INSIMBI

2012

INTEGRATED ANNUAL REPORT

for the year ended 29 February

Insimbi Refractory and Alloy Supplies Limited

INTEGRATED ANNUAL REPORT 2012

CONTENTS

www.insimbi-alloys.co.za

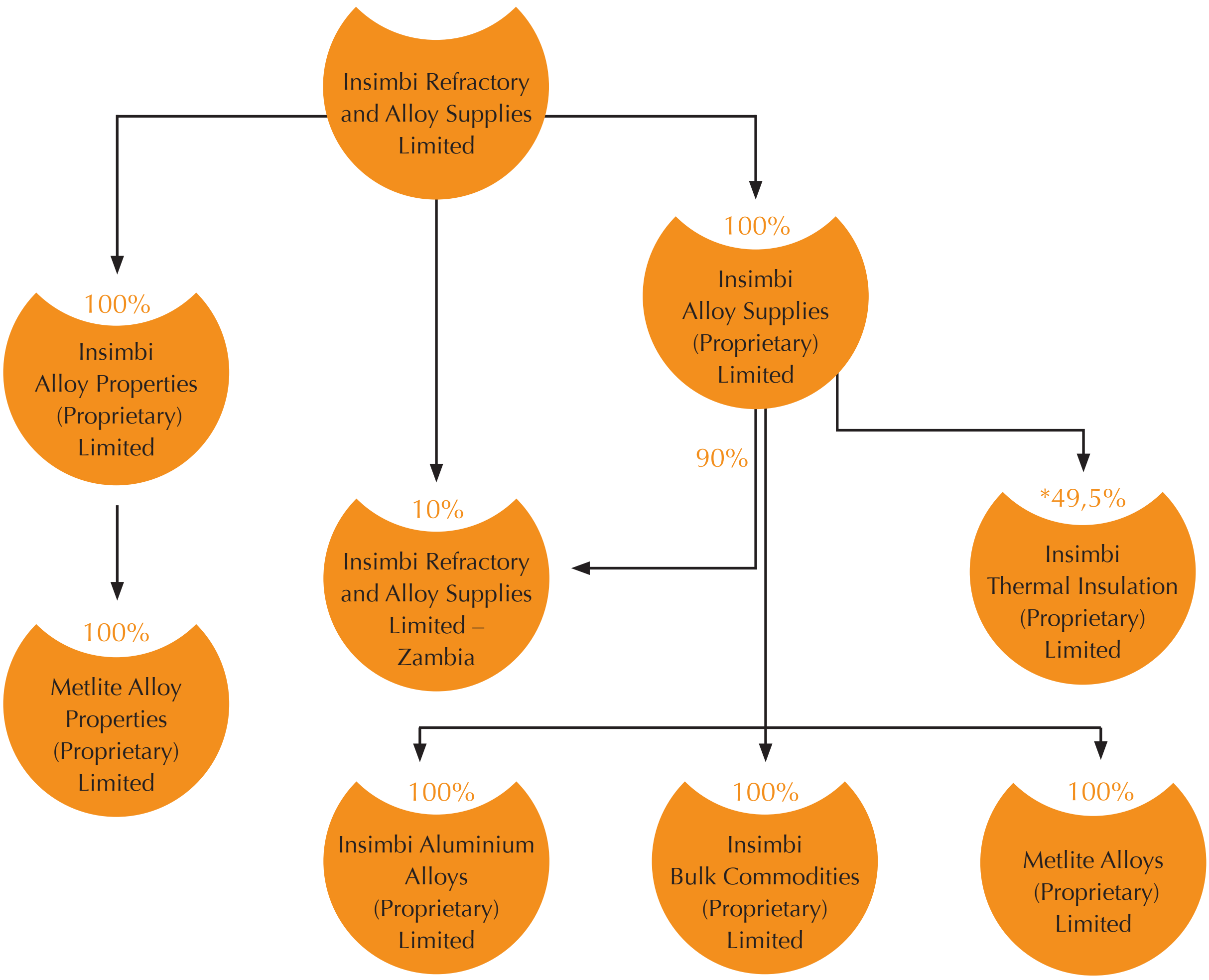
PROFILE

"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.

This Annual Report is the fifth 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

Pieter Jacobus Schutte 53
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 its Research Technical Department and later as a Technical Sales Representative and at Cullinan Refractories (Pty) Limited as its Export Sales Manager. Pieter was appointed Chief Executive Officer on 1 March 2008. He is a member of the Pension Fund Management Committee.

Frederik Botha 48
Commercial Director and Financial Director
Chartered Accountant (South Africa)
Appointed to the board on 11 June 2004

Fred has a BCom 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.

Colin Francis Botha 44
Divisional Director
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 Director.

Eduard Philip Liechti 50
Sales Director – Speciality Division
National Diploma in Metallurgical Engineering from Witwatersrand Technikon
Appointed to the board on 11 June 2004

Prior to joining Insimbi in 1988, Eddie worked as a trainee metallurgist at Haggie Rand Germiston. Over the past 24 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.

Leslie Gustav Tessendorf 68
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 as 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 55
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 is the Chairperson of the Social and Ethics Committee and is a member of the Audit Committee and the Remuneration and Nominations Committee.

Lerato Yvonne Mashologu 40
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 at Wits Business School and electives in Finance at the Cranfield School of Management (UK). She has several years' experience in private equity investments, including heading a number of BEE investment companies, such as the CIDA Empowerment Fund.

Lerato is the Chairperson of the Audit Committee and is a member of the Remuneration and Nominations Committee as well as the Social and Ethics Committee.

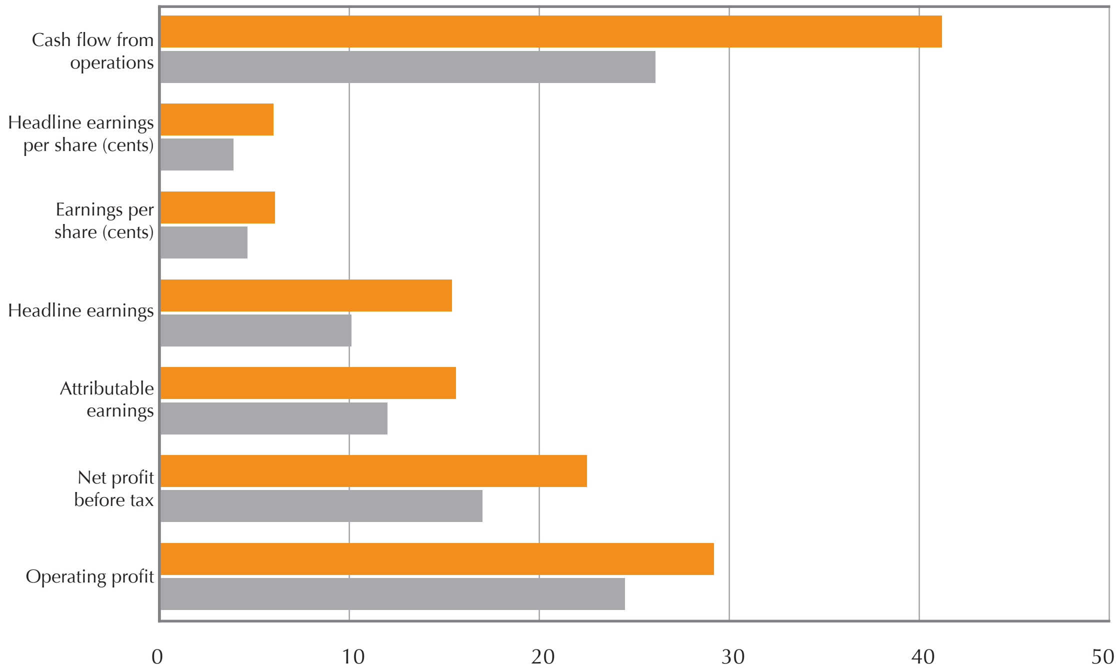
Daniel John O'Connor 64
Non-executive Chairman
Higher National Diploma in Metallurgy
Appointed to the board on 11 June 2004

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.

Danny is the Chairperson of the Remuneration and Nominations Committee, a member of the Audit Committee and the Social and Ethics Committee.

FINANCIAL HIGHLIGHTS

		2012	2011	% change
• Operating profit	(Rm)	**29**	25	19
• Profit before tax	(Rm)	**22**	17	32
• Attributable earnings	(Rm)	**16**	12	30
• Headline earnings	(Rm)	**15**	10	52
• Earnings per share	(cents)	**6,07**	4,63	31
• Headline earnings per share	(cents)	**6,00**	3,90	54
• Cash flow from operations	(Rm)	**41**	26	58



CHAIRMAN'S REVIEW

INTRODUCTION

I think it is safe to say that the global economy is still operating under a cloud of uncertainty and that our local economy has been faced with ongoing challenges as a result. The South African growth in GDP is forecast to slow from 3,1% in 2011 to 2,7% in 2012 and this is somewhat disappointing given the underlying resilience that we have seen in our economy. We in South Africa, are lagging economic growth figures evident in other African countries and I believe that this is unacceptable given our "stature" in the continent. This is an issue that needs to be addressed as a matter of urgency via an increased focus on job creation, incentivising of entrepreneurs and managed but accelerated spend on the infrastructure upgrade in South Africa.

On the positive side, we can look forward to improved GDP growth forecast of 3,6% in 2013 and 4,2% in 2014 and whilst this is not earth shattering, after what is proving to be one of the longest global economic slowdowns in our history, it is certainly heartening to see that we may be nearing the end of these recent difficulties.

PERFORMANCE

Given the GDP growth of 3,1% during the current financial year, I am very proud of Insimbi's performance, which eclipsed this. Revenues were up by 16% and headline earnings were up by nearly 52% on the previous financial year. The year ending February 2012 was a year where staff and management focused well on core business and defending our markets against a growing tide of cheap imports on the back of a strong Rand. This is clear evidence that Insimbi has been successful in not only maintaining our market share but also that we have managed to increase it in many areas.

This performance is especially pleasing when we take into account:

1. The impact of the tsunami in Japan early last year and the impact it had on our aluminium business;
2. The protracted strikes in July 2011 which necessitated many of our customers, closing for lengthy periods; and
3. The various lengthy plant closures at Arcelor Mittal as a result of unforeseen events at their Newcastle, Saldhana and Vanderbijl plants, which impacted on the performance of our steel segment.

Cash flows were strong throughout the period under review and this enabled us to declare an interim dividend of 2 cents per share ("cps") in October 2011, which underlines our commitment to our shareholders.

BOARD, ETHICS AND CORPORATE ACCOUNTABILITY

Changing business practices both locally and internationally herald the age of accountability for businesses at large and we must face our responsibilities to society and the environment.

The introduction of King III and the Companies Act, 71 of 2008, has increased awareness of corporate governance and the focus on sustainable business practices and we are now required to report on an integrated basis on our financial, social and environmental performance.

We are fully committed to the principles of transparency, integrity and accountability and recognise that the primary responsibility for corporate accountability resides firmly with the board and its Chairman. We acknowledge that as a board, we work for and are answerable to the company's rightful owners, which are the shareholders and we are committed to the creation of shareholder value. However, our corporate accountability extends beyond being answerable only to shareholders and includes all stakeholders who stand to gain when a business succeeds, or lose when it fails. These include employees, clients, suppliers, families, communities and trading partners.

In our quest to achieve excellence in this area, the following new committees have been set up in the intervening period:

- Social and Ethics Committee;
- Remuneration and Nominations Committee; and
- We are currently in the process of setting up a Transformation Committee.

Mr JA Vieira-Pereira resigned as Financial Director effective 29 February 2012 and our long-serving Commercial Director, Mr F Botha was appointed as Financial Director effective 1 March 2012. He will serve in both roles until further notice.

In January 2012, Insimbi moved from the Alternative Exchange to the Main Board on the Johannesburg Stock Exchange ("JSE") under the Industrial Metals and Mining Sector. This is an exciting development and I believe this will lend a growing credibility to our still relatively "young" listing.

OUTLOOK

As our results show, there was a noticeable improvement in our specific markets, locally, regionally and in our traditional overseas emerging market trading partners, eg South America and Eastern Europe. The year under review proved to be a year of very consistent

CHAIRMAN'S REVIEW (CONTINUED)

month-to-month performance, something that we have not experienced for a few years, where month-on-month performance has tended to be a case of "feast or famine".

Our venture into nano-technology is very exciting and I believe that this could lead us into some ground-breaking initiatives and new products and markets. The imminent re-opening of the secondary aluminium smelter in Johannesburg will bring immediate increase in revenues and profits and underlines our confidence in the local demand for our basic aluminium products.

The slight weakening of the Rand has granted some welcome respite against the surge of cheap and often sub-standard imported products but the volatility of the Rand remains a concern for us.

The 2012 fiscal budget has provided for R845 billion approved spend on infrastructure over the next three years with a further R3.2 trillion worth of projects still under consideration. The Minister of Finance has acknowledged the challenges faced in effective disbursing of these budget allocations in previous years and has put systems in place to address these challenges with a view to creating a more effective application of these funds to the approved infrastructure projects and has recently implemented steps in a bid to speed up the uplift of infrastructure.

I believe that in the current environment, which includes a growing sense of optimism, Insimbi offers an attractive investment opportunity to investors.

APPRECIATION

Thank you to my fellow directors for their continued commitment, sound and insightful management and leadership through yet another challenging year. Their continued and cohesive teamwork combined with their positive and entrepreneurial attitude, ensures that we face the year ahead with confidence.

DJ O'Connor
Independent Non-executive Chairman

21 May 2012

CHIEF EXECUTIVE OFFICER'S REVIEW

OVERVIEW OF OPERATIONS

As highlighted in the Chairman's Review, Insimbi's trading conditions improved quite significantly, despite the rather disappointing growth in South Africa's GDP during the period under review. As a result, I am pleased to announce that we posted an increase in EPS and HEPS of 31% and 54% respectively.

As we have come to expect, certain segments lagged in recovery but the diversity that exists in our product and service offering has once again served us well and enables us to produce an improved set of results and what I find tremendously comforting after the experience of the past three years, was the monthly consistency of our revenues and profit streams.

The weaker Rand in the latter part of the financial year coupled with increases in certain commodities also boosted revenue and profits.

The strike action in July 2011, the production problems at the Arcelor Mittal plants and the impact of the tsunami in Japan did have a negative effect on the overall performance of the group and specifically the steel and aluminium-based products and in light of this, it makes me even more satisfied with our performance.

I am especially encouraged by our strong operating cash flow generation during the period under review and I am very proud that we have consistently generated cash and profits every year since we listed in March 2008, despite the extremely difficult trading conditions that have prevailed during this period.

FINANCIAL PERFORMANCE

The group achieved improved results for the financial year ending 29 February 2012 and there were definite signs of an improvement in our specific target markets with revenues almost back to 2008 levels. The slightly weaker Rand definitely had a positive impact on our client base and we saw increases in production rates at many of our foundry segment customers in particular. Alloy and resource prices were relatively stable throughout the period under review and this enabled us to manage our business more efficiently and as I mentioned above, the month-to-month consistency of our group's performance was a pleasing change to the volatility of the prior year.

Group revenue grew 15% to R845 million and earnings and headline earnings increased by 30% to reach R15,6 million and 52% to R15,4 million respectively. There was a general increase in demand for our products across the board as follows:

	2012 Rm	2011 Rm
Foundry Segment	**541**	412
Steel Segment	**216**	219
Refractory Segment	**88**	101
Total revenue	**845**	732

In addition to the improved trading conditions, we continued to focus on our strategy of identifying new product lines to add to our core business and also opening of new markets primarily in Africa, the Middle East, South America and Eastern Europe. We saw a pleasing increase in our exports compared to last year, an increase of 30%.

The group produced a gross profit of R93,5 million compared to R89,5 million in the previous year, an increase of 4,4%. Gross margins were slightly down at 11,1% compared to 12,2% in the previous year but this was mainly due to the increase in sales of lower margin products, which boosted our revenues. We did, however, experience improved margins in the second half of the year as a result of the Rand, which started to weaken and an increased focus on this area. Gross margins were 10,6% at 31 August 2011 compared to the full year gross margin of 11,3%.

Group consolidated operating expenses were well controlled throughout the period under review and were R64,6 million compared to R71,1 million in the previous year and a reduction in overall operating costs of 9,1%. I am very pleased with this, especially in light of the increases experienced in fuel and electricity during the year. Staff costs were increased in line with CPIX during the period.

Group net profit before taxation for the period was R22,5 million compared to R17,0 million in the previous financial year, an increase of 32,1% and Insimbi achieved earnings and headline earnings per share of 6,07 cents per share and 6,00 cents per share compared to 4,63 and 3,9 cents per share for the previous financial year, increases of 31% and 54% respectively.

Working capital and cash flow management remained a key focus area for the group's management and R41,2 million was generated from operations compared to R26,1 million in the previous year, an increase of R15,1 million or 58%. Lower borrowings were reflected in decreased finance costs of R7,3 million compared to R8,8 million in the prior period, a reduction of R1,5 million in interest (17%).

OPERATION REVIEW

The group generated strong cash flow throughout the period under review mainly due to tight working capital management, improved revenues and profitability.

CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

The Foundry Segment has experienced improved trading conditions mainly, due to the stimulus to local manufacturing as a result of the weaker Rand, which enabled local product to compete with imported finished product, mainly from China.

The Steel Segment did initially show signs of improvement in the first quarter but the NUMSA strike and production challenges at some steel plants had a negative impact on this segment.

The Refractory Segment continues to experience challenging trading conditions but in our experience, this segment's trading cycle tends to lag behind the other two segments by about six to nine months and so we are confident that we will see improvement in this segment in the current financial year. Unfortunately, the planned infrastructure spend did not materialised in the year under review and this effected the construction industry tremendously and had a negative impact on cement demand, that in turn limited cement kiln repairs.

Generally this inability of government to effectively spend budgets allocated to infrastructure on said projects, impacted negatively on certain product ranges and off-take volumes but we are optimistic that systems have been put in place by the relevant authorities in the current financial year to ensure that the R845 billion budgeted for infrastructure uplift over the next three years, is in fact spent on the planned projects.

This will have a very positive impact on our business.

PROSPECTS

In a business world where the benchmarks of the past don't hold for tomorrow and economic growth remains under pressure, the board believes in the Insimbi business model that will build further value through organic and acquisitive growth and the future is looking very promising for the group.

Economic conditions in South Africa have improved and although the GDP growth rate is lower than expected, I remain optimistic on the recent momentum of business. This despite the ongoing unfolding events in Europe, do not appear to have had a significant impact on us to date.

Insimbi has been targeting markets that are considered to be emerging and the group will still focus on these markets. We have a diverse range of products on offering and with the re-opening of the secondary aluminium smelter in Johannesburg (which was mothballed in 2010), the establishment of a subsidiary company, Insimbi Nano Milling, which will be focusing on the micronisation of a completely new range of products for new target markets, and the addition of certain products to our basket, I am confident that the group will continue to achieve satisfactory organic growth in years to come.

As for acquisitive growth opportunities, we continue to look for and carefully evaluate strategic targets and while we have not achieved the number of acquisitions we had hoped for, post listing, the few that we have achieved, have added value to the group's results and we remain committed to this acquisition strategy.

OUR PEOPLE

Our employees continue to be our most valuable asset and we are committed to training programmes that will uplift our workforce and develop future management from within the Insimbi group of companies. We are also committed to providing world-class technical support to our customers.

In the current age of corporate and social responsibility, Insimbi is committed to ensuring that the needs of all our stakeholders are met, this include providing our employees with a safe, healthy and rewarding work environment.

APPRECIATION

In closing, I extend my gratitude to all our customers for their ongoing support. I hope that the improved market conditions are sustainable and that your businesses prosper and that we in turn, as your partner in supply, prosper as well.

Thank you to our suppliers and our principals for supplying us with consistent quality products and for continuing to honour our supply agreements. Your support has enabled us to continually increase our regional market share and has contributed to our continued success.

My thanks and gratitude to all staff members and my fellow directors for their dedication, commitment and hard work during the past year. I know I am not alone when I say that I am very optimistic about our prospects for the 2013 financial year and I rely on your continued loyalty and support to ensure that my optimism is not misplaced.

PJ Schutte
Chief Executive Officer

21 May 2012

CORPORATE GOVERNANCE

The board and its individual directors are committed to establishing and developing the values of transparency, integrity, responsibility and accountability in maintaining the highest standards of corporate governance, including ensuring that the group is, and is seen to be, a responsible corporate citizen. They accept their duty to ensure that the principles set out in the King Report of Corporate Governance for South Africa, 2009 (King III) are implemented not only on financial performance but also the impact of the company's operations on society and the environment. This report has been prepared in line with these principles on an "apply" or "explain" basis.

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

With Insimbi's migration from the Alternative Exchange to the Main Board of the JSE on 20 January 2012, the legislative framework has become increasingly complex. Amendments to existing laws and newly introduced laws have to be monitored continuously to ensure compliance and as a result of the aforementioned various business processes have to be aligned to ensure compliance.

Companies Act 71 of 2008 ("the Act")

The Act aims to simplify the registration of companies, encourage entrepreneurship and high standards of corporate governance, balance the rights and obligations of shareholders and directors, and promote the efficient and responsible management of a company. It also provides for increased liabilities for directors for breaches of fiduciary duty or for any direct or indirect loss, damage or costs sustained by the company as a result.

Insimbi's Memorandum of Incorporation, is currently being reviewed to align it with the requirements of the new Companies Act, King III and the JSE Listings Requirements.

King III

Insimbi fully endorses the application of King III. There are elements of King III that are in the process of being reviewed and the "apply or explain" method has been applied.

JSE Listings Requirements

Insimbi's migration from the Alternative Exchange to the Main Board necessitates a broader compliance to the JSE Listings Requirements. The company established a Remuneration and Nominations Committee and this committee met for the first time in March 2012. The Audit Committee will be replaced in the ensuing year by an Audit and Risk Committee.

Insider trading

The board has determined certain embargo periods during which directors and other senior management officials of the group or parties connected to them may not deal directly or indirectly in Insimbi Refractory and Alloy Supplies Limited shares.

These include the following:

- from 1 March until publication of the year-end results;
- from 1 September until publication of the interim results; and
- any period during which the directors consider information to be price sensitive.

All transactions must be approved by the Chairman or, in matters involving the Chairman, by the Chief Executive Officer.

Consumer Protection Act

The group has reviewed and taken advice in regard to the provisions of the Consumer Protection Act and the directors are satisfied that the goods and services of the group are not advertised, marketed or sold in a manner which is discriminatory, unfair or inequitable, fraudulent or otherwise and do not contravene the provisions of the Consumer Protection Act.

The board of directors reasonably believes that Insimbi complies with the provisions of the various legislations that govern the company.

The board reports specifically on the following:

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

Code of Ethics and Corporate Conduct

Insimbi's Code of Ethics defines the vision and mission of how Insimbi plans to achieve excellence in this area and the impact it has, not just on the realisation of its long-term vision, but also on the day-to-day actions it takes. The board is confident that high ethical standards have been established and strives to improve in the areas where shortcomings are identified.

The board and executive management base all their decisions and actions on the business judgment rule principles that underpin good corporate governance:

- **Responsibility** – the board assumes responsibility for the assets and actions of the company and corrective actions are taken, if required, to keep the company on its strategic path;
- **Accountability** – the board ensures that it is able to justify its decisions and actions to shareholders and other stakeholders who require it to do so;

CORPORATE GOVERNANCE (CONTINUED)

- **Fairness** – fair consideration is given to the interests of all stakeholders of the company by the board; and

- **Transparency** – information is disclosed by the board in such a manner that it enables shareholders to make an informed analysis of the company's performance.

The group's Code of Ethics has been designed to ensure good business practice and to enhance and promote ethical conduct and good corporate citizenship and it extend to all Insimbi employees who have pledged to:
- Demonstrate integrity in everything they do;
- Promote team work to achieve common goals;
- Celebrate innovation;
- Perform with professionalism, skill and care; and
- Develop customer satisfaction every day.

BOARDS AND DIRECTORS

The board of directors of the company is based on a unitary structure and retains full and effective control of the group, acting as a link between management and the stakeholders.

Board composition

At year-end the board comprised three independent non-executive directors and four executive directors and is chaired by Mr DJ O'Connor. The group has not performed a formal assessment of the Chairman, but has knowledge of and recognises his involvement in various bodies. Considerable thought is given to the board balance and composition and collectively the board decided to rectify the balance by increasing the number of independent non-executive directors to comply with legislative requirements and to enhance the knowledge, skill and experience of the board.

The roles of Chairman and Chief Executive Officer are separated in line with the recommendations of the King III Report and JSE regulations and the Chairman is an independent non-executive director.

Appointment to the board

To ensure rigorous and transparent procedures, any new appointments of a director are considered by the board as a whole, on the recommendation of the Remuneration and Nominations Committee.

Whilst listed on Alternative Exchange newly appointed directors were required in terms of the JSE Listings Requirements to attend a Director Induction Program. In January 2012 Insimbi migrated to the main board and this JSE Listings Requirement was no longer applicable, however, the board has elected to continue with this practice to ensure the newly appointed directors receive adequate training.

The current board of directors received and attended presentations and discussion on legislative changes during the year under review. On one of these presentations the business judgment rule was explained and the importance of making clear and concise decisions was brought under their attention. The company has a policy whereby directors and management are encouraged to stay abreast of changes in the legislative environment as well as the market place.

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 independence of the Chairman was confirmed by the JSE when the company migrated to the Main Board. The independence of the remaining independent non-executive directors will be assessed in the ensuring year by the board.

The board also considers empirical information including the extent, if any, of the director's interest in the business in terms of direct or indirect shareholding and/or an interest in a contract with the company. Where practicable to do so, the board will assess the materiality of the director's interest, but considers that amounts constituting less than 5% are immaterial.

The board defines levels of materiality, reserving specific powers to itself and delegating other matters with the necessary authority to management and board committees. A process of control enables the board to assess and mitigate risks and directs the attainment of the group's objectives. This environment sets the tone for the group, embracing ethics and values, organisational philosophy and employee competence.

The board is particular regarding actual or perceived conflicts of interest with disclosure required at each and

CORPORATE GOVERNANCE (CONTINUED)

every board meeting. Together with management, the board seeks to identify the group's key risk areas and key performance indicators and updates and reviews them regularly. Full and timely information is supplied to the board and committee members and they have unrestricted access to all company information, records, documents and property. All directors have access to the advice and services of the Company Secretary and where they deem it necessary, directors may obtain independent professional advice at the group's expense. This enhances the board's decision-making capability and the accuracy of its reporting.

The board met four times during the period and has a formal schedule of matters reserved to it as recorded in the Board Charter. Attendance at these meetings is reflected in the table below:

Attendance at board meetings

Name	10 March 2011	23 June 2011	15 September 2011	24 November 2011
JA Vieira-Perreira*	Yes	Yes	Yes	Yes
CF Botha	Yes	Yes	Yes	Yes
F Botha	Yes	Yes	Yes	Yes
EP Liechti	Yes	Yes	Yes	Yes
CS Mahlati	Yes	Yes	Apology	Yes
LY Mashologu	Yes	Yes	Yes	Apology
DJ O'Connor	Yes	Yes	Yes	Yes
PJ Schutte	Yes	Yes	Yes	Yes
LG Tessendorf (alternate to CF Botha)	Yes	Yes	Yes	Yes

** Resigned effective 29 February 2012*

The board delegates certain functions to well-structured committees without abdicating its own responsibility. Board committee charters define the purposes, authority and responsibility of the various board committees and have been developed for the:

- Audit Committee;
- Pension Fund Management Committee;
- Remuneration and Nomination Committee;
- Social and Ethics Committee; and
- Transformation Committee.

BOARD COMMITTEES

THE AUDIT COMMITTEE

Terms of reference and functions

The Audit Committee consists of three independent non-executive directors and 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;
- Evaluation of the independence and effectiveness of the auditors and consideration of any non-audit services rendered to determine if these substantively impair their independence;
- Oversee and report on the integrated reporting processes; and
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

Internal controls

Internal audit function

The committee has taken note of Principle 7.1 of King III, whereby it proposes that the board of directors should ensure that an effective risk-based internal audit function is in place. With the proposed appointment of an internal auditor during the ensuing year, the board decided to combine the Audit and Risk Committee to assist the board in carrying out its risk responsibilities and to implement frameworks and methodologies to increase the probability of anticipating unpredictable risks.

However, the Audit Committee 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.

CORPORATE GOVERNANCE (CONTINUED)

Risk management

For the year under review the board opted to delegate the risk management processes to the Audit Committee as per Principle 4.3 in King III. Management is committed to developing, implementing and maintaining the best possible strategies to minimise the risks and to ensure the growth of our company for the best benefit or our employees and shareholders.

We are committed to creating safe and healthy working conditions to minimise the risk of injury or disease to our employees, to prevent the loss of property and to conserve the environment.

Insimbi has not taken any undue, unexpected or unusual risks in the pursuit of reward and there is no current, imminent or envisaged risk that may threaten the long-term sustainability of the company. As a result of the effective risk management there have been no material losses during the year.

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 the meetings were held on 29 March 2011 and 7 May 2011.

Information technology

A policy governs the use and safeguarding of information systems and networks.

In terms of Principle 5.7 of King III, information technology relates to financial reporting and this functionality contributes to the status of the group as a going concern. For the year under review the Audit Committee assisted the board in measuring and understanding the company's overall exposure to information technology risks.

The risks regarding the security, back-up, conversion and update of the information technology systems are continually addressed. Disaster recovery plans are regularly reviewed as disruptions to critical management information could have an impact on continuing operations.

The Audit Committee considers the results of these reviews on a regular basis and confirms the appropriateness and satisfactory nature of these processes, while ensuring that breakdowns involving material loss, if any, together with remedial actions, are reported to the board.

The Audit Committee Report is set out on page 14.

PENSION FUND MANAGEMENT COMMITTEE

The Pension Fund Management Committee was established to ensure the effective management of the pension fund.

Membership and meetings

The members of the committee in the year under review were: Mr PJ Schutte, Mr F Botha and Mr JA Viera-Pereira representing Insimbi. Mr N Beeslaar, Ms N Mohamed and Ms M Samons, representing the employees. Two meetings were held during the year, the first on 4 March 2011 and the second on 30 November 2011. The company commenced a nomination process to replace Mr JA Viera-Pereira to represent the employer and a replacement for Mr N Beeslaar to represent the employees.

THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee was established in October 2011. The first formal meeting was held in March 2012. Mr DJ O'Connor was appointed as Chairman and members of the committee are Ms LY Mashologu and Dr GS Mahlati. In terms of the JSE Listings Requirements, the Chairman of the board should be appointed as the Chairman of the Nominations Committee and in terms of King III the Chairman of the board should not be the Chairman of the Remuneration Committee. The board of directors nominated Mr DJ O'Connor to act as Chairman of the combined committee to comply with the JSE Listings Requirements.

The committee will ensure that the group's remuneration structures adequately attract and retain talented individuals who can make a contribution to the group's sustainability. It will recommend compensation strategies, policies and remuneration packages, which support the group's strategic objectives and rewards employees for their contribution to the operating and financial performance of the organisation in relation to performance criteria.

The Report of the Remuneration and Nomination Committee, which contains a summary of the group's remuneration policy, is set out on page 15.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee ("SEC") was constituted in terms of the Act and requirements of sound corporate governance practices espoused by King III.

CORPORATE GOVERNANCE (CONTINUED)

The SEC is an organ of the company and operates within that framework. The committee has an independent role with accountability to the board.

It is established to assist the company in overseeing and monitoring the company's activities in relation to social and economic development, good corporate citizenship, corporate social responsibility, ethical behaviour and managing environmental impacts; consumer relations and labour and employment development.

The committee provides a forum for discussing social and ethical matters and for developing relevant recommendations for consideration by the board.

Membership

The members of the SEC consist of 3 independent non-executive directors of the company namely Dr GS Mahlati, who was nominated as Chairman, Mr DJ O'Connor and Ms LY Mashologu and by invitation the directors, HR manager, health and safety manager and employees or any other relevant party of the company, the committee will meet at least twice annually.

The members of the committee were appointed by the board and will be ratified at the Annual General Meeting on 24 August 2012.

Reporting

It will report, through one of its members, to the shareholders, at the company's Annual General Meeting on the matters within its mandate and the committee will receive any notices or communications relating to a shareholders meeting.

THE TRANSFORMATION COMMITTEE

The group is committed to the spirit and principles of B-BBEE and to this end a Transformation Committee will be established during the ensuing year.

The main responsibility of the committee will be to assist the board in ensuring that there are appropriate strategies and policies in place to progress transformation.

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. Details of the Company Secretary appear in the Directors' Report.

GOVERNING STAKEHOLDER RELATIONSHIPS

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. The board takes cognisance of Principle 8.2 of King III and will delegate to management the responsibility to formalise strategies and policies to enhance stakeholder relations with the company. Shareholders are encouraged to attend the Annual General Meeting to be held on 24 August 2012 at 10:00 at the company's registered office, details of the Annual General Meeting are outlined in the Notice of the Meeting on page 81.

Details of the group's engagement with these stakeholders are outlined in the Sustainability Report on pages 16 to 23.

ALTERNATIVE DISPUTE RESOLUTION ("ADR")

As new products and services and an increase in electronic relationships and transactions have been introduced in the prior years, the corporate world has become increasingly litigious, resulting in increased and more frequent disputes. Resolving these matters is time-consuming, costly and can bear a reputational risk to the company, due to the unpredictable outcomes.

The board of directors confirms that the alternative dispute resolution is an essential component of good governance, as part of their fiduciary duties endorses mediation and conciliation firstly and failing that, arbitration. An alternative dispute clause is incorporated into new and renewable contracts.

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 solvency and liquidity levels are monitored on a continuous basis.

SHARE DEALING IN PROHIBITED PERIODS, CLOSED PERIODS AND PRICE AND PRICE SENSITIVE INFORMATION

Insimbi has enforced a restricted period of dealing in shares, in terms of the JSE Listings Requirements. A procedure for directors and employees to deal in shares has been implemented and Insimbi's sponsor is available to give guidance on these matters at any time.

Bridge Capital (Pty) Limited acts as Insimbi's sponsor in compliance with the JSE Listings Requirements.

CORPORATE GOVERNANCE (CONTINUED)

ANNUAL GENERAL MEETING

The agenda for the Annual General Meeting is set by the Company Secretary and communicated to all shareholders in the notice of the Annual General Meeting, which accompanies the Integrated Annual Report.

INTEGRATED REPORTING AND CONTINUOUS DISCLOSURE

The Company has a continuous disclosure policy in place for directors to ensure that timely and accurate information is provided to all stakeholders. The Company Secretary is the nominated information officer and is responsible for liaising with the board to ensure that the company complies with its requirements. There were no requests for information that was lodged with the company in terms of the Promotion of Access to Information Act, 2000.

The board acknowledges its responsibility to ensure the integrity of the Integrated Report and its responsibility statement authorising the release of the Integrated Report appears on the inside front cover.

AUDIT COMMITTEE REPORT

This report is provided by the Audit Committee appointed in respect of the 2012 financial year of Insimbi Refractory and Alloy Supplies Limited as required by Section 94 of the Companies Act, 71 of 2008.

MEMBERS OF THE AUDIT COMMITTEE

The members of the Audit Committee are all independent non-executive directors of the group and include:

Name
Ms L Mashologu
Dr G Mahalati
Mr DJ O'Connor

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act, 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

MEETINGS HELD BY THE AUDIT COMMITTEE

The Audit Committee performs the duties laid upon it by Section 94(7) of the Companies Act, 71 of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The committee held two scheduled meetings during 2012 and all the members of the committee attended all the meetings, the details of which can be found in the statement of corporate governance. In fulfilling its function, the Audit Committee oversees:

- Financial reporting;
- Integrated reporting;
- Annual financial statements;
- Preliminary and interim financial statements;
- External audit;
- Internal audit; and
- Financial risk management.

EXTERNAL AUDITOR

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act, 71 of 2008 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act, 71 of 2008, that internal governance processes within the firm support and demonstrate the claim to independence.

The Audit Committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

Any services or the extent thereof are assessed to ascertain whether they are likely to conflict with or impair the independence of the external auditors. The external auditors have unrestricted access to the Audit Committee and its Chairman at all times.

The Audit Committee has considered and pre-approved all non-audit services provided by the external auditors and the fees relative there to so as to ensure the independence of the external auditors is maintained.

INTEGRATED ANNUAL REPORT 2012

Following the review of the Integrated Annual Report 2012, the Audit Committee recommend board approval thereof.

ACCOUNTING PRACTICES AND INTERNAL CONTROL

The Audit Committee is vital to ensure the integrity of financial reporting and internal financial controls and to identify financial risks in the company. The Audit Committee charter promotes the overall effectiveness of corporate governance in terms of King III and is updated annually.

FINANCIAL DIRECTOR

In terms of the JSE Listings Requirements, the Audit Committee has considered and satisfied itself of the appropriateness of the expertise and experience of the financial director Mr F Botha.

AUDIT COMMITTEE REPORT

The Audit Committee approved the structure of appointments to the internal audit function and its performance, as well as review the internal audit reports. After reviewing the internal financial controls of the group, nothing has come to the attention of the Audit Committee to indicate that the internal financial controls were not operating effectively during the financial year.

The Audit Committee reviewed all interim and annual financial statements before submission to the board and focused on:

- The going concern statement;
- Major judgement areas; and
- Compliance with accounting standards, stock exchange and statutory requirements.

On behalf of the Audit Committee

Ms L Mashologu
Chairman, Audit Committee

21 May 2012

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

The Remuneration and Nominations Committee ("the committee") was established when the company applied to the JSE Limited to migrate from the Alternative Exchange to the Main Board in November 2011. The combined committee has clearly defined terms of reference outlined in the committee charter, which was reviewed and approved by the board of directors in March 2012. The charter is available for inspection at the registered office of the company.

MEMBERSHIP

Mr DJ O'Connor was appointed as the Chairman and Dr G Mahlati and Ms LY Mashologu were appointed as members. The committee is composed of 3 independent non-executive directors and met for the first time in March 2012.

The committee will meet at least twice annually and the duties and responsibilities of the members of the committee are in addition to those as members of the board. The deliberations of the committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary responsibilities and they must continue to exercise due care and judgment in accordance with their statutory obligations

The purpose of the committee is to provide an independent and objective body that will:

(a) Align performance with the strategic direction and specific value drivers of the business and the interest of stakeholders in a manner that does not encourage excessive risk-taking;
(b) Monitor human resources strategies and policies of the group;
(c) Make recommendations on the remuneration policies and practices for the non-executive directors, executive directors, senior management and the group in general;
(d) Make recommendations on the empowerment credentials of the group;
(e) Make recommendations on the composition of the board and board committees; and
(f) Ensuring that nominees to the board are not disqualified from being directors and, prior to their appointment, investigates their backgrounds according to the recommendations required for listed companies by the JSE.

The Chief Executive Officer and Financial Director attends the committee meetings by invitation and assist the committee in it deliberations, expect when issues relating to their own compensation are discussed.

REMUNERATION PHILOSOPHY

The committee envisages reviewing and amending the current Payroll Remuneration and Compensation Policy and replacing it with the Remuneration Policy in the ensuing year.

INTEREST IN DIRECTORS' CONTRACTS

The directors have certified that they had no material interest in any transaction of any significance with the company or any of its subsidiaries.

APPROVAL

This Remuneration and Nomination Report has been approved by the board of directors of Insimbi.

DJ O'Connor
Chairman, Remuneration and Nominations Committee

21 May 2012

SUSTAINABILITY REPORT

CREATING AND SECURING A SUSTAINABLE FUTURE FOR INSIMBI

Africa is a continent of abundant wealth, which is largely based on commodities and minerals resources and the marketing of these resources locally, regionally and internationally is a key driver of wealth creation for the continent's stakeholders. Insimbi is a key role player in the trade and marketing of our continent's strategic resources both locally and abroad as well as the procurement for local consumption, of imported resources where no local source exists. It is a challenging yet rewarding environment and Insimbi has undertaken to ensure that at all times, our focus is on the creation of wealth for all our stakeholders over time. This includes our staff, our customers and suppliers (or principles) and most importantly, our shareholders.

This is Insimbi's second Annual Report towards meeting the JSE's requirements of integrated reporting and King III. The main requirement for integrated reporting, whereby the operational, financial and sustainability (environmental, social and governance) issues are discussed in relation to the key drivers of the business. In this report, therefore, we explain how the executives of Insimbi have applied their minds to considering these issues while developing the business' strategy.

It is widely acknowledged that to completely comply with the requirements of King III, is a journey and we acknowledge that there are areas where we can improve with regards to Insimbi's reporting. We are committed to addressing these in this and subsequent editions of our Annual Report. Nonetheless, we believe that this 2012 report is a move towards compliance with best international practice, and furthering our relationships with our business partners and shareholders and does provide stakeholders with a balanced view of our activities for the year.

This integrated report confirms our commitment to building long-term value for our stakeholders.

REPORTING FRAMEWORK FOR 2012

Insimbi's business model and approach is a simple one with a focus on achieving excellence in our service offering. This is achieved by consistent delivery of superior quality product to our customers within an acceptable timeframe. We trade globally in a wide range of products and commodities and our basket of products includes over 1 500 diverse but specialised and related products. Insimbi has been a trading since 1970 and we have established a reputable brand in the market that is perceived as credible, reliable and financially sound. It is the board and management's commitment to enhance the products and services of our evolving business model as well as the quality of decisions that have led to our financial results.

ANNUAL REPORT

This Annual Report discusses every investment and project in which Insimbi has been involved for the period under review. Insimbi recognises that with the exception of any prospective investments or projects, which are not yet considered to be worth noting in the public domain we believe that it is important to provide stakeholders with a complete view of the business' activities with an appropriate level of detail. The determination of the boundary for this report, therefore, is according to the material issues as raised by each stakeholder relevant to each project. Opportunities for improvement have been acknowledged where appropriate. As such, it is our view that this report presents a neutral and balanced view of the business' successes and challenges at the time of writing. In particular, we acknowledge that formal data gathering systems for sustainability data remain to be implemented.

STAKEHOLDER ENGAGEMENT AND ANALYSIS

The key element to Insimbi's year-on-year success thus far has been the ability to identify and understand our client's needs and requirements. Our relationships with our valued customers and suppliers have been built over decades and are based on mutual trust, transparency and respect.

The table on page 17 details the key stakeholders material to the success of the business and explains why they are deemed to be material, as determined by management experience, for each stakeholder. Insimbi promotes transparency, which enable our stakeholders to make informed decisions. We would not act on a trade or investment opportunity unless all stakeholders were satisfied that all the risks associated with the opportunity were fully understood and suitably mitigated. We therefore place great value in the opinions of our various business partners and advisors and strive to ensure that they have at their disposal the necessary information to adjudicate on whether the proposals that we make, offer sustainable value.

Our core business is essentially one of relationships. We are dependent on all our stakeholders to ensure that we handle and trade a large volume of product locally, regionally and internationally. This includes securing of sustainable supply, transportation and warehousing of these products and finally, the shipping, sales and collection of proceeds to and from our global customer base. Our success is based more and more on providing a financial and technical solution to the needs and risks of each stakeholder in the supply chain.

SUSTAINABILITY REPORT (CONTINUED)

STAKEHOLDERS RELATIONSHIP MATERIAL ISSUES COMMUNICATION FORUM

Stakeholders	Relationships	Material issues	Communication forum
Institutional investors	Shareholders	• Delivery time frames for investment projects • Financial performance • Investors' ability to provide new insights, financing innovations and value-add • Commodities pricing risk and market information	• Investor road shows will be conducted in 2013 • SENS announcements • Board meetings of Insimbi • One-on-one communication
Public shareholders	Shareholders	• Financial and sustainability performance	• Interim report • Annual report • Shareholders' meetings • Circulars, SENS announcements, website
Banks	Financiers	• Management accounts, balance sheets, income statements, cash flows • Trade risk, including sustainability issues	• Monthly reports
Insurance service providers	Insurers	• Introduction of new risks from new trades • Hijacking and other security risks • Market information	• Reports on each trade when there is an insurable interest • Monthly reports
Staff	Employees	• Training and career development • company culture • Formalisation of employment equity and transformation targets	• Internal e-mails and communications
Suppliers	Producer of commodities	• Ability of Insimbi to pay • Financing solutions to assist suppliers where required • Quality of product • Legal compliance in country of operation • Safe work practices at suppliers' operations • Origin of commodity, especially with regard to compliance to international codes on human rights	• Based on relationships and meetings • Conferences
Project partners	Shareholders	• Contract terms and delivery • Financial stability of Insimbi • Compliance along supply chain • Sustainability	• Monthly management meetings
Logistics contractors	Warehousing, trucking and shipping agents	• Responsiveness in case of emergencies or interruptions • Security of product • Legal compliance in country of operation • Business ethics • Operational risk of transportation • Contract terms • Reliability of service	• Based on relationships and regular meetings • Daily communication
Customers	Consumer of commodity	• Quality of product • Creditworthiness of customer • Technical understanding of customers' process • Delivery time frames • Labelling and compliance with health and safety requirements	• Based on relationships, site visits and meetings • Credit reports, credit guarantee insurance
JSE	Stock exchange	• Ongoing compliance with listings requirements and King III • Sustainability	• Managed by sponsor (Bridge Capital)

SUSTAINABILITY REPORT (CONTINUED)

FUTURE COMMITMENTS TO INTEGRATING SUSTAINABILITY INTO BUSINESS STRATEGY

Building on these engagements, our sustainability strategy for 2013 includes the following:

- Establish formal engagement forums for each stakeholder grouping, wherein key sustainability criteria are assessed (for both Insimbi and the stakeholder) and communicated to the Insimbi board.
- To undergo an internal due diligence process for environmental and social criteria for all projects and investments according to standards of the International Finance Corporation ("IFC"). This will be performed prior to any legislated requirements, such as an environmental impact assessment ("EIA"), being performed. Each due diligence is unique, however, and we would therefore determine the process required by each project.
- Screening of major logistics contractors according to relevant sustainability criteria on a "apply or explain" basis. We will also establish a minimum compliance criteria against which the appointment of such contractors will be effected.
- Implementation of environmental and social monitoring systems for all projects where Insimbi is the majority shareholder or holding management control.
- Transformation of staff demographics with respect to women and designated groups.
- BEE targets: Insimbi acknowledges that our BEE score is low and that this area needs attention.

Progress on all of the above will be reported in our 2013 Annual Report.

MANAGING RISK THROUGH RELATIONSHIPS

History and background

Insimbi's philosophy generally has been risk averse and relatively conservative in the way we conduct our business and to a large extent, we have engaged in back-to-back trading. This means that we only execute trades when a firm and unqualified offer from a seller is matched with an order from an identified willing buyer. With this process in place we eliminate the speculative activity of warehousing, commodity price risk and foreign exchange fluctuations associated with the trade in our range of commodities, before suitable buyers has been identified.

Over the past decades we developed our core expertise with the ability to source and provide the industrial consumer globally, with the required commodity. The group exposes itself to various risks due to the nature of our extended services being transport, financing and warehousing. These risks are monitored on an ongoing bases and to date we were able to identify and eliminate the risks beforehand. Management's experience has repeatedly taught us to measure the profitability of a transaction against the costs of removing the risks. In the typical back-to-back trade, we provide a complete financial solution to the transaction and in so doing facilitate the transport, insurance, quality control, financing and hedging of the materials while in transit from the producer to the end user – in addition to our role as a marketing agent.

With the tangible shift in the market with respect to the increase in demand from the Chinese and Indian countries, the group realised that its strategy had to be reviewed because it was becoming vitally important to Insimbi to secure relationships with producers. The original strategy and rationale behind the IPO in 2008, was to enable Insimbi to partner with select producers by purchasing equity stakes in them, and thereby securing source of scarce resources. This would have required funding, which was intended to come via capital rising excercises. Insimbi has managed to conclude the acquisition of two secondary aluminium smelters since our initial listing on Alternative Exchange in March 2008, but no capital rasing was required and given the uncertainty in the global markets over the past few years, larger transactions have proven more difficult to conclude. However, we are confident that our strategy and vision is the correct one to ensure the sustainability of Insimbi's product pipeline in years to come and to this end Insimbi migrated from the Alternative Exchange to the Main Board of the JSE in January 2012. This move was based on our commitment to secure equity participation in suitable producers, which we hope to identify and to integrate our role into the production chain, thereby securing additional offtake agreements. It is our belief that this will require capital raising in the future and that the Main Board provides a more suitable platform from which to do this.

Insimbi's business model has over the years evolved into three distinct segments, which compliment each other while providing Insimbi's business model with an inherent diversification, which has proven to be resilient and sustainable through various commodity and trading cycles experienced over Insimbi's operational life spanning back to the 1970s:

Steel: This segment focuses on the supply of a wide range of alloys including non ferrous alloys, to the steel and stainless steel industry locally, regionally and globally but with a specific focus on the needs of South African producers but with a growing customer base in other emerging market countries.

SUSTAINABILITY REPORT (CONTINUED)

Foundry: This segment focus on the supply of a diverse range of alloys and ancillary raw materials eg foundry sand, ceramic ducting to ferrous and non-ferrous foundries across the board ie heavy duty foundries, automotive foundries, electroplating specialists etc. It is closely aligned with the steel segment in terms of the products supplied.

Refractory: This segment specialises in the supply of high quality and highly specialised ceramic refractory linings to the cement, paper and pulp, steel and platinum industries.

Key drivers and challenges

The following represents a summary of our core success factors and their risks:

Core drivers for business success	Risks and opportunities for 2012 to 2013	Mitigation or reinforcement strategy
Demand for commodities	• Increased demand from global emerging markets economies • Increased demand from local and regional economies due to acrss the board infrastructure uplift • Continued economic volatility in Europe, USA and other key trade partners	• Regular visits to countries where customers operate • Avoid overheads in countries of destination and focus on direct relationship with customer • Extensive research into customers' needs • Focus on developing new products via R&D and diversification of product and service offerings
Security of supply	• Future prospect to take ownership or partial ownership of resources • Political risk and corruption and bribery in countries of product origin	• Investment in supply chain • Development of relationships with trusted partners
	• Shortage of skills available to producers	• Mining engineering skills in South Africa remain world-class, and South African skills are servicing most mining projects in Africa
	• Theft and security of product	• Employment of authorised security companies in each company of transit • Insurance agreements • Use of major shipping lines
Logistics and delivery guarantees	• Risk of delays due to weak logistics infrastructure in Africa • Political risk in North Africa/Middle East	• Increase in merchanting business: direct trade from India into Africa and from China to Europe • Further relaxation in exchange controls in South Africa • South Africa remains well positioned geographically to benefit from trade from east to west
	• Increasing bureaucracy and weak government administration in country of production results in delays • Poor telecommunications in many countries of origin	• Remaining politically neutral
Pricing	• Exchange rates: Insimbi operates with overheads in ZAR and income linked primarily to in US$.	• Insimbi benefits from a weaker Rand by taking out forward exchange contracts and maintaining an "internal hedge" of approximately 30% to 40%, ie Insimbi's export proceeds cover approximately 30% to 40% of its imports, the balance of imports are covered by FECs • Longer-term contracts with customers with floating prices • *Force majeure* covers non-performance in supply chain (strikes, weather, etc.)
	• Logistics costs: standing time of trucks and ships are passed onto customer • Increased fuel price • Increased cost of insurance	• Unplanned for costs, eg demurrage are either covered by the supplier or the shipper depending on where the problem arose and the cost of money (interest) and storage is passed onto customer • Detailed risk assessments performed by insurers

SUSTAINABILITY REPORT (CONTINUED)

Key drivers and challenges (continued)

The following represents a summary of our core success factors and their risks (continued):

Core drivers for business success	Risks and opportunities for 2012 to 2013	Mitigation or reinforcement strategy
Quality of product	• An absence of laboratories in some countries implies that Insimbi can only sample the product once it arrives at the port or in Johannesburg	• Insimbi is currently re-evaluating its suppliers for sampling and assaying. • Quality assurance companies are beginning to open offices in Africa • Close working relationships with suppliers. Insimbi has a fully functional laboratory and is ISO9001-2000 certified. It is able to do its own spectro analysis on a wide range of products
Sustainability of producers	• Environmental and social risks are expected to increase • Declaration of mine or country of origin • Corruption and bribery • Political instability in country of production	• Close working relationships with trusted business partners, starting small to lessen the costs of mistakes • Learning from due diligence of banks • Sustainability targets • Integrated annual reporting
	• Production interruptions on supply-side due to climate change (ie flooding, tsunamis)	• *Force majeure* clauses in customer contracts. The Japan tsunami in March 2011 affected the global economic arena negatively
	• Talent and succession planning in trading skills	• Active development of future skills base

From the table on pages 19 and 20 it is evident that the bulk of the challenge for Insimbi lies not in the demand-side, but on the supply-side. Insimbi's main focus is to secure the supply of product. Our strategy is and remains to source products globally and this comes with a unique set of risks, but also "opportunities". Thus, the critical elements pervading all of Insimbi's ventures are the following:

Risk management: Trading in global markets is subject to significant challenges at each stage of the supply chain. The volatility of foreign exchange rates in the global economic arena is one of the risks that have been closely monitored in the past as well as going into the future. This is done to ensure a precise and correct pricing structure that is agreed upon. Insimbi's management has a wealth of experience in its four founding shareholders.

Insimbi manages this risk by developing key relationships with banks and logistics contractors to manage contractual terms and position Insimbi as a preferred customer; and by developing a new generation of traders within the group to ensure continuity and protection of intellectual capital.

Relationships with stakeholders: Extensive effort is spent by Insimbi's management to understand the countries and markets within which we operate. Essentially, trading is a business of relationships and we consider our reputation as our most important asset. In order to identify risks prior to making an investment or becoming involved in a project, Insimbi engages in an internal due diligence process in order to address the following:

- Proving that we are going to add value to that business; and
- Ensuring that we can develop, or have developed expert knowledge of the product (both market and technical). This applies to all aspects of the product, as well as the supplier, logistics and customer: ie, competitors, impurities, hazardous properties, supplier challenges, customer behaviour, logistics, etc.

Strength through diversity

Diversity is important to Insimbi for its sustainability. Insimbi trades a wide range of commodities, particularly in base metals, covering aluminium, copper, iron, chrome and manganese. We have therefore defined our operating ethos as being risk averse and have chosen this strategy to avoid pricing wars with major traders in a given commodity.

SUSTAINABILITY REPORT (CONTINUED)

Remaining focused on core strengths

Insimbi does not intend to be a mining company or to take more than the minimum equity position in a supplier of commodities. The group's core business is to source and supply the required commodity to our customers.

Due diligence process

Insimbi conducts a due diligence process on all new investments and projects. This process takes many different forms depending on the project or asset being acquired, and will include an EIA where required. As the investment side of our business grows, the due diligence process will become a more formalised one. Currently, the process is supervised by executive directors of Insimbi and corporate advisers.

Investment criteria considered during this process include the following:

- Exclusive marketing agreements to secure commodity flow;
- Business synergies with existing operations;
- Current supply and beneficiation market for proposed commodity;
- Opportunity for Insimbi to apply its intellectual and financial capital;
- Time frames to cash generation; and
- Hurdle returns and payback period.

On the trading side, a due diligence is performed on suppliers from which our trade originates. This process has evolved from lessons learnt in the past that not every deal has proved profitable and not every supplier displayed integrity. Small suppliers are often under-capitalised so recovering funds in the event of analytical deviations or poor product quality has proven difficult. Insimbi has therefore resorted to hiring independent and reputable companies to perform quality assurance on product prior to acceptance. There is generally no need to perform a due diligence on the larger well-known and listed suppliers as we have developed a solid understanding of their business over many years. Generally, a trading due diligence would entail a background check on both the supplier company as well as the people involved. This due diligence could involve lawyers, the South African Revenue Service (SARS), financial institutions, other industry players, etc. Generally we delegate the trading due diligence to the trader involved in the deal, but the final decision to buy from any supplier is taken by an executive director. Internal policies have been instituted governing the levels of authority required per trade.

We acknowledge that the due diligence process for both investments and trading opportunities needs to be more formalised and consistent across the different businesses within Insimbi. Furthermore, one of our sustainability targets for 2012 – 2013 is to incorporate the environmental, labour, health and safety, social and business ethics criteria into the screening of business opportunities, where applicable.

Logistics contractors

As a trading company, Insimbi is highly dependent on its logistics contractors for timeous delivery and security of product. Although we do not screen our shipping and logistics contractors for their sustainability performance, we use only the major lines. Approximately four to six shipping companies are used that manage the trucking and warehousing as well. We constantly review shipping methods including FOB ("free on board"), CIF ("cost, insurance and freight") or CFR ("cost, freight and rail"). These risks have been outsourced to the contractors concerned. We inspect risks of overloading and compliance with the National Road Traffic Act on an ongoing basis.

We utilise the Mediterranean Shipping Company ("MSC") in Johannesburg. MSC have reported no security incidents at their warehouse in the year under review. Sabila Air and Sea (Pty) Limited was appointed as our clearing and forwarding agent, to date no incidents have been reported.

As such, Insimbi is assured of excellent attention and service. The comment generally attributed to Insimbi logistics team based in South Africa is that "they can make a plan" in the event of any difficulty. Insimbi's inhouse fleet manages the local and national deliveries and the team demonstrated excellent responsiveness during a recent strike by providing 24-hour logistics support to ensure no delays to Insimbi's consignment.

Product stewardship

For Insimbi, the product is physically owned by the company for the period between the supplier and the customer. Therefore, Insimbi is liable to ensure that labeling and health and safety compliance is achieved, as well as any clean-ups in the event of a spill or accident. A limited number of materials handled by Insimbi are registered as hazardous in terms of the National Road Traffic Act.

Trade finance solutions

In our experience, the best supply-chain risk-mitigation strategy has been to ensure payment to suppliers. This has been possible through our trade finance service, developed as a result of our excellent relationships with our banking partners.

SUSTAINABILITY REPORT (CONTINUED)

For a small-cap company, we rely extensively on trade finance lines. The results of these relationships with our banking partners became especially evident during the global financial crisis of 2009. Due to a deep understanding of our business by the banks, none of our credit lines was affected in this period. In some cases, our credit facilities were actually extended. As a result, Insimbi is pleased to announce that throughout 2012, we were able to honour our payment obligations in respect of all suppliers.

Investment in future talent
As a business that is built on relationships, our staff is Insimbi's greatest asset. We recognise the need to attract, retain and develop employees – including job applicants who have been disadvantaged on grounds of race, gender and disability as a result of past legislation, social conditions and company practices – and the necessity of creating a culture that will embrace diversity. But we also recognise that we have much to do to get to where we are required to be in terms of the Employment Equity Act.

With the establishment of our Transformation Committee in March 2012, a strategy will be developed to attract and attain employees who are designated under the Employment Equity Act whereby there will be no discrimination based on gender, race, religion, sexual preference, age or disability.

Freedom of association and collective bargaining are not restricted at any of Insimbi's operations or investee companies. No incidents of discrimination requiring disciplinary procedures have occurred during the year under review.

We take pride in our low staff turnover, which, for the period FYE 2012 was less than 10%.

Effecting change through leadership
The Insimbi board is committed to the retention, upliftment and empowerment of it's staff and has given an undertaking to impliment an employee ownership or share incentivisation scheme, which will be in the best interest of the staff as a whole, it's shareholders and stakeholders at large. To this end, the board will seek expert advice from the necessary professionals in the new financial year with a view to creating a suitable scheme and/or structure to achieve this in the shortest time possible and certainly within the foreseeable future.

Corporate developments for 2012
In recent years, sustainability and corporate governance risks have become more prominent as stakeholders, shareholders and the JSE require more information on these issues.

CURRENT EMPLOYEE PROFILE AT INSIMBI ALLOY SUPPLIES (FEBRUARY 2012)

	Male				Female				Foreign nationals		
Occupational level	A	C	I	W	A	C	I	W	Male	Female	Total
Top management	1			6	1						8
Senior management				7			1	1			9
Professionally qualified and experienced specialists and mid-management	4		1	3	1		1	7			17
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	27	1	1	8	9	2	1	18			67
Semi-skilled and discretionary decision making	15				7			6			28
Unskilled and defined decision making											–
Total permanent											**129**
Temporary employees											–
Total											**129**

SUSTAINABILITY REPORT (CONTINUED)

As such, we have recognised the need to change to allow internal specialisation in core business processes. For the past 10 years, our talent-development model has allowed young traders to be exposed to every aspect of the business, from securing supply to negotiating trade finance, pricing terms and logistics. Business requirements are now such that each of these processes requires specialist knowledge for all the risks associated with them. Therefore, 2013 will see the development of internal processes which will ensure consistency in risk management across all of Insimbi's operations for a specific business process.

Corporate Social Responsibility ("CSI")

Insimbi is committed to CSI but unfortunately we have been faced with a number of challenges in achieving anything tangible in this area.

These challenges, have amongst others, related to:

- the difficulty in actually identifying a legitimate worthy cause and/or project in the areas where we are represented; and
- the economic challenges and instability that has faced us over the last four years, our responsibility is first and foremost to our shareholders and in difficult times, this is where we have focused

Fortunately, we are confident that the economic climate has improved and continues to improve and we hope that we will be better placed as a company, to focus a larger amount of our attention and spending on a suitable and tangible project in the near future which in turn will enable us to uplift our B-BBEE scorecard in this area.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act, 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the Integrated Annual Report and related financial information included in this report. It is their responsibility to ensure that the Annual Financial Statements fairly presents the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards and is based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements 2012. 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 29 February 2013 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's Annual Financial Statements. The Annual Financial Statements have been examined by the group's external auditors and their report is presented on page 25.

The Annual Financial Statements set out on pages 32 to 79, have been prepared on the going concern basis, under the supervision of the Financial Director, Mr F Botha CA(SA). The Annual Financial Statements have been audited in compliance with the Companies Act 71 of 2008, was approved by the board on 28 May 2012 and was signed on its behalf by:

PJ Schutte
Director

DJ O'Connor
Director

Johannesburg
28 May 2012

CERTIFICATE BY COMPANY SECRETARY

I certify that the company has lodged with the Companies Intellectual Property Commission in respect of the year ended 29 February 2012, all such returns as required to be lodged by a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

K Holtzhauzen
Company Secretary

28 May 2012

INDEPENDENT AUDITORS' REPORT

for the year ended 29 February 2012

TO THE MEMBERS OF INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

We have audited the consolidated 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 29 February 2012, 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 information, and the directors' report, as set out on pages 26 to 79.

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 the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' 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 about 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 judgement, 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 29 February 2012, 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 the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: FJ Lombard
Registered Auditor

Johannesburg
28 May 2012

DIRECTORS' REPORT

The directors submit their report for the year ended 29 February 2012.

1. REVIEW OF ACTIVITIES

Insimbi continues to operate out of our offices in Johannesburg, Durban, Atlantis and Kitwe and we are actively represented in the Democratic Republic of the Congo and Zimbabwe via our agents there. In addition, we continue to service most sub-Sahara and central African countries, as well as 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.

Our acquisition in 2010 of the Metlite Alloys group has proven to be a success and this operation has added real value to our revenues, profits and value proposition in the year under review and all signs are that it will continue to do so. 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 Review and CEO's Report on prevailing market conditions during the period under review.

2. POST BALANCE SHEET EVENTS

No material fact or circumstance existed post-balance sheet date that affects the results being reported.

However, it is worth mentioning the following:

(a) That the secondary aluminum smelter in Johannesburg, which was mothballed in 2010, is in the process of being re-commissioned and will be fully operational within May 2012. The business has been restructured to emulate our Metlite operations in Cape Town and whose business model has proven to be very successful.

(b) Insimbi's board has approved the purchase of the Teakwood property, which it currently rents for R155k per month in Jacobs, Mobeni, KZN, for an amount of R13,5 million. This property was secured in 2010 and a deposit of R2,7 million was paid into the lessor/sellers attorney escrow account. Application for a mortgage bond of R13,5 million to Nedbank was made and approval was granted on 21 May 2012. The effective date of the acquisition will be 1 August 2012.

This property is ideally situated to benefit from the government's plans to build the new deep-water port in Durban.

3. AUTHORISED AND ISSUED SHARE CAPITAL

The authorised capital is 12 billion shares. Currently there are 260 million shares in issue.

4. DIVIDENDS

Interim dividend number 5 of 2 cents per share was declared on 4 October 2011 payable on 31 October 2011 to shareholders registered on 28 October 2011. The total payout was R5 200 000 (2011: R5 200 000). A final dividend of 1 cent per share was declared on 21 May 2012 and the total payout will be R2,6 million (2011: Rnil).

DIRECTORS' REPORT (CONTINUED)

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, except for resignations, are as follows:

CF Botha	appointed 11 June 2004
F Botha	appointed 11 June 2004
EP Liechti	appointed 11 June 2004
GS Mahlati	appointed 1 January 2009
LY Mahologu	appointed 19 March 2008
DJ O'Connor	appointed 11 June 2004
PJ Schutte	appointed 11 June 2004
LG Tessendorf	(alternate to CF Botha) appointed 29 July 2005
JA Vieira-Pereira	appointed 3 May 2011 (resigned 29 February 2012)

6. SECRETARY

The secretary of the company, K Holtzhausen was appointed on 7 June 2010.

7. SPECIAL RESOLUTIONS

At the Annual General Meeting held on 26 August 2011, 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

The directors do not have any direct or indirect interest in any contracts entered into between the group and company or third-parties other than disclosed in the attached annual financial statements.

9. ADDRESS

The company's physical address is Stand 359, Crocker Road, Wadeville, 1428, Germiston and its postal address is PO Box 14676, Wadeville, 1422.

10. AUDITORS

PricewaterhouseCoopers Inc was appointed on 11 March 2010.

11. INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Par value of issued shares	Percentage holding 2012 %	Percentage holding 2011 %	Indebtedness 2012 R'000	Indebtedness 2011 R'000
Insimbi Alloy Supplies (Proprietary) Limited	100 ordinary shares of R1 each	100	100	(21 587)	(20 509)
Insimbi Alloy Properties (Proprietary) Limited	1 000 ordinary shares of R0,01 each	100	100	5 360	5 360
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	10 ordinary shares of K1 000 each	10	10	–	–

* *Effectively 100% holding within the group*

DIRECTORS' REPORT (CONTINUED)

11. INTERESTS IN SUBSIDIARIES (continued)

Interest in subsidiaries through Insimbi Alloy Supplies (Proprietary) Limited

Name of associate	Par value of issued shares	Percentage holding 2012 %	Percentage holding 2011 %	Indebtedness 2012 R'000	Indebtedness 2011 R'000
Insimbi Aluminium Alloys (Proprietary) Limited	100 ordinary shares of R1 each	100	100	36 470	30 576
Insimbi Bulk Commodities (Proprietary) Limited	120 ordinary shares of R1 each	100	100	3	2
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	90 ordinary shares of K1 000 each	90	90	3 321	2 824
Insimbi Thermal Insulation (Proprietary) Limited**	404 ordinary shares of R1 each	49,5	49,5	5 995	6 987
Metlite Alloys (Proprietary) Limited	52 ordinary shares of R1 each	100	100	802	134

* *Effectively 100% holding within the group*

** *Effectively 100% controlled*

Interest in subsidiaries through Insimbi Alloy Properties (Proprietary) Limited

Name of subsidiary	Par value of issued shares	Percentage holding 2012 %	Percentage holding 2011 %	Indebtedness 2012 R'000	Indebtedness 2011 R'000
Metlite Alloys Properties (Proprietary) Limited	100 ordinary shares of R1 each	100	100	673	–

12. GOING CONCERN

The directors have reviewed the group's cash flow forecast for the year to 31 May 2013 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 operational existence for the foreseeable future.

13. DIRECTORS' INTERESTS

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

2012 Name	Direct beneficial	Percentage	Indirect beneficial	Percentage	Associates	Percentage
JA Vieira-Pereira*	–	–	–	–	–	–
CF Botha	44 422 000	17,18	–	–	250 000	0,10
F Botha	44 508 300	17,21	–	–	250 000	0,10
EP Liechti	44 422 000	17,18	–	–	250 000	0,10
LY Mashologu	–	–	–	–	–	–
GS Mahlati	–	–	–	–	–	–
DJ O'Connor	–	–	7 500 000	2,88	–	–
PJ Schutte	44 572 000	17,26	–	–	312 500	0,12
LG Tessendorf	187 500	0,07	–	–	–	–
	178 111 800	69,91	7 500 000	2,88	1 062 500	0,42

* *Resigned effective 29 February 2012*

At the date that this financial report was prepared, none of the current directors or prescribed officers of the group has purchased or disposed of any of the shares held by them as at 29 February 2012

DIRECTORS' REPORT (CONTINUED)

13. DIRECTORS' INT`ERESTS (continued)

2011 Name	Direct beneficial	Percentage	Indirect beneficial	Percentage	Associates	Percentage
CF Botha	44 375 000	17,07	–	–	250 000	0,10
F Botha	44 461 300	17,10	–	–	250 000	0,10
EP Liechti	44 375 000	17,07	–	–	250 000	0,10
LY Mashologu	–	–	–	–	–	–
GS Mahlati	–	–	–	–	–	–
DJ O'Connor	–	–	7 500 000	2,88	–	–
PJ Schutte	44 485 000	17,11	–	–	312 500	0,12
LG Tessendorf	187 500	0,07	–	–	–	–
	177 883 800	68,42	7 500 000	2,88	1 062 500	0,42

* *Resigned effective 31 January 2011*

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 29 February 2012.

Name	**Salary R'000**	**Vehicle allowance R'000**	**Medical aid contri-bution R'000**	**Pension fund contri-bution R'000**	**13th cheque R'000**	**Incentive bonus R'000**	**Total R'000**
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	**1 490**	**201**	**42**	**–**	**124**	**–**	**1 857**
F Botha	**1 168**	**468**	**95**	**–**	**97**	**–**	**1 828**
CF Botha	**1 378**	**267**	**59**	**–**	**115**	**–**	**1 819**
E Liechti	**1 401**	**259**	**72**	**–**	**117**	**–**	**1 849**
JA Vieira-Pereira*	**837**	**18**	**–**	**105**	**59**	**–**	**1 019**
LG Tessendorf	**472**	**117**	**69**	**98**	**39**	**13**	**808**
	6 746	**1 330**	**337**	**203**	**551**	**13**	**9 180**
Non-executive							
DJ O'Connor	**73**	**–**	**80**	**–**	**–**	**–**	**153**
GS Mahlati	**129**	**–**	**–**	**–**	**–**	**–**	**129**
L Mashologu	**129**	**–**	**–**	**–**	**–**	**–**	**129**
	331	**–**	**80**	**–**	**–**	**–**	**411**

* *Resigned effective 29 February 2012*

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 29 February 2012 (continued).

Name	Salary R'000	Vehicle allowance R'000	Medical aid contri-bution R'000	Pension fund contri-bution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
Directors of subsidiary company							
Executive							
JD Beeslaar*	251	70	24	22	28	–	395
BL Homann	475	186	18	70	40	13	802
M Volschenk	494	151	55	38	37	13	788
	1 220	407	97	130	105	26	1 985
Prescribed officers							
D de Beer	513	105	–	53	43	13	727
S Roberts	443	136	33	49	37	12	710
H Vermaak	470	73	–	53	40	7	643
	1 426	314	33	155	120	32	2 080
Total	9 723	2 051	547	488	776	71	13 656
Paid by subsidiary							
Executive	2 646	721	130	285	225	58	4 065
Non-executive	258	–	–	–	–	–	258
	2 904	721	130	285	225	58	4 323
Paid in the form of a management fee							
Executive	6 746	1 330	337	203	551	13	9 180
Non-executive	73	–	80	–	–	–	153
	6 819	1 330	417	203	551	13	9 333
Total	9 723	2 051	547	488	776	71	13 656

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

* *Resigned effective 31 August 2011*

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 2011.

	Salary R'000	Vehicle allowance R'000	Medical aid contri-bution R'000	Pension fund contri-bution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 448	218	43	–	121	–	1 830
F Botha	1 133	469	89	–	94	–	1 785
CF Botha	1 343	284	55	–	112	–	1 794
E Liechti	1 365	239	67	–	114	–	1 785
FBB Abdul Gany*	451	290	23	80	41	–	885
LG Tessendorf	514	108	38	58	43	–	761
	6 254	1 608	315	138	525	–	8 840
Non-executive							
DJ O'Connor	78	–	72	–	–	–	150
GS Mahlati	126	–	–	–	–	–	126
L Mashologu	126	–	–	–	–	–	126
	330	–	72	–	–	–	402
Directors of subsidiary company							
BL Homann	481	117	39	58	40	–	735
M Volschenk	462	131	44	57	39	–	733
RD Makkink**	410	159	69	60	41	–	739
	1 806	581	169	234	158	–	2 948
Total	8 390	2 189	556	372	683	–	1 209
Paid by subsidiary							
Executive	2 771	979	230	372	242	–	4 594
Non-executive	252	–	–	–	–	–	252
	3 023	979	230	372	242	–	4 846
Paid in the form of a management fee							
Executive	5 289	1 210	254	–	441	–	7 194
Non-executive	78	–	72	–	–	–	150
	5 367	1 210	326	–	441	–	7 344
Total	8 390	2 189	556	372	683	–	1 209

* *Resigned effective 31 January 2011*
** *Resigned effective 31 July 2010*

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2012

		Group		Company	
		2012	2011	2012	2011
	Notes	R'000	R'000	R'000	R'000
Revenue	20	844 717	732 158	–	–
Cost of sales	22	(751 256)	(642 665)	–	–
Gross profit		93 461	89 493	–	–
Other income		305	6 219	600	1 200
Operating expenses	22	(37 533)	(38 946)	(527)	(2 229)
Administration expenses	22	(27 033)	(32 185)	–	–
Operating profit/(loss)	21	29 200	24 581	73	(1 029)
Investment income	23	575	1 185	5 200	5 200
Finance costs	24	(7 314)	(8 771)	(1)	(1)
Profit before taxation		22 461	16 995	5 272	4 170
Taxation	25	(6 827)	(5 000)	(540)	(232)
Profit for the year		15 634	11 995	4 732	3 938
Other comprehensive income:					
Exchange differences on translating foreign operations		5	20	–	–
Total comprehensive income		15 639	12 015	4 732	3 938
Total comprehensive income attributable to:					
Owners of the parent		15 639	12 015	4 732	3 938
Basic and fully diluted earnings per share (cents)	35	6,07	4,63	–	–

STATEMENT OF FINANCIAL POSITION

at 29 February 2012

		Group		Company	
		2012	2011	2012	2011
	Notes	R'000	R'000	R'000	R'000
Assets					
Non-current assets					
Property, plant and equipment	5	34 672	33 699	–	–
Intangible assets	6	39 606	38 438	–	–
Investments in subsidiaries	7	–	–	23 574	23 574
Loans to group companies	8	–	–	5 360	–
Deferred tax	11	3 914	3 828	490	511
		78 192	75 965	29 424	24 085
Current Assets					
Inventories	13	72 753	62 982	–	–
Loans to group companies	8	–	–	–	5 360
Other financial assets	9	–	495	–	–
Current tax receivable		2 291	389	373	373
Trade and other receivables	14	120 864	112 497	1 531	1 170
Cash and cash equivalents	15	36 506	37 760	–	–
		232 414	214 123	1 904	6 903
Total assets		310 606	290 088	31 328	30 988
Equity and liabilities					
Equity					
Share capital	16	44 442	44 442	44 442	44 442
Reserves		159	154	–	–
Retained income/accumulated loss		45 826	35 392	(34 786)	(34 318)
Treasury shares		(2 564)	(239)	–	–
		87 863	79 749	9 656	10 124
Liabilities					
Non-current liabilities					
Other financial liabilities	17	35 608	35 172	–	–
Current liabilities					
Loans from group companies	8	–	–	21 587	20 509
Other financial liabilities	17	46 204	58 965	–	–
Derivative financial instruments	17	1 551	–	–	–
Current tax payable		2 635	1 850	–	–
Trade and other payables	18	136 745	114 352	85	355
		187 135	175 167	21 672	20 864
Total liabilities		222 743	210 339	21 672	20 864
Total equity and liabilities		310 606	290 088	31 328	30 988

STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2012

	Share capital R'000	Share premium R'000	Treasury shares R'000	Foreign currency translation reserve R'000	Retained Income (Loss) R'000	Total equity R'000
Group						
Balance at 01 March 2010	–	44 442	(239)	134	28 597	72 934
Changes in equity						
Total comprehensive income for the year	–	–		20	11 995	12 015
Dividends	–	–		–	(5 200)	(5 200)
Total changes	–	–		20	6 795	6 815
Balance at 01 March 2011	–	44 442	(239)	154	35 392	79 749
Changes in equity						
Total comprehensive income for the year		**–**		**5**	**15 634**	**15 639**
Purchase of own/treasury shares	**–**	**–**	**(2 325)**	**–**	**–**	**(2 325)**
Dividends	**–**	**–**		**–**	**(5 200)**	**(5 200)**
Total changes	**–**	**–**	**(2 325)**	**5**	**10 434**	**8 114**
Balance at 29 February 2012	**–**	**44 442**	**(2 564)**	**159**	**45 826**	**87 863**
Note(s)		16	16			
Company						
Balance at 01 March 2010	–	44 442	–	–	(33 056)	11 386
Changes in equity						
Total comprehensive income for the year	–	–	–	–	3 938	3 938
Dividends	–	–	–	–	(5 200)	(5 200)
Total changes	–	–	–	–	(1 262)	(1 262)
Balance at 01 March 2011	–	44 442	–	–	(34 318)	10 124
Changes in equity						
Total comprehensive income for the year	**–**	**–**	–	**–**	**4 732**	**4 732**
Dividends	**–**	**–**	–	**–**	**(5 200)**	**(5 200)**
Total changes	**–**	**–**	–	**–**	**(468)**	**(468)**
Balance at 29 February 2012	**–**	**44 442**	–	**–**	**(34 786)**	**9 656**
Note(s)		16				

STATEMENT OF CASH FLOWS

for the year ended 29 February 2012

	Notes	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Cash flows from operating activities					
Cash generated from (used in) operations	27	41 217	26 122	(557)	(115)
Interest income		575	1 185	–	–
Finance costs		(7 314)	(8 771)	(1)	(1)
Tax paid	28	(8 030)	(11 488)	(520)	(640)
Net cash from operating activities		26 448	7 048	(1 078)	(756)
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(5 828)	(4 352)	–	–
Sale of property, plant and equipment	5	383	486	–	–
Intangible assets under development	6	(1 168)	–	–	–
Acquisition of business		–	(9 775)	–	–
Loans advanced to group companies		–	–	1 078	756
Dividends received		–	–	5 200	5 200
Settlement of financial assets	9	495	–	–	–
Net cash from (utilised)/generated from investing activities		(6 118)	(13 641)	6 278	5 976
Cash flows from financing activities					
Repayment of other financial liabilities	17	(5 556)	19 742	–	–
Repurchase of treasury shares	16	(2 325)	–	–	–
Dividends paid	29	(5 200)	(5 200)	(5 200)	(5 200)
Net cash from financing activities		(13 081)	14 542	(5 200)	(5 200)
Total cash movement for the year		7 249	7 949	–	–
Cash at the beginning of the year		29 234	21 285	–	–
Total cash at end of the year	15	36 483	29 234	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

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 71 of 2008. The Annual Financial Statements have been prepared on the historical cost basis, except for certain financial assets and financial liabilities (including derivative financial instruments) that are shown at fair value and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated Annual Financial Statements reflects the financial results of the group. All the financial results are consolidated with similar items on a line-by-line basis.

The results of subsidiaries are included in the consolidated Annual Report 2012 from the effective date of acquisition to the effective date of disposal.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of a business is measured as the aggregate of the fair value (at the date of exchange) of assets transferred, liabilities incurred or assumed, and equity instruments issued by the group. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred.

On acquisition the group recognises the identifiable assets, liabilities and contingent liabilities at fair value. On an acquisition by acquisition basis, the group recognises non-controlling interest in the acquiree either at fair value, or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest, and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of identifiable net asset acquired is recognised as goodwill. If this is less than the fair value of the net assets acquired, the difference is recognised directly in profit and loss.

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables, held to maturity investments and loans and receivables

The group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected manner of realisation for deferred tax

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

Taxation

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

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 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.

Property, plant and equipment is initially measured at cost.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Property, plant and equipment (continued)

Property, plant and equipment is depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost, less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed 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

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

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

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

1.4 Intangible assets and goodwill

Intangible assets are recognised at cost based on the fair value of the intangible assets acquired in business combinations. Amortisation is calculated using the straight line method to allocate the cost over estimated useful life which is assessed annually.

Goodwill is initially measured at cost. Subsequently goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment.

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 on goodwill is not reversed in a subsequent period.

Gains and losses on disposal of a cash-generating unit include the carrying amount of goodwill allocated to the entity sold.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Investments in subsidiaries

Group annual financial statements

The group annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are consolidated from the date on which control is transferred to the group up until the date that control ceases.

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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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

Company annual financial statements

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

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

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- Any costs directly attributable to the purchase of the subsidiary, plus
- Changes in consideration arising from contingent consideration amendments.

1.6 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss – held for trading;
- Loans and receivables;
- Financial liabilities at fair value through profit or loss – held for trading; and
- Financial liabilities at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments. The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss includes dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

Bank overdraft and borrowings

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

Derivatives

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.

Held to maturity

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

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

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction, affects neither accounting profit, nor taxable profit (tax loss). No deferred tax is recognised on:

- the initial recognition of goodwill; and
- investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit, nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused secondary taxation on companies ("STC") credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

STC is recognised as part of the current tax charge in profit and loss when the related dividend is declared.

1.8 Leases

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

Finance leases – lessee

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Leases (continued)

Finance leases – lessee (continued)

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 on the remaining balance of the liability.

Operating leases – lessee

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

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

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of non-financial assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Impairment of non-financial assets (continued)

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

1.11 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 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 will be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement will be treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.14 Revenue

Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminating sales within the group. Revenue is recognised as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Revenue (continued)

Revenue recognition (continued)

Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and all risks and rewards associated with them, there is no further group management involvement in the products and collectability of the related receivables is reasonably assured. Products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Commission and service revenue is recognised when earned.

1.15 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.16 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

1.17 Translation of foreign currencies

Functional and presentation currency

Items included in the Annual Report 2012 of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated Annual Report 2012 is presented in Rand, which is the group functional and presentation currency.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.17 Translation of foreign currencies (continued)

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual reports are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.18 Other income

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED

International Financial Reporting Standards and amendments effective for the first time during the current year

Number	Effective date	Executive summary
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.
Improvements to IFRS (Issued May 2010)	Unless otherwise specified the amendments are effective for annual periods beginning on or after 1 January 2011	This is a collection of amendments to IFRS. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project.

International Financial Reporting Standards and amendments issued but not effective for current year end

Number	Effective date	Executive summary	Expected impact
Amendment to IFRS 7: Financial Instruments: Disclosures Transfer of Financial Assets	1 July 2011	The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.	Minimal
Amendment to IFRS 7: Financial Instruments: Disclosure	1 January 2013	The IASB has published an amendment to IFRS 7: Financial Instruments: Disclosures, reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.	Minimal
Amendment to IAS 12: Income Taxes on Deferred Tax	1 January 2012	Currently IAS 12, Income taxes, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40: Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, Income taxes, recovery of revalued non-depreciable assets, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	N/A

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED (continued)

International Financial Reporting Standards and amendments issued but not effective for current year-end (continued)

Number	Effective date	Executive summary	Expected impact
Amendments to IAS 1: Presentation of Financial Statements, on Presentation of Items of OCI	1 July 2012	The IASB has issued an amendment to IAS 1: Presentation of Financial Statements. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.	Minimal
IFRS 9: Financial Instruments (2009)	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.	Minimal
IFRS 9: Financial Instruments (2010)	1 January 2013	The IASB has updated IFRS 9: Financial Instruments to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39: Financial Instruments: Recognition and Measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.	Minimal
Amendments to IFRS 9: Financial Instruments (2011)	1 January 2015	The IASB has published an amendment to IFRS 9, Financial Instruments, that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.	Minimal

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED (continued)

International Financial Reporting Standards and amendments issued but not effective for current year-end (continued)

Number	Effective date	Executive summary	Expected impact
IFRS 10: Consolidated Financial Statements	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the Consolidated Financial Statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.	Minimal
IFRS 12: Disclosures of Interests in Other Entities	1 January 2013	This standard includes the disclosure requirements for all forms of Interests in Other Entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	N/A
IFRS 13: Fair Value Measurement	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of Fair Value Measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.	N/A
IAS 27: Separate Financial Statements (revised 2011)	1 January 2013	This standard includes the provisions on Separate Financial Statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	Minimal
IAS 28 – Associates and Joint Ventures (revised 2011)	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	Minimal
Amendments to IAS 32: Financial Instruments: Presentation	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32, "Financial instruments: Presentation", that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.	Minimal

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

3. ANNUAL IMPROVEMENTS ISSUED MAY 2010

Improvements to IFRS (Issued May 2010) was issued by the IASB as part the "annual improvements process" resulting in the following amendments to standards issued, effective for the first time for during the current year:

IFRS	Effective Date	Subject of amendment
IFRS 1: First-time Adoption of International Financial Reporting Standards	1 January 2011	• Accounting policy changes in the year of adoption • Revaluation basis as deemed cost • Use of deemed cost for operations subject to rate regulation • Measurement of non-controlling interests • Un-replaced and voluntarily replaced share-based payment awards.
IFRS 7: Financial Instruments: Disclosures	1 January 2011	Clarification of disclosures.
IAS 1: Presentation of Financial Statements	1 January 2011	Clarification of statement of changes in equity.

4. INTERPRETATIONS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Interpretations of International Financial Reporting Standards issued and effective for the first time during the current year.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

Group	2012 Cost R'000	2012 Accumulated depreciation R'000	2012 Carrying value R'000	2011 Cost R'000	2011 Accumulated depreciation R'000	2011 Carrying value R'000
5. PROPERTY, PLANT AND EQUIPMENT						
Land and buildings	22 367	(5 639)	16 728	21 759	(4 722)	17 037
Plant and machinery	24 669	(10 405)	14 264	22 028	(7 862)	14 166
Furniture and fixtures	3 237	(2 620)	617	2 928	(2 437)	491
Motor vehicles	6 554	(4 060)	2 494	5 413	(3 748)	1 665
IT equipment	3 018	(2 449)	569	2 821	(2 481)	340
Total	59 845	(25 173)	34 672	54 949	(21 250)	33 699

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Depreciation R'000	Total R'000
Reconciliation of property, plant and equipment Group – 2012						
Land and buildings	17 037	608	–	–	(917)	16 728
Plant and machinery	14 166	3 255	–	(62)	(3 095)	14 264
Furniture and fixtures	491	314	–	(2)	(186)	617
Motor vehicles	1 665	1 320	–	(42)	(449)	2 494
IT equipment	340	331	–	–	(102)	569
	33 699	5 828	–	(106)	(4 749)	34 672
Reconciliation of property, plant and equipment Group – 2011						
Buildings	11 955	–	5 800	–	(718)	17 037
Plant and machinery	8 652	2 568	5 836	(247)	(2 643)	14 166
Furniture and fixtures	524	254	–	(59)	(228)	491
Motor vehicles	1 705	1 213	–	(39)	(1 214)	1 665
IT equipment	439	317	–	(15)	(401)	340
	23 275	4 352	11 636	(360)	(5 204)	33 699

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the company. Land and buildings situated on Stand 359, Crocker Road, Wadeville, Extension 4 are valued at R32,3 million based on cash flow projections discounted at 22% with a 2,5% annual growth. The property, plant and equipment is pledged as security for the term loan (note 17).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

Group	2012 Cost R'000	2012 Accumulated impairment R'000	2012 Carrying value R'000	2011 Cost R'000	2011 Accumulated impairment R'000	2011 Carrying value R'000
6. INTANGIBLE ASSETS						
Goodwill	**39 938**	**(4 000)**	**35 938**	39 938	(4 000)	35 938
Regulatory permit	**2 500**	**–**	**2 500**	2 500	–	2 500
Intangible assets under development	**1 168**	**–**	**1 168**	–	–	–
Total	**43 606**	**(4 000)**	**39 606**	42 438	(4 000)	38 438

	Opening balance R'000	Total R'000
Reconciliation of goodwill		
Group – 2012		
Goodwill	**35 938**	**35 938**

	Opening balance R'000	Impairment loss R'000	Total R'000
Reconciliation of goodwill			
Group – 2011			
Goodwill	39 938	(4 000)	35 938

	Group 2012	Group 2011
Goodwill is allocated to the group's cash generating unit identified at an operating segment level as follows:		
Allocation of goodwill by segment		
Foundry	**19 629**	19 629
Steel	**11 885**	11 885
Refractory	**4 424**	4 424
	35 938	35 938

Impairment test for goodwill

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

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 company operates 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 was assumed to be 3%. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted gross margin based on past performance and its expectation of market developments. The discount rates used are pre-tax and reflect the appropriate risk associated with the industry and its respective businesses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

6. INTANGIBLE ASSETS (continued)

Impairment test for goodwill (continued)

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

	2012			2011		
Key assumptions (%)	**Foundry**	**Steel**	**Refractory**	Foundry	Steel	Refractory
Gross margin – budgeted	**14,00**	**9,00**	**20,00**	13,80	6,50	14,50
Growth rate	**3,00**	**3,00**	**3,00**	3,00	3,00	3,00
Discount rate	**22,00**	**25,00**	**25,00**	22,00	22,00	22,00

Gross margin – budgeted gross margin as per 2012 budget
Growth rate – minimum growth rate used to extrapolate cash flows beyond the budget period
Discount rate – pre-tax discount rate applied to the cash flow projections

Management has determined a budgeted gross margin based on past performance and its expectations of the 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% or an increase of 1% in the discount rate assumed, will result in additional impairment of R1,0 million to the group.

	Opening balance R'000	**Additions R'000**	**Total R'000**
Reconciliation of other intangible assets Group – 2012			
Regulatory permit	**2 500**	**–**	**2 500**
Intangible assets under development	**–**	**1 168**	**1 168**
	2 500	**1 168**	**3 668**

	Opening balance R'000	Additions through business combi–nations R'000	Total R'000
Reconciliation of other intangible assets Group – 2011			
Regulatory permit	–	2 500	2 500

Other information
Intangible assets with indefinite lives:
Regulatory permit – Metlite Alloys (Proprietary) Limited

The useful life of regulatory permit is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. The permit endures in perpetuity provided that the company complies with changes in legislation as they occur. This is included within the foundry operating segment value in use calculation. The impairment test for this intangible asset identifies the recoverable amount of the cash generating unit determined based on volume in use.

Insimbi Nano Milling

The intangible asset under development in respect of Insimbi Nano Milling includes directly attributable costs that are capitalised during the development phase of the project. These costs include materials, services, and employee costs related to the development of the asset. The useful life of the asset will be assessed upon completion of the development phase.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

7. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	**% holding 2012**	% holding 2011	**Carrying amount 2012 R'000**	Carrying amount 2011 R'000
Insimbi Alloy Properties (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 Alloy Supplies (Proprietary) Limited	**90,00**	90,00	**–**	–
Insimbi Refractory and Alloy Supplies Limited, Zambia	Insimbi Refractory and Alloy Supplies Limited	**10,00**	10,00	**–**	–
Insimbi Bulk Commodities (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	**100,00**	100,00	**–**	–
Insimbi Alloy Supplies (Proprietary) Limited	Insimbi Refractory and Alloy Supplies Limited	**100,00**	100,00	**23 574**	23 574
Insimbi Thermal Insulation (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	**49,50**	49,50	**–**	–
Metlite Alloys (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	**100,00**	100,00	**–**	–
Metlite Alloys Properties (Proprietary) Limited	Insimbi Alloy Properties (Proprietary) Limited	**100,00**	100,00	**–**	–
				23 574	23 574

The carrying amounts of subsidiaries are shown net of impairment losses. The par value of shares held in subsidiaries are as follows:

		2012	2011
Insimbi Alloy Properties (Proprietary) Limited	– 1000 ordinary shares of R0,01 each	**R10**	R10
Insimbi Alloy Supplies (Proprietary) Limited	– 100 ordinary shares of R1 each	**R100**	R100
Insimbi Aluminium Alloys (Proprietary) Limited	– 100 ordinary shares of R1 each	**R100**	R100
Insimbi Refractory and Alloy Supplies Limited, Zambia	– 100 ordinary shares of K1 000 each	**K100 000**	K100 000
Insimbi Bulk Commodities (Proprietary) Limited	– 120 ordinary shares of R1 each	**R120**	R120
Insimbi Thermal Insulation (Proprietary) Limited	– 404 ordinary shares of R1 each	**R404**	R404
Metlite Alloys (Proprietary) Limited	– 52 ordinary shares of R1 each	**R52**	R52
Metlite Alloys Properties (Proprietary) Limited	– 100 ordinary shares of R1 each	**R100**	R100

Insimbi Thermal Insulation (Proprietary) Limited is effectively 100% controlled by the group and is thus consolidated into the group results. The main basis of control is through board representation, and assumption of risks.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

	Group		Company	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
8. LOANS TO (FROM) GROUP COMPANIES				
Subsidiaries				
Insimbi Alloy Properties (Proprietary) Limited	–	–	5 360	5 360
The loan is repayable when the subsidiary company achieves positive cash flows. Positive cash flows will occur as a result of future increases in rental income in excess of the operating costs incurred, after tax.				
Holding company				
Fellow subsidiaries				
Insimbi Alloy Supplies (Proprietary) Limited	–	–	(21 587)	(20 509)
These loans are unsecured, interest-free and have no fixed terms of repayment				
Non-current assets	–	–	5 360	–
Current assets	–	–	–	5 360
Current liabilities	–	–	(21 587)	(20 509)
	–	–	(16 227)	(15 149)
The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The group does not hold any collateral as security.				
9. OTHER FINANCIAL ASSETS				
At fair value through profit or loss – held for trading				
Foreign exchange contract ("FEC")	–	495	–	–
Fair values are determined annually at statement of financial position date by translation of open FECs to forward exchange rates obtained from Nedbank. These instruments are categorised as "Level 2". The group holds FECs with Nedbank at variable maturity dates.				
Current assets				
At fair value through profit or loss – held for trading	–	495	–	–

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

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

10. FINANCIAL ASSETS BY CATEGORY

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

	Loans and receivables R'000	Total R'000
Group – 2012		
Trade and other receivables*	118 944	118 944
Cash and cash equivalents	36 483	36 483
	155 427	155 427

* *Prepayments are excluded from trade and other receivables.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

10. FINANCIAL ASSETS BY CATEGORY (continued)

	Loans and receivables R'000	Fair value through profit or loss – designated R'000	Total R'000
Group – 2011			
Other financial assets	–	495	495
Trade and other receivables	109 872	–	109 872
Cash and cash equivalents	29 234	–	29 234
	139 106	495	133 101

	Loans and receivables R'000	Total R'000
Company – 2012		
Loans to group companies	5 360	5 360
Trade and other receivables	377	377
	5 737	5 737
Company – 2011		
Loans to group companies	5 360	5 360
Trade and other receivables	377	377
	5 737	5 737

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'00
11. DEFERRED TAX				
Deferred tax asset				
Accelerated capital allowances for tax purposes	(621)	(1 127)	–	–
Tax losses available for set off against future taxable income	7 025	7 445	490	511
Deferred taxation on fair value adjustment of Metlite	(2 490)	(2 490)	–	–
	3 914	3 828	490	511
Reconciliation of deferred tax asset (liability)				
At beginning of the year	3 828	4 180	511	223
Increase (decrease) in tax losses available for set-off against future taxable income	(420)	2 545	(21)	–
Originating temporary difference on tangible fixed assets	506	(407)	–	–
Deferred tax on fair value at acquisition	–	(2 490)	–	288
	3 914	3 828	490	511

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

11. DEFERRED TAX (continued)

Recognition of deferred tax asset

The deferred tax asset arises predominately from estimated tax losses generated by the aluminium business in Benoni. This asset will be utilised against future taxable income that management expects the company to start generating, mainly as a result of the commissioning of the aluminium plant from mid 2012 and the resulting sales from this facility. The group has estimated losses of R19 013 (2011: R19 854) that can be carried forward against future taxable income.

12. RETIREMENT BENEFITS

Defined contribution plan

The employees of the group are members of a defined contribution plan, which is administered by Alexander Forbes Retirement Fund. The fund is governed by the Pension Fund Act of 1956.

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 and expense when they are due. The expense recognised during the year was R2 292 (2011: R2 391)

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
13. INVENTORIES				
Raw materials, components	**64 433**	59 874	**–**	–
Finished goods	**3 086**	2 629	**–**	–
Goods in transit	**5 892**	3 066	**–**	–
	73 411	65 569	**–**	–
Inventories (write-downs)	**(658)**	(2 587)	**–**	–
	72 753	62 982	**–**	–

The total inventory writedown for the current and prior year was experienced in the respective statements of comprehensive income.

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
14. TRADE AND OTHER RECEIVABLES				
Trade receivables	**113 380**	103 370	**338**	–
Prepayments	**1 920**	2 625	**1 143**	1 143
Deposits	**3 096**	3 192	**–**	–
VAT	**1 127**	–	**50**	27
Sundry debtors	**1 341**	3 310	**–**	–
	120 864	112 497	**1 531**	1 170

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The group does not hold any collateral as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

	Group		Company	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
15. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	87	–	–	–
Bank balances	36 419	37 760	–	–
Bank overdraft	(23)	(8 526)	–	–
	36 483	29 234	–	–
Current assets	36 506	37 760	–	–
Current liabilities	(23)	(8 526)	–	–
	36 483	29 234	–	–
16. SHARE CAPITAL				
Authorised				
12 000 000 000 ordinary shares of 0,000025 cents each	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.				
Issued				
Ordinary – 260 000 000 shares 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 subsidiaries	(2 564)	(239)	–	–
	41 878	44 203	44 442	44 442
Reconciliation of number of shares issued				
Shares purchased by subsidiaries	4 856	342	4 856	342
Issue of shares – ordinary shares	68 470	73 212	68 470	73 212
Issue of shares to directors – ordinary shares	186 674	186 446	186 674	186 446
	260 000	260 000	260 000	260 000

Shares repurchased by a subsidiary and held in treasury amounted to 4 876 (2011: 342) at year-end, which are disclosed as a reduction of equity in the statement of changes in equity. Subsequent to year-end, 326 (2011: 1 689 shares were purchased, changing the number of shares held in treasury to 5 189 (2011: 2 031).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

	Group		Company	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
17. OTHER FINANCIAL LIABILITIES				
At fair value through profit and loss				
Foreign exchange contracts	1 551	–	–	–
Fair values are determined annually at statement of financial position date by translation of open FECs to forward rates. These instruments are categorised as "level 2". The group holds various FECs with Nedbank at variable maturity dates.				
Held at amortised cost				
Interest bearing				
Nedbank mortgage bond	4 300	4 900	–	–
Nedbank Limited – senior debt loan	26 090	37 379	–	–
Nedbank Limited – term loan	4 531	4 574	–	–
Nedbank instalment sale	1 688	878	–	–
Nedbank overnight loan	45 180	37 880	–	–
Bank overdraft	23	8 526	–	–
	81 812	94 137	–	–
	83 363	94 137	–	–
The fair value of all borrowings approximates the carrying value of the borrowings, and the impact of discounting is not significant.				
Non-current liabilities				
At amortised cost	35 608	35 172	–	–
Current liabilities				
At fair value through profit and loss	1 551	–	–	–
At amortised cost	46 204	58 965	–	–
	47 755	58 965	–	–
	83 363	94 137	–	–

Terms and conditions

Nedbank Limited – mortgage bond

Interest rate – prime less 0,5%. The monthly capital repayment is R50 000 (2011: R50 000). The loan is secured by the property acquired in Atlantis, Western Cape. The interest rate at year-end was 8,5% (2011: 8,5%). The last repayment falls due on 30 March 2019.

Nedbank Limited – senior debt loan

Interest rate – fixed at 10%.The monthly instalment is R1 367 467 (2011: R1 150 729), which includes capital and interest with the last repayment falling due on 29 November 2013. The company has accelerated its monthly repayment in line with the strategy to utilise excess cash flows to reduce debt.

Nedbank Limited – term loan

Interest rate – prime less 2%. The monthly instalment is R63 428 (2011: R63 428). The loan is secured by the property. Interest at year-end was 7% (2011: 7%). The last capital repayment falls due on 1 November 2020.

Nedbank Limited – instalment sale agreements

Interest rate – prime linked 9%. The agreements are secured by motor vehicles and plant and equipment with a net book value of R1 389 089 (2011: R1 329 719) and repayable in monthly instalments of R84 741 (2011: R74 996).

Nedbank Limited – multi option facility – overnight loan or overdraft facility

Interest rate – prime less 1,5%. The maximum amount that is permitted by Nedbank is R55 000 000 (2011: R55 000 000), after taking any overdraft into account. The balance varies from month to month depending on the cash flow of the group and the company and there are no fixed repayment terms. The interest rate on the overnight loan year-end was 7,5% (2011: 7,5%). The overdraft facility is R10 million (2011: R10 million). The interest rate on the overdraft facility is 9% (2011: 9%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

17. OTHER FINANCIAL LIABILITIES (continued)

Security

All the facilities are secured by a general notarial bond of R70 million (2011: R70 million) over inventories, plant and equipment, a mortgage bond for R15 million (2011: R15 million) over Stand 359, Crocker Road, Wadeville and a mortgage bond for R6 million (2011: R6 million) over the property in Atlantis, Western Cape.

The fire insurance policy entered into between the company and Alexander Forbes Rick Services has been endorsed in favour of Nedbank Limited's interest in regard to the general notarial covering bond of R70 million (2011: R70 million).

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

Insimbi Refractory and Alloy Supplies Limited, Insimbi Aluminium Alloys (Proprietary) Limited, Insimbi Alloy Properties (Proprietary) Limited and Metlite Alloys (Proprietary) Limited have signed a cross deed of suretyship whereby each company bound themselves jointly and severally as surety and co-principle debtor to Nedbank Limited.

The carrying amount of assets pledged as security is detailed as follows:

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Property, plant and equipment	**34 672**	33 699	**–**	–
Inventories	**72 753**	62 982	**–**	–
Trade receivables	**113 380**	103 370	**–**	–
	220 805	200 051	**–**	–

Covenants

The company complies with all the covenants in terms of the agreements with Nedbank Limited.

Borrowing powers

In terms of the Memorandum of Incorporation, Article 61, the borrowing powers of the company are unlimited.

Borrowing facilities

The group has drawn the following from its total facilities of R138,2 million with Nedbank:

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Fixed rate				
Expiring within 1 year	**15 730**	10 750	**–**	–
Expiring beyond 1 year	**10 360**	26 297	**–**	–
	26 090	37 047	**–**	–
Floating rate				
Expiring within 1 year	**51 335**	48 216	**–**	–
Expiring beyond 1 year	**4 387**	8 875	**–**	–
	55 722	57 091	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

	Group		Company	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
18. TRADE AND OTHER PAYABLES				
Trade payables	123 825	105 123	–	–
VAT	8 990	5 252	–	–
Accrued audit fees	1 014	175	62	112
Other accrued expenses	2 916	3 802	–	220
	136 745	114 352	62	332

Fair value of trade and other payables

The group has financial risk management policies in place to ensure 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.

19. FINANCIAL LIABILITIES BY CATEGORY

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

	Financial liabilities at amortised cost R'000	Fair value through profit loss R'000	Total R'000
Group – 2012			
Nedbank Limited – term loan	4 531	–	4 531
Nedbank Limited – senior debt	26 090	–	26 090
Nedbank Limited – overnight loan	45 180	–	45 180
Nedbank Limited – mortgage loan	4 300	–	4 300
Nedbank Limited – instalment sale	1 688	–	1 688
Trade and other payables			
– local	114 466	–	114 466
– foreign	9 359	–	9 359
Foreign exchange contracts	–	1 551	1 551
Other payables	12 920	–	12 920
	218 534	1 551	220 085

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

19. FINANCIAL LIABILITIES BY CATEGORY (continued)

The accounting policies for financial liabilities have been applied to the line items below (continued):

	Financial liabilities at amortised cost R'000	Fair value through profit loss R'000	Total R'000
Group – 2011			
Nedbank Limited – term loan	4 906	–	4 906
Nedbank Limited – senior debt	37 048	–	37 048
Nedbank Limited – overnight loan	37 880	–	37 880
Nedbank Limited – mortgage loan	4 900	–	4 900
Nedbank Limited – instalment sale	878	–	878
Trade and other payables			
– local	101 122	–	101 122
– foreign	4 002	–	4 002
	190 736	–	190 736
Company – 2012			
Net loans from group companies	**16 227**	–	**16 227**
Trade and other payables	**62**	–	**62**
	16 289	–	**16 289**
Company – 2011			
Net loans from group companies	15 149	–	15 149
Trade and other payables	332	–	332
	15 481	–	15 481

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
20. REVENUE				
Sale of goods	**841 704**	728 555	–	–
Rendering of services	**3 013**	3 603	–	–
	844 717	732 158	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

		Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
21.	**OPERATING PROFIT (LOSS)**				
	Operating profit (loss) for the year is stated after accounting for the following:				
	Income from subsidiaries				
	Dividends	–	–	5 200	5 200
	Operating lease charges				
	Premises				
	– Straight line amounts	4 826	1 849	–	–
	Equipment				
	– Contractual amounts	–	27	–	–
	Profit on sale of property, plant and equipment	277	126	–	–
	Negative goodwill – gain on bargain purchase	–	5 791	–	–
	Profit/(loss) on foreign exchange	(3 285)	(1 380)	–	–
	Depreciation on property, plant and equipment	4 749	5 204	–	–
	Employee costs	34 248	37 686	–	–
		40 815	49 303	–	–
22.	**EXPENSES BY NATURE**				
22.1	**Cost of sales**				
	Cost of inventories expensed during the year	751 256	642 665	–	–
22.2	**Operating expenses include both distribution and administration expenses**				
	Administration and management fees	7 307	6 003	–	–
	Advertising	284	408	–	9
	Auditors remuneration	512	683	128	112
	Bad debts expensed/(recovered)	562	(335)	–	–
	Bank charges	688	349	1	1
	Commission paid	47	–	–	–
	Computer expenses	192	180	–	–
	Consulting and professional	–	12	–	–
	Depreciation and amortisation	4 203	5 204	–	–
	Impairment of goodwill	–	4 000	–	–
	Donations	170	109	–	–
	Employee costs	34 248	37 686	–	–
	Entertainment	–	9	–	–
	Insurance	581	627	–	–
	Lease rentals on operating lease	2 083	1 849	–	–
	Legal expenses	1 483	2 356	281	1 739
	Loss on exchange differences	5	7	–	–
	Motor vehicle expenses	497	618	–	–
	Other expenses	403	1 548	–	–
	Petrol and oil	1 130	1 044	–	–
	Postage	46	41	–	–
	Printing and stationery	560	762	114	361
	Repairs and maintenance	1 562	1 606	–	–
	Secretarial fees	88	16	–	–
	Security	1 014	750	–	–
	Staff welfare	51	38	–	–
	Subscriptions	116	124	3	6
	Telephone and fax	1 253	1 196	–	–
	Training	–	7	–	–
	Travel – local	1 088	1 252	–	–
	Travel – overseas	228	277	–	–
	Utilities	880	1 323	–	–
		61 281	69 751	527	2 228

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

		Group		Company	
		2012	2011	2012	2011
		R'000	R'000	R'000	R'000
22.	**EXPENSES BY NATURE (continued)**				
22.3	**Employee costs**				
	Salaries	26 982	29 619	–	–
	Motor vehicle allowances	1 465	2 161	–	–
	Medical aid contributions	1 164	1 140	–	–
	Pension fund contributions	2 292	2 391	–	–
	Bonus and 13th cheque	2 262	2 375	–	–
	Staff welfare	83	–	–	–
		34 248	37 686	–	–
22.4	**Foreign exchange loss/(profit)**				
	– realised	29	1 049	–	–
	– unrealised	3 256	331	–	–
		3 285	1 380	–	–
23.	**INVESTMENT INCOME**				
	Dividend income				
	Subsidiaries – local	–	–	5 200	5 200
	Interest income				
	Bank	575	1 185	–	–
		575	1 185	5 200	5 200
24.	**FINANCE COSTS**				
	Bank	7 314	8 771	1	1
		7 314	8 771	1	1
25.	**TAXATION**				
	Major components of the tax expense				
	Current				
	Local income tax – current period	6 393	6 618	–	–
	Secondary taxation on companies	520	520	520	520
		6 913	7 138	520	520
	Deferred				
	Originating and reversing temporary differences	(86)	(2 138)	20	(288)
		6 827	5 000	540	232
	Reconciliation of the tax expense				
	Reconciliation between applicable tax rate and average effective tax rate				
	Applicable tax rate (%)	28,00	28,00	28,00	28,00
	Exempt income (%)	–	(2,95)	(27,61)	(34,90)
	Disallowable charges (%)	0,08	1,31	–	–
	Secondary tax on companies (%)	2,32	3,06	9,86	12,47
		30,40	29,42	10,25	5,57

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

	Group		Company	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
26. AUDITORS' REMUNERATION				
Fees	512	683	128	112
27. CASH GENERATED FROM (USED IN) OPERATIONS				
Profit before taxation	22 461	16 995	5 272	4 170
Adjustments for:				
Depreciation and amortisation	4 749	5 204	–	–
(Profit) on sale of assets	(277)	(126)	–	–
Dividends received	–	–	(5 200)	(5 200)
Interest received	(575)	(1 185)	–	–
Finance costs	7 314	8 771	1	1
Fair value on foreign exchange contracts	3 285	1 394	–	–
Impairment loss	–	4 000	–	–
Movement in foreign currency translation reserve	5	20	–	–
Negative goodwill-gain on bargain purchase	–	(5 791)	–	–
Changes in working capital:				
Inventories	(9 771)	(8 099)	–	–
Trade and other receivables	(8 367)	(10 925)	(360)	559
Trade and other payables	22 393	15 864	(270)	355
	41 217	26 122	(557)	(115)
28. TAX PAID				
Balance at beginning of the year	(1 461)	(5 811)	373	253
Current tax for the year recognised in profit or loss	(6 913)	(7 138)	(520)	(520)
Balance at end of the year	344	1 461	(373)	(373)
	(8 030)	(11 488)	(520)	(640)
29. DIVIDENDS PAID				
Dividends	(5 200)	(5 200)	(5 200)	(5 200)

Any future dividend declaration out of distributable reserves of the company will be subject to secondary tax on companies at 10% up to 31 March 2012. Thereafter, the dividend witholding tax of 15% will be applicable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

	Group		Company	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
30. COMMITMENTS				
Authorised capital expenditure				
Already contracted for but not provided for				
Property, plant and equipment	771	–	–	–
Not yet contracted for but authorised by directors	15 000	–	–	–

This committed expenditure relates to property, plant and equipment and will be financed by current and newly approved bank facilities.

R1,5 million relates to an upgrade of plant and equipment at the Insimbi Aluminium Alloy plant in Benoni. The objective of this capital expenditure is to ensure that the plant meet standards as laid down by the new Air Quality Act of 2010.

R13,5 million relates to the KZN warehousing facility at Teakwood Road, Jacobs. A refundable deposit of R2,7 million has already been paid. The finalisation of this commitment is subject to the approval of a mortgage bond from Nedbank Limited, which was approved on 21 May 2012.

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Operating leases – as lessee (expense)				
Minimum lease payments due – JLL Properties (Proprietary) Limited				
– within one year	643	559	–	–
– in second to fifth year inclusive	2 573	2 723	–	–
– later than five years	643	1 809	–	–
	3 859	5 091	–	–

The lease with JLL Properties (Proprietary) Limited expires on 28 February 2018 but there is an option to renew for a further 10-year period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

	Group		Company	
	2012	2011	2012	2011
	R'000	R'000	R'000	R'000
30. COMMITMENTS (continued)				
Instalment sale agreements: Motor vehicles and equipment				
– within one year	1 063	813	–	–
– in second to fifth year inclusive	815	619	–	–
– *Less:* Future finance charges	(190)	(553)	–	–
Present value of minimum lease payments	1 638	879	–	–
It is group policy to lease certain motor vehicles and equipment under finance leases.				
The net carrying abount of assets under finance leases were:				
– Motor vehicles	1 219	819	–	–
– Equipment	170	–	–	–
The average lease term was three to five years and the average effective borrowing rate was 9% (2011: 9%).				
Interest rates are linked to prime at the contract date. All leases have fixed repayments terms				
Cshell (formally disclosed as 1st African Group)				
Minimum lease payments	–	–	–	–
– within one year	759	1 819	–	–
– in second to fifth year inclusive	–	827	–	–
	759	2 646	–	–
The lease with Cshell expires on 31 July 2012. There is an option to renew for a period to be determined.				
31. CONTINGENCIES				
Guarantees				
All guarantees are performance guarantees held for Insimbi Alloy Supplies (Proprietary) Limited on behalf of various government beneficiaries.				
Guarantees				
Government beneficiaries	932	932	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

32. RELATED PARTIES

Relationships

Ultimate holding company	Insimbi Refractory and Alloy Supplies Limited
Subsidiaries	Refer to note 6
Members of key management	Directors of the group as per the Directors' Report meet the definition of key management personnel. Key management personnel consist only of directors.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
Related party balances				
Loan accounts – Owing (to) by related party to Insimbi Refractory and Alloy Supplies Limited				
Insimbi Alloy Properties (Properties) Limited – 100% subsidiary	**–**	–	**5 360**	5 360
Insimbi Alloy Supplies (Proprietary) Limited – 100% subsidiary	**–**	–	**21 587**	20 509
Administration fees paid to (received from) related parties				
Insimbi Holdings (Proprietary) Limited	7 307	7 203	–	–
Dividends paid to (received from)				
Insimbi Alloy Supplies (Proprietary) Limited	(5 200)	(5 200)	–	–

Compensation paid to directors is fully disclosed in the directors' report.

33. RISK MANAGEMENT

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.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 17, cash and cash equivalents disclosed in note 15, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, 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. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

33. RISK MANAGEMENT (continued)

There are no externally imposed capital requirements.

There has been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2012 and 2011 respectively were as follows:

	Group		Company	
	2012	2011	**2012**	2011
Gearing ratio	**34%**	41%	**18%**	66%

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

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

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

Principle financial instruments:

The principle 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;
- Loan receivables;
- Long-term borrowings;
- Variable rate instalment liabilities; and
- Trade and certain payables.

Procedures for mitigating risk include:

- Performing credit checks on potential customers;
- The preparation of cash flow forecasts and budgets and measurements against these projections; and
- Forward exchange contracts entered into with reputable financial institutions to minimise exposure to exchange rate fluctuations. Such contracts are taken out for both import of raw materials and exports to customers and are reviewed on a regular basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

33. RISK MANAGEMENT (continued)

Financial risk management (continued)

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 the 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 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 the 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

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities and 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored, and the group maintains agreed facilities with reputable financial institutions. 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.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

At 29 February 2012	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000
Borrowings	68 037	16 970	1 424
Trade and other payables	136 744	–	–

At 28 February 2011	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000
Borrowings	62 389	34 832	5 465
Trade and other payables	105 067	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

33. RISK MANAGEMENT (continued)

Liquidity risk (continued)

At year-end the group had R56,4 million available in the form of unutilised facilities. This amount can be utilised to settle trade payables if customers do 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 is prepared daily which is reviewed, and based on this summary, 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.

The group's interest rate risk arises from the use of variable interest rate instalment sale liabilities and fixed and variable short- and long-term borrowings and bank accounts that are carried at amortised cost. Future changes to prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligations. The risk remains unhedged at the reporting date. Exposure to interest rate risk is monitored month-to-month and on a case-by-case basis, which includes consideration of fixed versus floating interest rates.

Certain interest rates at year-end were linked to the prime overdraft rates and certain interest rates were fixed. The prime overdraft rate at year-end was 9%.

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.

At 29 February 2012, if interest rates on Rand-denominated borrowings had been 2% higher/lower with all other variables held constant, post-tax profit for the year would have been R773 000 (2011: R773 000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The above sensitivity analysis is for illustrative purposes only and represents managements best estimate of reasonably possible changes in interest rates.

Credit risk

Credit risk is managed on a group basis.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. The age analysis is reviewed monthly by management with the intention of minimising the group's exposure to bad debt.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

33. RISK MANAGEMENT (continued)

Credit risk (continued)

No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counter-parties. Should the need arise, it is the group's policy to take collateral. To date no collateral has been obtained. Trade receivables that are neither past due nor impaired are considered to be of acceptable credit quality accompanied by an insignificant default rate.

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.

Financial assets exposed to credit risk at year-end were as follows:

	Group		Company	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Reconciliation of movement of the provision for impairment of trade and other receivables for individually assessed trade debtors				
Balance brought forward	(75)	(410)	–	–
Increase in provision	49	–	–	–
Decrease in provision	6	335	–	–
	(20)	(75)	–	–

The provision for impairment of trade and other receivables relates only to local debtors.

Trade 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				
2012				
Trade receivables				
– Local	104 280	3 965	–	108 245
– Foreign	4 276	859	–	5 135
2011				
Trade receivables				
– Local	82 860	19 182	58	102 100
– Foreign	773	481	16	1 270

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

33. RISK MANAGEMENT (continued)

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro and the British Pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group use forward contracts, transacted with group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management's risk management policy is to hedge between 75% and 100% of anticipated cash flows (mainly export sales and purchase of inventory) in each major foreign currency on an order-by-order basis.

Sensitivity analysis – currency risk

The group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income on an immediate strengthening or weakening of the Rand, against the group's major trading currencies as detailed in the table below, based on the the foreign currency balances outstanding at the year-end, for each class of financial instruments, all other variables remaining constant. The assumptions used are consistent with the prior year and represent management's best estimate of potential fluctuations in exchange rates. The table is inserted for illustrative purposes only.

	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 R'000	5% decrease R'000	7% increase R'000	7% decrease R'000	5% increase R'000	5% decrease R'000
Group						
2012						
Foreign trade payable	**(227)**	**316**	**(102)**	**142**	**–**	**–**
Foreign trade receivables	**98**	**(136)**	**27**	**(37)**	**–**	**–**
Foreign bank	**267**	**(267)**	**3**	**(3)**	**2**	**(2)**
Group						
2011						
Foreign trade payable	(79)	79	(84)	81	–	–
Foreign trade receivables	277	(277)	81	(81)	–	–
Foreign bank	87	(87)	76	(76)	9	(9)

Sensitivity analysis – forward exchange contracts

Fair value risk arises on the mark to market of the forward exchange contracts. The effect of this risk is shown in the table below. The major risk lies in the exposure to the US Dollar and the Euro. The assumptions used are consistent with the prior year and represent management's best estimate of potential fluctuations in exchange rates. The table is inserted for illustrative purposes only.

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure. The notional principle amounts of the outstanding forward foreign exchange contracts at 29 February 2012 were R26 712 906 and expected to mature within the next 12 months.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

33. RISK MANAGEMENT (continued)

Sensitivity analysis – forward exchange contracts (continued)

	After tax effect on profit and loss arising from US Dollar		After tax effect on profit and loss arising from Euro		After tax effect on profit and loss arising from British Pound	
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
2012						
Financial liabilities	**96**	**(96)**	**1 131**	**(1 131)**	**2**	**(2)**
Group						
2011						
Financial assets	16	(16)	5	(5)	–	–
Financial liabilities	–	–	–	–	(1)	1

34. EVENTS AFTER THE REPORTING PERIOD

The company has committed to purchasing the commercial building at Teakwood Road, Jacobs, KZN. The details of the commitment are set out in note 32 to the annual financial statements.

A final dividend of 1 cent per share was declared on 21 May 2012. The gross value of the dividend amounts to R2,6 million.

	Group		Company	
	2012	2011	**2012**	2011
	R'000	R'000	**R'000**	R'000
35. EARNINGS AND HEADLINE EARNINGS PER SHARE				
Basic attributable earnings per share are calculated by dividing the net profit attributable to the 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: Weighted average number of treasury shares held in a subsidiary at the end of the year	**(2 484)**	(342)	**–**	–
	257 516	259 658	**–**	–
Headline earnings for the group have been computed as follows:				
Profit attributable to ordinary shareholders	**15 634**	12 013	**–**	–
– Profit/(loss) on sale of property, plant and equipment	**(199)**	(91)	**–**	–
– Impairment for goodwill	**–**	4 000	**–**	–
– Negative goodwill (gain from bargain purchase)	**–**	(5 791)	**–**	–
Headline earnings for the group	**15 435**	10 131	**–**	–
Basic and fully diluted:				
Earnings per share (cents)	**6,07**	4,63	**–**	–
Headline earnings per share (cents)	**6,00**	3,90	**–**	–

No diluted earnings per share is reflected as there is no dilutive impact on the number of shares in issue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

36. BUSINESS ACQUISITION IN 2011

Metlite Alloys (Proprietary) Limited and Metlite Alloys Properties (Proprietary) Limited

The group acquired the entire share capital of Metlite Alloys (Proprietary) Limited and Metlite Alloys Properties (Proprietary) Limited, a supplier and manufacturer of aluminium alloys with effect from 13 July 2010. They were consolidated in the prior year financial statements from this date. The businesses were acquired for a total consideration of R10,98 million. The fair value of the assets and liabilities acquired amounted to R16,77 million and a gain of R5,79 million was recognised from the bargain purchase (negative goodwill).

This acquisition enhances our operational abilities and reflects our commitment to the aluminium market. Metlite Alloy's Properties (Proprietary) Limited was also purchased, as Metlite Alloys (Proprietary) Limited operates from the property owned by Metlite Alloys Properties (Proprietary) Limited. Metlite Alloys (Proprietary) Limited is part of the Foundry segment and complements our core business.

The acquired business contributed revenue of R54,4 million and a profit before taxation of R3,8 million from the date of acquisition to 28 February 2011, and its assets and liabilities at 28 February 2011 were R27,1 million and R8,1 million, respectively. If the acquisition had occurred on 1 March 2010, group revenue would have been R23,4 million more, and operating profit for the period would have increased by R226,9 thousand. These amounts have been calculated based on the consistent application of the group's accounting policies.

The fair values of assets, liabilities and contingent liabilities have been determined by qualified valuators and management. The fair values of these assets, liabilities and intangible assets are set out in note 34.

Details of net assets acquired and negative goodwill are as follows:

Purchase consideration	**R'000**
Total purchase consideration settled in cash	10 982
Fair value of net assets acquired	(16 773)
Remaining goodwill – bargain purchase gain	(5 791)

The purchase consideration paid is based on the carrying values of the acquired business and a gain was recognised against initial recognition at fair value. This gain is attributable mainly to property, plant and equipment.

Assets acquired in a business combination are brought into the group at their fair values taking into account the cost of similar assets of comparable age and usage. The principles applied in the fair value process are consistent with the industry in which the acquiree operates. Intangible assets are carried on consolidation of the acquirer.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

for the year ended 29 February 2012

37. BUSINESS ACQUISITION

The assets and liabilities arising from the acquisition of Metlite Alloys (Proprietary) Limited and Metlite Alloys Properties (Proprietary) Limited in 2011 are as follows:

	Fair value R'000	Carrying amount R'000
Cash and cash equivalents	1 207	1 207
Property, plant and equipment	11 636	5 673
Inventories	3 557	3 557
Receivables	7 392	7 392
Loan account	–	(1 622)
Payables	(7 027)	(7 027)
Net deferred tax liabilities	(2 490)	(171)
Regulatory permit	2 500	–
Net assets	16 773	9 009
Less: Non-controlling interests		
Net assets acquired	16 773	
Bargain purchase gain	(5 791)	
Purchase consideration settled in cash	10 982	
Less: Current bank balance as at acquisition	(1 207)	
Cash outflow on acquisition	9 775	

Transaction costs to the value of R100 000 were incurred and are included in administration expenses in the income statement.

SEGMENTAL REPORT

2012 Revenue	Foundry R'000	Steel R'000	Refractory R'000	Total R'000
Sale of goods	540 872	215 738	85 094	841 704
Commission	293	–	2 720	3 013
	541 165	215 738	87 814	844 717
Cost of sales	(481 692)	(193 302)	(76 262)	(751 256)
Gross profit	59 473	22 436	11 552	93 461
Other income	305	–	–	305
Profit before operating and administration expenses	59 778	22 436	11 552	93 766
Operating and administration expenses				
Communication	(1 124)	(75)	(100)	(1 299)
Consulting and professional fees	(2 063)	(8)	(59)	(2 130)
Depreciation and amortisation	(4 077)	–	(126)	(4 203)
Employee cost	(27 789)	(2 032)	(4 478)	(34 299)
Motor vehicle expenses	(1 122)	(254)	(251)	(1 627)
Other expenses	(16 379)	(263)	(389)	(17 031)
Occupancy	(3 718)	–	(259)	(3 977)
	(56 272)	(2 632)	(5 662)	(64 566)
Operating profit before finance income	3 506	19 804	5 890	29 200

2011 Revenue	Foundry R'000	Steel R'000	Refractory R'000	Total R'000
Sale of goods	411 430	219 012	98 112	728 554
Commission	273	15	3 316	3 604
	411 703	219 027	101 428	732 158
Cost of sales	(354 789)	(204 758)	(83 118)	(642 665)
Gross profit	56 914	14 269	18 310	89 493
Other income	–	–	302	302
Gain on bargain purchase	5 791	–	–	5 791
Profit on disposal of assets	126	–	–	126
Profit before operating and administration expenses	62 831	14 269	18 612	95 712
Operating and administration expenses				
Communication	(824)	(150)	(263)	(1 237)
Consulting and professional fees	(1 937)	(422)	(714)	(3 073)
Impairment	(4 000)	–	–	(4 000)
Depreciation and amortisation	(4 043)	(457)	(702)	(5 202)
Employee costs	(24 047)	(4 166)	(9 487)	(37 700)
Motor vehicle expenses	(1 004)	(172)	(486)	(1 662)
Other expenses	(10 697)	(780)	(1 684)	(13 161)
Occupancy	(4 062)	(450)	(584)	(5 096)
	(50 614)	(6 597)	(13 920)	(71 131)
Operating profit before finance income	12 217	7 672	4 692	24 581

SEGMENTAL REPORT (CONTINUED)

Management considered various factors, including geographical, product and managerial structure to determine the operating and reporting segments. Management has determined the operating segments based on the reports reviewed and this is supported by management reporting disciplines, which include monthly variance reporting. The segments reported on in the Annual Report are identical to the operating segments identified and management is satisfied that the operating segments are appropriately aggregated.

Insimbi's performance is monitored continuously and issues arising are addressed at monthly management meetings that have board representation. Management assesses the performance of the operating segments based on the measures such as gross and operating profit in a manner consistent with that in the income statement. There is no disclosure of assets and liabilities per segment as the board does not measure the assets and liabilities per segment as it is not possible to specifically allocate to specific segments.

Major customers: 10,1% (2011: 8,8%) of total revenue results from sales to a single external customer.

SHAREHOLDERS' ANALYSIS

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	142	28,51	319 857	0,12
5 001– 50 000 shares	218	43,78	4 223 323	1,62
50 001 – 100 000 shares	35	7,03	2 604 330	1,00
100 001 – 250 000 shares	58	11,65	8 705 022	3,35
250 001 – 500 000 shares	21	4,22	7 254 859	2,79
500 001 – 1 000 000 shares	10	2,01	8 348 533	3,21
1 000 001 shares and over	14	2,81	228 544 076	87,90
Total	498	100,00	260 000 000	100,00
Distribution of shareholders				
Banks	5	1,00	7 153 059	2,75
Close corporations	5	1,00	434 352	0,17
Endowment funds	2	0,40	60 000	0,02
Individuals	431	86,55	210 838 961	81,09
Nominees and trusts	27	5,42	9 349 030	3,60
Other corporations	9	1,81	329 515	0,13
Own holdings	1	0,20	4 855 724	1,87
Private companies	17	3,41	26 714 359	10,27
Public companies	1	0,20	265 000	0,10
Total	498	100,00	260 000 000	100,00
Non-public shareholders	11	2,21	191 530 024	73,67
Directors and associates of the company	10	2,01	186 674 300	71,80
Treasury shares*	1	0,20	4 855 724	1,87
Public shareholders	487	97,79	68 469 976	26,33
Total	498	100,00	260 000 000	100,00
Beneficial shareholding, other than directors, holding 5% or more				
TP Hentiq 6064 (Pty) Limited			15 000 000	5,77
Beneficial shareholding by directors holding 5% or more				
Schutte, PJ			44 884 500	17,26
Botha, F			44 758 300	17,21
Liechti, EP			44 672 000	17,18
Botha, CF			44 672 000	17,18
Total			193 986 800	75,61

Refer to the Directors' Report for details of directors' associates shareholding.

* *At the date that this financial report was prepared, none of the current directors or prescribed officers of the group has purchased or disposed of any of the shares held by them as at 29 February 2012.*

NOTICE OF ANNUAL GENERAL MEETING

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2002/029821/06)
Share code: ISB ISIN: ZAE 000116828
(Insimbi or the company)

Notice is hereby given that the fifth Annual General Meeting of Insimbi Refractory and Alloy Supplies Limited will be held at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Friday, 24 August 2012 at 10:00.

For purposes of the holding of the general and Annual General Meetings, the Companies Act, 71 of 2008, requires that a Record Date be determined by the directors to establish those shareholders of the company that are entitled to attend and to vote at the relevant general or Annual General Meeting.

Accordingly, for purposes of the fifth Annual General Meeting of the company, the Record Date is hereby set at close of business on Friday, 17 August 2012 with the Last Day to Trade in the shares of the company on the JSE Limited being Friday, 10 August 2012.

The purpose of the Annual General Meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:

AGENDA

1. **Presentation of the annual financial statements and reports**
   The annual financial statements of the company, incorporating *inter alia* the Directors' Report, Auditors' Report and Report of the Audit Committee, for the financial year ended 29 February 2012, have been distributed as required and will be presented to the shareholders. The complete set of the consolidated audited annual financial statements, together with the reports, are contained in the Integrated Report.

RESOLUTIONS

2. **Ordinary resolution number 1**
   Approval of the annual financial statements
   "To receive and adopt in terms of item 2(7) of Schedule 5 of the Companies Act, 71 of 2008, as amended, the annual financial statements of the company and its subsidiaries for the year ended 29 February 2012."

3. **Ordinary resolution number 2**
   The appointment of auditor of the company for the ensuing year ending 28 February 2013
   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:
   "To re-appoint, on recommendation of the Audit Committee,
   3.1 PricewaterhouseCoopers Inc. as the auditors of the company, and
   3.2 Mr FJ Lombard is hereby re-appointed as the designated auditor to hold office for the ensuing year in compliance with the requirements of Section 90(2) of the Companies Act, 71 of 2008."

4. **Ordinary resolution number 3**
   Re-appointment of directors
   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:
   Dr GS Mahlati, Messrs F Botha and CF Botha retire in accordance with the company's Memorandum of Incorporation ("MOI") and, being eligible, offer themselves for re-election and appointment:
   4.1 Re-election and appointment of GS Mahlati
   "Resolved that Dr GS Mahlati be re-elected and appointed as director of the company." CV on page 2 of the Annual Report

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

4. **Ordinary resolution number 3 (continued)**

4.2 Re-election and appointment of Mr F Bohta

"Resolved that Mr F Botha be re-elected and appointed as director of the company."

CV on page 2 of the Annual Report.

4.3 Re-election and appointment of Mr CF Botha

"Resolved that Mr CF Botha be re-elected and appointed as director of the company."

CV on page 2 of the Annual Report.

5. **Ordinary resolution number 4**

Appointment of Audit Committee members for the year ending 28 February 2013

To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

"RESOLVED AS AN ORDINARY RESOLUTION that Ms LY Mashologu (Chairperson), Dr GS Mahlati and Mr DJ O'Connor be appointed as the company's Audit Committee members for the year ending 28 February 2013."

5.1 Re-appointment of Ms LY Mashologu as Chairperson

"Resolved that Ms LY Mashologu be re-appointed as Chairperson of the Audit Committee."

5.2 Re-appointment of Dr GS Mahlati as a member of the Audit Committee

"Resolved that Dr GS Mahlati be re-appointed as a member of the Audit Committee."

5.3 Re-appointment of Mr DJ O'Connor

"Resolved that Mr DJ O'Connor be re-appointed as a member of the Audit Committee."

6. **Ordinary resolution number 5**

Appointment of Social and Ethics Committee members for the year ending 28 February 2013

To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

"RESOLVED AS AN ORDINARY RESOLUTION that Mr DJ O'Connor (Chairman), Dr GS Mahlati and Ms LY Mashologu be appointed as the company's Social and Ethics Committee members for the year ending 28 February 2013."

6.1 Re-appointment of Mr DJ O'Connor as Chairman of the Social and Ethics Committee

"Resolved that Mr DJ O'Connor be re-appointed as chairman of the Social and Ethics Committee."

6.2 Re-appointment of Dr GS Mahlati as a member of the Social and Ethics Committee

"Resolved that Dr GS Mahlati be re-appointed as a member of the Social and Ethics Committee."

6.3 Re-appointment of Ms LY Mashologu as a member of the Social and Ethics Committee

"Resolved that Ms LY Mashologu be re-appointed as a member of the Social and Ethics Committee."

7. **Ordinary resolution number 6**

Remuneration report for the year ended 29 February 2012

To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

"To approve, by way of a non-binding, advisory vote, the remuneration philosophy of the company as set out on page 15 of the Integrated Report of which this notice forms part."

King III recommends that the remuneration philosophy of the company be submitted to shareholders for consideration and for an advisory, non-binding vote to provide shareholders with an opportunity to indicate should they not be in support of the material provisions of the remuneration philosophy and policy of the company.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

8. **Ordinary resolution number 7**

   General authority over unissued shares

   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

   "To authorise the directors to allot and issue at their discretion the unissued but authorised ordinary shares in the share capital of the company and/or grant options to subscribe for the unissued shares, for such purposes and on such terms and conditions as they may determine, provided that such transaction(s) has/have been approved by the JSE Limited and are subject to the JSE Listings Requirements."

   In terms of the Companies Act, 71 of 2008, directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's Memorandum of Incorporation or in instances as listed in the Companies Act, 71 of 2008. The JSE requires that the Memorandum of Incorporation should provide that shareholders in a general meeting may authorise the directors to issue unissued shares and/or grant options to subscribe for unissued shares as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements.

9. **Ordinary resolution number 8**

   General authority to issue shares/convertible shares or options for cash

   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

   "RESOLVED that the directors of the company be and are hereby authorised by way of a general authority to issue all or any of the authorised but unissued shares in the capital of the company, including options/convertible shares, as and when they in their discretion deem fit, subject to the Companies Act, 71 of 2008, as amended, the Memorandum of Incorporation of the company and the JSE Listings Requirements as presently constituted and which may be amended from time to time and, provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 15% (fifteen percent) of the number of shares of the relevant class of shares issued prior to such issue."

   Additional requirements imposed by the JSE Listings Requirements

   It is recorded that the company may only make an issue of shares (as defined in the JSE Listings Requirements) for cash under the above general authority if the following JSE Listings Requirements are met:

   (a) 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 equity shares or rights that are convertible into a class already in issue;

   (b) the general authority shall only be valid until the company's next Annual General Meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;

   (c) that issues in the aggregate in any 1 (one) financial year may not exceed 10% (ten percent) of the number of the shares of the company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity shares and options in accordance with the JSE Listings Requirements;

   (d) in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the company and the party/ies subscribing for the shares; and

   (e) any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

   The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

10. Ordinary resolution number 9

Directors or the Company Secretary authority to implement special and ordinary resolutions

To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

"RESOLVED AS AN ORDINARY RESOLUTION that each and every director of the company or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

11. SPECIAL RESOLUTIONS Special resolutions number 1

Directors' fees for the year ending 28 February 2013

To consider and, if deemed fit, to pass, without modification, the following special resolution:

"RESOLVED AS A SPECIAL RESOLUTION:

that the company be and is hereby authorised to pay remuneration to its directors for their services as directors as contemplated in Section 66(8) and 66(9) of the Companies Act; and

that the remuneration structure and amounts as set out below, be and are hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Chairman, at R153 750

Non-executive directors, at R129 150

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the company for the year ending 28 February 2013.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

12. Special resolutions number 2

General approval to repurchase company shares

To consider and, if deemed fit, to pass, without modification, the following special resolution:

"RESOLVED AS A SPECIAL RESOLUTION that the company hereby approves, as a general approval, the acquisition by the company or any of its subsidiaries from time to time of the issued shares of the company or its holding company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the Memorandum of Incorporation of the company, the provisions of Sections 46 and 48 of the Companies Act, No 71 of 2008, as amended, and the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements) as presently constituted and which may be amended from time to time, and provided that acquisitions by the company and its subsidiaries of shares in the capital of the company or its holding company may not, in the aggregate, exceed in any one financial year 10% (ten percent) of the company's issued share capital of the class of repurchased shares from the date of the grant of this general approval."

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the company or its subsidiaries may only make a general acquisition of shares if the following JSE Listings Requirements are met:

(a) any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company or its subsidiaries and the counterparty or in any other manner approved by the JSE;

(b) authorisation thereto being given by its articles;

(c) the general approval shall only be valid until the company's next Annual General Meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

12. Special resolutions number 2 (continued)

(d) in determining the price at which shares are acquired by the company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the company or its subsidiaries;

(e) 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; and

(f) the company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.

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

Statement by the board of directors of the company

Pursuant to, and in terms of, the JSE Listings Requirements and Section 4 and Section 48 of the Companies Act, 71 of 2008, the board of directors of the company hereby state that:

(a) the intention of the directors of the company is to utilise the general approval to repurchase shares in the capital of the company or its holding company if at some future date the cash resources of the company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company and the interests of the company;

(b) in determining the method by which the company intends to repurchase its shares or the shares of its holding company, the maximum number of shares to be repurchased and the date on which such repurchase will take place, the directors of the company will only make repurchases if at the time of the repurchase, they are of the opinion that:

(b.1) the company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve)-month period following the date of this notice of the Annual General Meeting;

(b.2) the consolidated assets of the company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the company and its subsidiaries for the 12 (twelve)-month period following the date of this notice of the Annual General Meeting;

(b.3) the issued share capital and reserves of the company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the company and its subsidiaries for the 12 (twelve)-month period following the date of this notice of the Annual General Meeting; and

(b.4) the working capital available to the company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the company and its subsidiaries for the 12 (twelve)-month period following the date of this notice of the Annual General Meeting.

Reason for and effect of special resolution number 2

The reason for special resolution number 2 is to grant the company a general authority in terms of the JSE Listings Requirements for the acquisition by the company or any of its subsidiaries of shares issued by the company or its holding company, which authority shall be valid until the earlier of the next Annual General Meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall only be valid until the company's next Annual General Meeting, or for 15 (fifteen)-months from the date of passing of this special resolution, whichever period is shorter. The passing and filing of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company or its holding company.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

12. Special resolutions number 2 (continued)

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

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 JSE Listings Requirements for purposes of this general authority:

- Directors – page 2;
- Major shareholders – page 80;
- Directors' interests in ordinary shares – page 29; and
- Share capital of the company – page 26.

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 4 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 JSE Listings Requirements.

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 the year ended 29 February 2012 and up to the date of this notice.

13. Special resolution number 3: Financial assistance

To consider and, if deemed fit, to pass, without modification, the following special resolution:

"Resolved as a special resolution, in accordance with Sections 45 (2) and 45(3) of the Companies Act, 71 of 2008, it is hereby resolved that the directors of the company be and they are hereby authorised to provide direct or indirect financial assistance to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, subject to subsections (3) and (4) of the Companies Act, 71 of 2008 and the Listings Requirements of the JSE Limited (JSE Listings Requirements); and resolved further, in accordance with Sections 44(2) and 44(3) of the Companies Act, 71 of 2008, the company's board of directors be and they are hereby authorised to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any shares, issued or to be issued by the company or a related or inter-related company, or for the purchase of any shares of the company or a related or inter-related company, subject to subsection (3) of the Companies Act, 71 of 2008 and the JSE Listings Requirements."

Explanatory note on special resolution number 3

The reason for and the effect of special resolution number 3 is to approve the authority of the company's directors to provide financial assistance to directors and to all subsidiary, related and inter-related companies within the Insimbi group of companies.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

14. Special resolutions number 4

Replacement of the company's Articles of Association with the Memorandum of Incorporation

To consider and, if deemed fit, to pass, without modification, the following special resolution:

"RESOLVED AS A SPECIAL RESOLUTION that the company hereby revoke the Articles of Association in its entirety and replace it with the Memorandum of Incorporation".

Reason and effect of special resolution number 4

The reason for the this resolution is that the Companies Act, 64 of 1973 was replace with the Companies Act, 71 of 2008 whereby Companies were advise that Articles of Association should be replaced with the Memorandum of Incorporation.

The effect of this resolution will be that the company will bring the Memorandum of Incorporation in compliance with The Companies Act, the JSE Listings Requirements as well as King III.

The Memorandum of Incorporation is attached as "Annexure A" to the 2012 Integrated Annual Report.

ACTION REQUIRED

Certificated shareholders and "own name" dematerialised shareholders

If you are unable to attend the Annual General Meeting of the company to be held at Insimbi's offices at 359 Crocker Road, Wadeville, Extension 4, Germiston on 24 August 2012 at 10:00, 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 10:00 on 22 August 2012.

Dematerialised shareholders

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

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

A form of proxy, which sets out the relevant instructions for use, is attached for those members who wish to be represented at the Annual General Meeting of members. Duly completed forms of proxy must be lodged with the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown, 2017), to be received by not later than 10:00 on 22 August 2012.

By order of the board

K Holtzhausen
Company secretary

21 May 2012

SHAREHOLDERS' DIARY

Publication of annual reports (mailed to shareholders)	31 May 2012
Last day to trade in order to be eligible to participate and vote at the AGM	10 August 2012
Record date for voting purposes	17 August 2012
Proxy date and time	22 August 2012 at 10:00
Annual General Meeting	24 August 2012 at 10:00

REPORTS AND FINANCIAL STATEMENTS

Annual results announcement (on or about)	31 May 2012
Financial year-end	Last day of February

Notes:
The above dates and times are subject to change. Any changes will be released on SENS.

If the Annual General Meeting is adjourned or postponed, forms of proxy must be received by no later than 48 hours prior to the time of the adjournment or postponed Annual General Meeting (excluding Saturdays, Sundays and official South African public holidays).

ADMINISTRATION

DIRECTORS
PJ Schutte
F Botha
CF Botha
EP Liechti
GS Mahlati*
DJ O'Connor*
LG Tessendorf – Alternate
LY Maashologu*

* *Independent non-executive*

REGISTERED OFFICE
359 Crocker Road
Wadeville, Extension 4,
Germiston,
1407,
Gauteng

BUSINESS ADDRESS
359 Crocker Road
Wadeville, Extension 4,
Germiston,
1407,
Gauteng

POSTAL ADDRESS
PO Box 14676,
Wadeville,
1422

ATTORNEYS
Eversheds
(Registration number 1992/00615/0/21)
PO Box 78333,
Sandton,
2146

BANKERS
Nedbank Limited
(Registration number 1951/00009/06)

AUDITORS
PricewaterHouseCoopers Inc.
Registered Auditors

COMPANY SECRETARY
K Holtzhausen

COMPANY REGISTRATION NUMBER
2006/009481/07

TAX REFERENCE NUMBER
9221216162

PUBLISHED
31 May 2012

SPONSOR
Bridge Capital Advisors (Proprietary) Limited
(Registration number: 1998/016302/07)
27 Fricker Road,
Illovo,
2198

TRANSFER SECRETARIES
Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)

Ground Floor
71 Marshall Street
Johannesburg, 2001
PO Box 61051,
Marshalltown,
2107

NOTES

FORM OF PROXY

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2002/029821/06) Share code: ISB ISIN: ZAE000116828

(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, Extension 4, Germiston on 24 August 2012 at 10:00, (the Annual General Meeting).

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the subregister as an own name dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the company's subregister.

This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's subregister as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, participate in and speak and vote in place of that shareholder at the Annual General Meeting, and at any adjournment thereafter.

Please note the following:
- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the Annual General Meeting;
- The appointment of the proxy is revocable; and
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the Annual General Meeting.

Please also note that Section 63(1) of the Companies Act, 71 of 2008, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each member present or represented by way of proxy will be entitled to vote.

I/We (name in block letters)

of (address) Telephone: Work ( ) Telephone: Home ( )

being the holder/s of ordinary shares in the company, hereby appoint (refer to note 1)

1. or failing him/her

2. or failing him/her

3. The Chairman of the Annual General Meeting

as my/our proxy to attend, speak, vote and act for me/us on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the company registered in my/our name/s, in accordance with the following instructions (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my behalf at the Annual General Meeting, provided that my/our proxy:
- May only delegate his/her authority to act on my behalf at the general meeting to a director of the company; and
- Must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the general meeting by no later than 10:00 on Wednesday, 22 August 2012, being 48 (forty-eight) hours before the general meeting to be held at 10:00 on Friday, 24 August 2012; and
- Must provide to his/her delegee a copy of his/her authority to delegate his/her authority act on my behalf at the general meeting.

	Number of votes on a poll (one vote per ordinary share)		
To pass ordinary resolutions	In favour	Against	Abstain
1. Approval of annual financial statements			
2. Appointment of auditors			
2.1 Appointment of PricewaterhouseCoopers			
2.2 Appointment of F Lombard as the designated auditor			
3. Appointment of directors			
3.1 GS Mahlati			
3.2 F Botha			
3.3 CF Botha			
4. Appointment of Audit Committee members			
4.1 LM Mashologu			
4.2 GS Mahlati			
4.3 DJ O'Connor			
5. Appointment of Social and Ethics Committee members			
5.1 DJ O'Connor			
5.2 GS Mahlati			
5.3 LM Mashologu			
5. Approval of the Remuneration Report			
6. Placing unissued shares under the control of directors			
7. General authority to issue shares/convertible securities or operations for cash			
8. Directors' and Company Secretary authority to implement company resolutions			
Special resolution number 1: Approval of directors' fees for 2013 financial year			
Special resolution number 2: General authority to purchase company shares			
Special resolution number 3: Financial assistance to directors and to all related and inter-related companies within Insimbi group of companies			
Special resolution number 4: Adopt the Memorandum of Incorporation			

Signed at on 2012

Signature Telephone number

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9) Please also read the notes overleaf

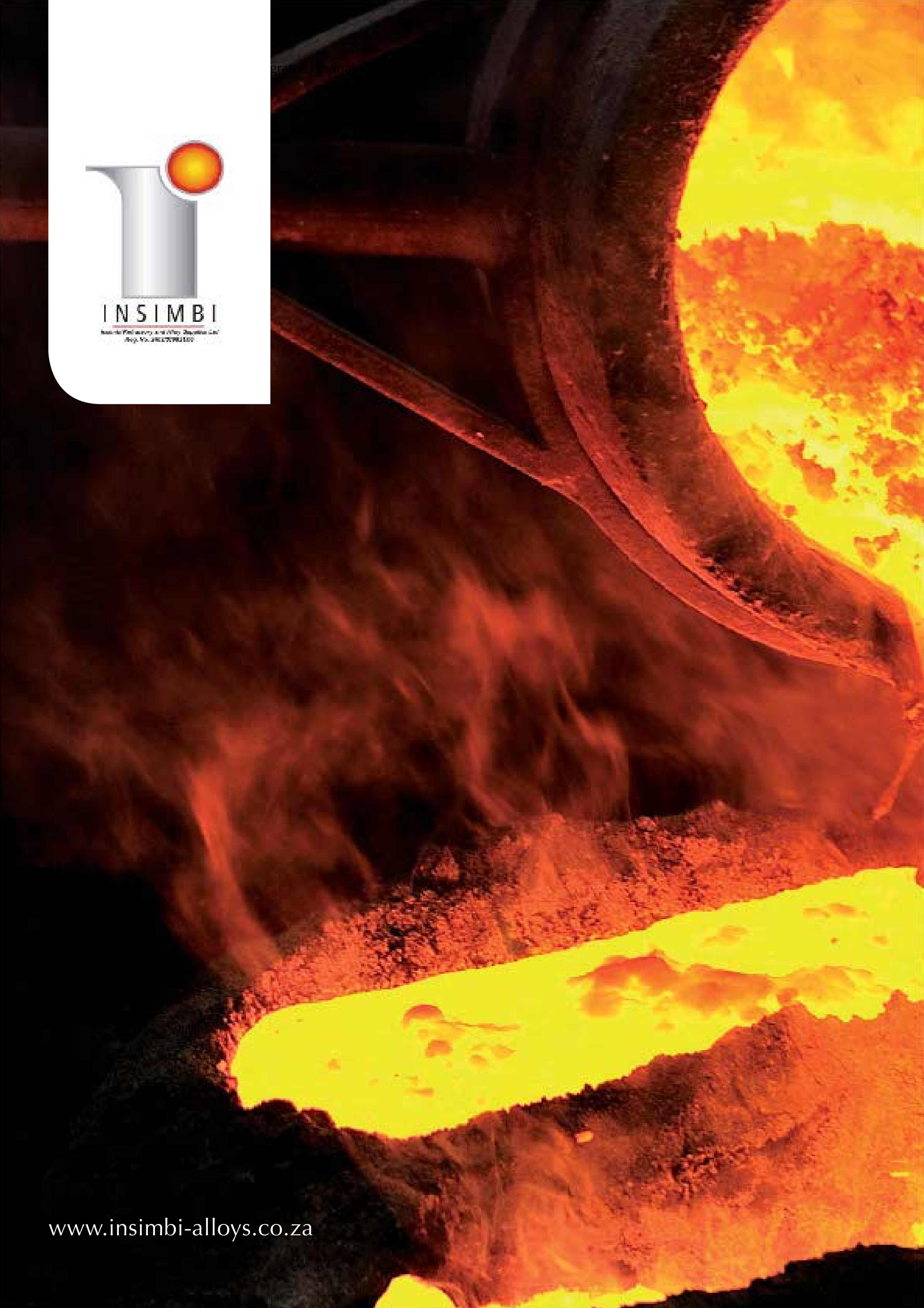
NOTES TO THE FORM OF PROXY

1. The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. Forms of proxy must be received or lodged by no later than 10:00 on Wednesday, 22 August 2012, being no later than 48 (forty-eight) hours before the Annual General Meeting to be held at 10:00 on Friday, 24 August 2012.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting. CSDPs or brokers registered in the company's subregister voting on instructions from beneficial owners of shares registered in the company's subregister, are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

SUMMARY OF SHAREHOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT, 71 OF 2008

Please note that in terms of Section 58 of the Companies Act, 71 of 2008:

- This proxy form must be dated and signed by the shareholder appointing the proxy;
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at a shareholders' meeting on our behalf;
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- This proxy form must be delivered to the company, or to the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid;
- If this proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act, 71 of 2008 or the company's Memorandum of Incorporation to be delivered by the company to you will be delivered by the company to you or your proxy or proxies, if you have directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so;
- Your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this proxy form; and
- The appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof or for a period of six months, whichever is shortest, unless it is revoked by you before then on the basis set out above.



INSIMBI

www.insimbi-alloys.co.za