a dividend to the then ultimate holding company, Insimbi Holdings (Proprietary) Limited (refer note 2 above). The balance remaining of R928 000 has been allocated to trade and other payables.

36. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION(continued)

Adjustments

The effect of the prior year adjustments on the results of the Group and Company for the previous year can be summarised as follows:

	GROUP			COMPANY		
	As previously reported in 2009 R'000	Reclassifi-cations* and Adjustments R'000	Restated 2009 R'000	As previously reported in 2009 R'000	Adjustments R'000	Restated 2009 R'000
Balance Sheet						
Assets						
Non Current Assets						
Property, plant and equipment	19 394	–	19 394	–	–	–
Goodwill	39 938	–	39 938	23 574	–	23 574
Investments in subsidiaries	–	–	–	–	–	–
Investments in associates	75	(75)	–	–	–	–
Deferred Tax	2 724	–	2 724	–	–	–
	62 131	(75)	62 056	23 574	–	23 574
Current Assets						
Inventories	72 789	3 045	75 834	–	–	–
Amounts owing from group companies	12 202	(12 202)	–	–	–	–
Other financial assets	–	–	–	–	–	–
Taxation	–	–	–	253	–	253
Trade and other receivables	89 976	(607)	89 369	910	–	910
Cash and cash equivalents	42 196	–	42 196	446	–	446
	217 163	(9 764)	207 399	1 609	–	1 609
Total Assets	279 294	(9 839)	269 455	25 183	–	25 183
Equity and liabilities						
Equity						
Share capital	44 442	–	44 442	44 442	–	44 442
Foreign currency translation reserve	78	–	78	–	–	–
Retained earnings	47 412	(11 256)	36 156	(30 662)	–	(30 662)
Treasury shares	(8)	–	(8)	–	–	–
	91 924	(11 256)	80 668	13 780	–	13 780
Liabilities						
Non–current liabilities						
Other financial liabilities	55 993	–	55 993	–	–	–
Deferred Tax	–	–	–	–	–	–
Nedbank Loan	1 000	(1 000)*	–	–	–	–
	56 993	(1 000)	55 993	–	–	–
Current Liabilities						
Amounts owing to group companies	–	–	–	10 763	–	10 763
Loans from shareholders	–	–	–	–	–	–
Current portion of borrowings	–	10 127*	10 127	–	–	–
Other financial liabilities	1 132	(779)*	353	–	–	–
Taxation	10 932	(779)	10 153	–	–	–
Trade and other payables	109 965	2 196	112 161	640	–	640
Bank overdraft	8 348	(8 348)*	8 348	–	–	–
	130 377	2 417	132 794	11 403	–	11 403
Total liabilities	187 370	1 417	188 787	11 403	–	11 403
Total equity and liabilities	279 294	(9 839)	269 455	25 183	–	25 183

Certain comparative balance sheet items have been adjusted to conform to changes in presentation and classification. The adjustments are summarised as follows:

	2009 R'000	2008 R'000
1. Reclassification of Nedbank overnight call loan from non-current to current portion of borrowings	(1 000)	(15 200)
2. Reclassification of bank overdraft and other financial liabilities to current portion of borrowings	(9 127)	(21 545)
Impact on current borrowings – increase	10 127	36 745

36. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATION (continued)

	GROUP			COMPANY		
	As previously reported in 2009 R'000	**Adjustments R'000**	**Restated 2009 R'000**	**As previously reported in 2009 R'000**	**Adjustments R'000**	**Restated 2009 R'000**
Income Statement						
Revenue	969 041	633	969 674	–	–	–
Cost of sales	(828 847)	1 857	(826 990)	–	–	–
Gross profit	140 194	2 490	142 684	–	–	–
Other operating income	465	–	465	–	–	–
Other operating expenses	(25 239)	(3 016)	(28 255)	344	–	344
Administration expenses	(28 484)	(2 781)	(31 265)	–	–	–
Operating profit/(loss)	86 936	(3 307)	83 629	344	–	344
Investment revenue	525	–	525	10 487	9 100	19 587
Finance costs	(11 275)	–	(11 275)	(4)	–	(4)
Profit/(loss) before share of associated company's profit	76 186	(3 307)	72 879	10 827	9 100	19 927
Share of associated company's (loss)/profit	(225)	225	–	–	–	–
Profit on disposal of associate company	–	–	–	–	–	–
Profit before taxation	75 961	(3 082)	72 879	10 827	9 100	19 927
Taxation	(22 215)	926	(21 289)	(1 160)	–	(1 160)
Profit/(loss) for the year	53 746	(2 156)	51 590	9 667	9 100	18 767
Attributable to:						
Equity holders			51 590			
Number of shares (000's)						
Basic and fully diluted			259 998			
Basic and fully diluted earnings per share (cents)			19,84			

Segmental Report

for the year ended 28 February 2010

	Foundry R'000	Steel R'000	Non-ferrous R'000	Rotary R'000	Refractory R'000	Textiles R'000	Speciality R'000	KZN R'000	Cape Town R'000	Mechanical R'000	Aluminium R'000	Other R'000	Total R'000
2010													
Revenue													
Sale of goods	126 077	154 167	65 013	72 601	14 732	7 708	51 820	48 436	43 517	16 735	13 271	1 101	615 178
Commission	–	–	–	2 191	869	–	–	–	339	–	–	–	3 399
Discounts taken	(3 407)	(637)	(1 072)	(3)	(39)	–	(906)	(714)	(168)	–	–	–	(6 946)
	122 670	153 530	63 941	74 789	15 562	7 708	50 914	47 722	43 688	16 735	13 271	1 101	611 631
Cost of sales	(110 194)	(142 538)	(51 460)	(64 639)	(14 043)	(6 070)	(42 625)	(40 719)	(39 448)	(13 054)	(8 961)	(1 103)	(534 854)
Gross profit	12 476	10 992	12 481	10 150	1 519	1 638	8 289	7 003	4 240	3 681	4 310	(2)	76 777
Operating and administration expenses													
Communication	70	11	15	57	19	35	28	93	82	20	103	655	1 188
Consulting and professional fees	2	–	–	–	–	326	–	4	–	–	270	2 318	2 920
Depreciation, amortisation and impairments	–	–	–	–	–	72	–	–	–	–	1 584	2 324	3 980
Employee costs	2 038	757	1 164	1 701	1 315	1 600	512	2 062	–	–	4 763	18 638	34 550
Motor vehicle expenses	200	23	49	70	101	81	61	118	51	49	137	288	1 228
Other expenses	403	64	124	136	64	494	137	226	56	115	227	945	2 991
Occupancy	–	–	–	–	–	–	–	424	409	–	2 193	1 302	4 328
	(2 713)	(855)	(1 352)	(1 964)	(1 499)	(2 608)	(738)	(2 927)	(598)	(184)	(9 277)	(26 470)	(51 185)
Operating profit before finance income	9 763	10 137	11 129	8 186	20	(970)	7 551	4 076	3 642	3 497	(4 967)	(26 472)	25 592

	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
2009										
Revenue										
Sale of goods	255 120	316 055	122 902	94 162	21 513	4 905	71 105	71 351	19 818	976 931
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	4 892	70 158	70 413	20 003	969 648
Cost of sales										
Cost of manufactured goods	(208 039)	(277 743)	(108 143)	(85 308)	(18 470)	(2 465)	(53 996)	(56 568)	(16 258)	(826 990)
Gross profit	41 875	36 796	12 703	11 604	3 501	2 427	16 162	13 845	3 745	142 658
Operating and administration expenses										
Communication	68	9	13	64	31	42	47	111	754	1 139
Consulting and professional fees	–	–	–	–	–	86	–	45	2 895	3 026
Depreciation, amortisation and impairments	–	–	–	–	–	51	–	–	3 964	4 015
Employee costs	2 059	250	1 270	1 383	1 072	1 987	1 021	1 991	25 463	36 496
Motor vehicle expenses	186	35	57	166	109	16	81	122	369	1 141
Other expenses	675	83	98	209	171	848	189	368	10 267	12 908
Occupancy	–	–	–	–	–	–	–	377	419	796
	(2 988)	(377)	(1 438)	(1 822)	(1 383)	(3 030)	(1 338)	(3 014)	(44 131)	(59 521)
Operating profit before finance income	38 887	36 419	11 265	9 782	2 118	(603)	14 824	10 831	(40 386)	83 187

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

Management has determined the operating segments based on the reports reviewed and this is supported by management reporting disciplines, which include monthly variance reporting. Insimbi's performance is monitored continuously and issues arising are addressed at monthly management meetings that have board representation present.

Management considers the business from both a geographical and product management perspective. Management assesses the performance of the operating segments based on measures such as gross and operating profit.

All operating segments except for the Aluminium segment, form part of the Insimbi Alloy Supplies (Proprietary) Limited cash generating unit.

Shareholder Analysis

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	160	24,43	393 289	0,15
5 001 – 50 000 shares	326	49,77	6 737 757	2,59
50 001 – 100 000 shares	47	7,18	3 603 505	1,39
100 001 – 250 000 shares	71	10,84	11 153 191	4,29
250 001 – 500 000 shares	24	3,66	8 613 428	3,31
500 001 – 1 000 000 shares	9	1,37	6 435 574	2,48
1 000 001 shares and over	18	2,75	223 063 256	85,79
Totals	655	100,00	260 000 000	100,00
Distribution of shareholders				
Banks	6	0,92	2 741 523	1,05
Close corporations	9	1,37	509 500	0,20
Endowment funds	2	0,31	60 000	0,02
Individuals	575	87,79	223 816 714	86,08
Insurance company	1	0,15	6 000 000	2,31
Investment companies	5	0,76	975 000	0,38
Mutual fund	1	0,15	1 373 374	0,53
Nominees and trusts	31	4,73	2 212 416	0,85
Other corporations	6	0,92	274 000	0,11
Private companies	17	2,60	18 695 773	7,19
Public companies	1	0,15	3 000 000	1,15
Treasury stock	1	0,15	341 700	0,13
Totals	655	100,00	260 000 000	100,00
Public/non-public shareholders				
Non-public shareholders	14	2,13	186 788 000	71,84
Directors and associates of the company	13	1,98	186 446 300	71,71
Treasury stock	1	0,15	341 700	0,13
Public shareholders	641	97,87	73 212 000	28,16
Totals	655	100,00	260 000 000	100,00
Beneficial shareholders holding 5% or more				
Schutte PJ			44 797 500	17,23
Botha F			44 711 300	17,20
Botha CF			44 625 000	17,16
Liechti EP			44 625 000	17,16
TP Hentiq 6064 (Pty) Limited			15 000 000	5,77
Totals			193 758 800	74,52

Substantial interests as at 28 February 2010

Except as disclosed under director's interest on page 13, 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 9 July 2010 at 12:00 for the following purposes:

1. To receive and adopt the auditors' report in respect of the year ended 28 February 2010.
2. To receive and adopt the annual financial statements of the company for the year ended 28 February 2010.
3. To re-appoint CF Botha, F Botha and DJ O'Connor 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 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 2010."

Ordinary resolution number 2
"Resolved to adopt the company's financial statements for the year ended 28 February 2010."

Ordinary resolution number 3
3.1 Re-election of CF Botha
"Resolved that CF Botha be re-elected as director of the company."

Colin Francis Botha 42
National Higher Diploma in Metallurgical Engineering from Witwatersrand Technikon
Colin commenced employment with Insimbi in 1992 as a Technical Sales Representative and has been promoted during his tenure to Divisional Sales.

3.2 Re-election of F Botha
"Resolved that F Botha be re-elected as director of the company."

Frederik Botha 46
Chartered Accountant (South Africa)
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.

3.3 Re-election of DJ O'Connor
"Resolved that DJ O'Connor be re-elected as director of the company."

Daniel John O'Connor 62
Higher National Diploma in Metallurgy
Danny has over 35 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 January 2008 and was subsequently appointed as non-executive Chairman on 1 March 2008.

Ordinary resolution number 4
Directors' remuneration
"Resolved that the remuneration of executive and non-executive directors as set out on pages 14 and 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 PricewaterhouseCoopers 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 provide 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 following bases:

- the allotment and issue of the shares must be made to persons qualifying as public shareholders as defined in the Listings Requirements 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 a 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 Listings 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 Companies 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 be necessary for or incidental to the implementation of ordinary resolutions numbers 1, 2, 3, 4, 5, 6 and 7 and special resolution 1 and which are passed by the members at this meeting in accordance with and subject to the terms thereof.

SPECIAL RESOLUTION

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 2010) 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 general 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 13;
- Directors' interests in ordinary shares – page 13; 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 2010 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.

ACTION REQUIRED

Certificated shareholders and "own name" dematerialised shareholders

If you are unable to attend the general annual meeting of the company to be held at Insimbi's offices at 359 Crocker Road, Wadeville ext. 4, Germiston on 9 July 2010 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 5 July 2010.

Dematerialised shareholders

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 5 July 2010.

By order of the board

FBB Abdul Gany
Acting Company Secretary

Germiston
19 May 2010

Administration

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

**Non–executive*

Acting Company Secretary and registered office
FBB Abdul Gany

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, trading as Eversheds
(Registration number 1992/006150/21)
(PO Box 78333, Sandton 2146)

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

Auditors and reporting accountants
PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill
2157
(Private Bag X36, Sunninghill 2157)
Registration number 1998/012055/21

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

SHAREHOLDERS' DIARY

Annual general meeting	9 July 2010
Reports and financial statements	
Publication of annual reports (mailed to shareholders)	31 May 2010
Interim results announcements	30 September 2010
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

(for use by certificated shareholders and own name dematerialised shareholders)
Form of proxy for the annual general meeting of Insimbi's to be held at their offices at 359 Crocker Road, Wadeville Ext. 4, Germiston on 9 July 2010 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 2010			
2. To receive and adopt the annual financial statements of the company for the year ended 28 February 2010			
3. To re–appoint the following directors			
3.1 CF Botha			
3.2 F Botha			
3.3 DJ O'Connor			
4. To ratify the directors' remuneration			
5. To re-appoint PricewaterhouseCoopers 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			

Signed at ______________________________ on ______________________________ 2010

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 5 July 2010.

11. The completion and lodging of this form of proxy by the shareholders holding certificated shares, nominee companies of CSDPs 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 any 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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