INTEGRATED ANNUAL REPORT 2013

INSIMBI

CONTENTS

GROUP STRUCTURE

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 sixth report to the public shareholders of Insimbi Refractory and Alloy Supplies Limited and outlines both financial and corporate issues.

LETTER TO STAKEHOLDERS

We are pleased to present to you the annual report for Insimbi Refractory and Alloy Supplies Limited ("Insimbi" or "the company"), which includes Insimbi Alloys Supplies Proprietary Limited, the operating entity for the year ended 28 February 2013. The scope of this report includes Insimbi and its subsidiaries. There has been no significant change in our size, structure, ownership or products and there are no specific limitations on the scope or boundary of this report. In order to avoid repeating ourselves this year, we wish to use the 2013 Integrated Annual Report to communicate to you how our strategy has evolved to meet the ongoing challenges and opportunities experienced in the dynamic trading and resources market.

We welcome the opportunity that an integrated approach to reporting offers us to break down reporting and provide a broader explanation of our performance, underpinned by a strategic focus, connectivity of information, a future orientation and an inclusive and responsible approach to stakeholders.

The capitals model (natural, human, social, manufactured and financial capital), as recommended in the International Integrated Reporting Committee's ("IIRC") discussion paper, will be reported on in the 2014 Integrated Annual Report. We depend on a variety of resources and relationships for our success and the extent to which we are depleting these or building them up has an important impact on the availability of the resources at our disposal and the relationships that support our long-term viability.

PricewaterhouseCoopers Inc. acts as our external auditors and will audit our annual financial statements. In compliance with International Financial Reporting Standards ("IFRS"), an independent auditors' report on the financial statements contained in this report appears on page 31 of our annual financial statements, which can be found on our website at www.insimbi-alloys.co.za.

Forward looking statements

Certain statements in this report constitute "forward looking statements". Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performances, objectives or achievements of Insimbi and its subsidiary companies, as well as the industries in which it operates, to be materially different from future results, performances, objectives or achievements expressed or implied by these forward looking statements. The performance of the Insimbi Group is subject to the effect of changes in commodity prices, industrial actions, currency fluctuations, uncertainty around the supply of electrical power, the risks involved in mining and smelting operations and the operating procedures. The company undertakes no obligation to update publicly or to release any revisions to these forward looking statements to reflect events or circumstances after the date of publication of this report or to reflect the occurrence of unanticipated events.

DJ O'Connor
Chairman

ORGANISATIONAL OVERVIEW

OUR BUSINESS

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 have been identified. We hedge certain LME commodities, where possible, but the majority of our commodities are not linked to any exchange.

Over the past decades we have 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 basis and to date we have been able to identify and eliminate the risks in advance. 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 in respect of 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.

Insimbi's business model has over the years evolved into three distinct segments which complement 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; with a specific focus on the needs of South African producers but with a growing customer base in other emerging market countries.

Foundry: This segment focuses on the supply of a diverse range of alloys and ancillary raw materials, eg foundry sand, ceramic ducting, and to ferrous and non-ferrous foundries across the board, including 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.

STAKEHOLDER RELATIONSHIPS

Our progress on sustainability commitments

In our 2012 Annual Report, we committed to several targets with regard to integrating sustainability into our business strategy.

Our progress report for 2013 is as follows:

- Our targets for formal engagement forums for each stakeholder grouping have not been met.
- A comprehensive internal due diligence process was completed before the recommisioning of our aluminium smelting plant in Benoni. Our application for an atmospheric emission licence in terms of chapter 5 of the National Environmental Management: Air quality Act was approved in November 2012. Each due diligence is unique, and we would therefore determine the process required by each project, going forward.
- BEE and transformation remains a challenge and our focus for 2014 is to facilitate the entrance of new investors, for which black ownership will be a screening criterion for such.

We are aware that there is still much work to be done in achieving our sustainability commitments, and our previous targets have therefore been extended into the 2014 financial year.

Our approach to risk

We recognise that risk is inevitable in business and that it goes hand in hand with opportunity.

We have established a risk management system that allows us to pursue business opportunities and grow shareholder value, monitor risk in our investments and develop and protect our people and the environment in which our group operates.

ORGANISATIONAL OVERVIEW CONTINUED

MATERIAL ISSUES

In order to make informed decisions and take appropriate action the company and its stakeholders need to identify the issues material to the sustainability of our business. The stakeholders that could be affected by these issues include our employees, shareholders, trade unions, the communities in which the company operates and local government.

The following are our material issues that have to be considered on financial and non-financial information. These issues drive our sustainability and their possible impact on Insimbi and its stakeholders.

Issue	Stakeholders that could be impacted by or have an impact on this issue	Possible impact	Our mitigating actions/ opportunities this issue creates for the business and our response
Global economic environment	• Shareholders • Insimbi's management • Employees	• Positive/negative impact on – Demand for products – Rand/Dollar exchange rate – Shareholders as well as stakeholders – Profitability of the group economic performance	• While we cannot influence the rand/dollar exchange rate or the global economy and market demand dictates the price of our products, Insimbi can take action to contain costs and remain as competitive as possible. • We are always identifying ways to reduce our costs across the board.
Diversification	• Shareholders • Insimbi's management • Employees • Customers • Suppliers	• Diversification into commodities and/or the production of commodities would increase our product range and enhance our profitability	• The diversification strategy was approved by exco.
Empowerment credentials	• Shareholders • Employees	• Low empowerment ratings could impact negatively on our sustainability in time.	• Identify strategies to increase our empowerment ratings. • Identify an empowerment partner of choice.
Safety, health and wellbeing of Insimbi's employees	• Employees • Contractors • Health and safety regulator • Trade unions	• Loss of skilled employees • Loss of production impacting on profitability • Negative impact on employee morale • Reputational damage	• Establishment of the Occupational, Health and Safety Committee to provide training to create a culture where every employee takes responsibility for their safety and that of their fellow employees.
Industrial action in the mining industry	• Employees • Trade unions • Shareholders • Community • Suppliers • Customers	• Loss of product supply • Increased costs due to increased demands • Breakdown in business relationships – from supply and source side.	• Insimbi has no influence in the mining sector, very dependent on the supply chain, we strive to secure sustainable relationships with our suppliers and customers.
Environment	• Shareholders • Employees • Local municipalities • GDARD	• Delay in issuing of operational licences • Decreased production and profitability	• Insimbi continues to engage with the local municipality with the aim of achieving a solution that adheres to the legislation to secure a sustainable production, ie chrome drying plant.

Issue	Stakeholders that could be impacted by or have an impact on this issue	Possible impact	Our mitigating actions/ opportunities this issue creates for the business and our response
Energy price and the availability thereof	• Shareholders • Management and employees • Customers	• Loss of sales if increased costs make our product prices uncompetitive • Loss of source because of power not being available • Unable to grow the market share	• Insimbi has no influence in the energy supply, generators have been installed in all the plants to continue production in times of power failures.
Local economic environment	• Financial institutions • Suppliers • Customer	• Liquidity: Cash tied up in stock • Credit: a contracting entity defaults, resulting in a financial loss • credit ratings and reports and in certain instances has credit insurance;	• Insimbi manages the liquidity position of the group to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. • We monitor customers, obtain external credit ratings and reports and in certain instances have credit insurance.

CAPITALS MODEL

A brief outline of the capitals model (natural, human, social, manufactured and financial capital), as recommended in the International Integrated Reporting Committee's ("IIRC") discussion paper, is included below. Insimbi has to determine its impact on the sustainability on all aspects of the model.

NATURAL CAPITAL

Natural capital includes the natural resources and processes needed by an organisation to produce its products

This includes renewable (timber and water) and non-renewable (fossil fuels and minerals and metals) resources and processes such as energy consumption, waste creation, emissions, etc. Without access to the natural capital contained in our mineral reserves and resources our business would not exist.

We maintain and enhance natural capital by:

- Reducing our dependence on fossil fuel;
- Eliminating waste by reusing or recycling it wherever possible;
- Protecting biodiversity and eco-systems;
- Wherever possible using renewable resources for well managed and restorative eco-systems;
- Managing resources and reserves efficiently.

HUMAN CAPITAL

Human capital includes health, safety knowledge, skills, intellectual outputs, motivation and the capacity for relationships of individuals.

Organisations depend on individuals to function. They need a healthy, motivated and skilled workforce. Intellectual capital and knowledge management is also recognised as a key intangible creator of wealth. Damaging human capital by abuse of human rights or labour rights or compromising health and safety has direct, as well as reputational costs.

Training and development

Adult basic education and training ("ABET") certainly has its place in our society. Too many individuals are victims of their past circumstanse or bad decisions in their lives and as a result are uneducated and unable to obtain a job where they are earning enough income to care for their families. Here at Insimbi we have started investigating ABET training for the benefit of our staff members. ABET courses can involve teaching individuals a variety of skills to ensure that they are able to further themselves in their chosen fields. Therefore we are sourcing various ABET training course quotes that can be held on our premises which will roll out into 2014. Our commitment is to provide top quality education to those that want and crave it.

ORGANISATIONAL OVERVIEW CONTINUED

Current employee profile at Insimbi Alloy Supplies (February 2013)

Occupational level	Group	Gender							
	White		African		Indian		Coloured		Total
Level	Male	Female	Male	Female	Male	Female	Male	Female	
Top management senior	7		1	1					9
Management	10	3			1	1	1	1	17
Middle management	4	6				1			13
Junior management	5	13	41	9	2	2	6	3	81
Semi-skilled		9	11	7		1	9		37
Unskilled			10	1			1	4	16
Grand total	**26**	**31**	**65**	**18**	**3**	**5**	**17**	**8**	**173**

SOCIAL CAPITAL

Social capital is any value added to the activities and economic outputs of an organisation by human relationships, partnerships and cooperation. Organisations rely on social relationships and interactions to achieve their objectives. Externally, social structures help create a climate of consent or a licence to operate, in which trade and the wider functions of society are possible. Organisations also rely on wider socio-political structures to create a stable society in which to operate, eg government and public services, effective legal systems, trade unions and other organisations.

To enhance social capital we:

- Contribute to open, transparent and fair governance;
- Source material ethically, treat suppliers, customers and citizens fairly;
- Respect and comply with all governing legislation;
- Invest in social infrastructure;
- Provide communication; and
- Minimise any negative social impacts of our operations and maximise the positive impacts.

Socio-economic development

Insimbi is committed to CSI but unfortunately we have been faced with a number of challenges in making tangible achievements 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 have faced us over the last five years; our responsibility is first and foremost to our shareholders and in difficult times, this is where we have focused.

We are confident that the economic climate will improve, we hope that we 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 BBBEE scorecard in this area.

Socio-economic development has been assigned to the newly established Social and Ethics Committee. The committee will focus on the enhancement of the group's BEE status and transformation initiatives.

MANUFACTURED CAPITAL

Manufactured capital in the trading context relates to the trading process and how it is conducted and the commodities which are being sourced and delivered to local and international customers.

Manufactured capital is important to an organisation's sustainability because its efficient use, allows an organisation to be flexible and innovative and increases the speed at which it delivers.

We enhance our manufactured capital by:

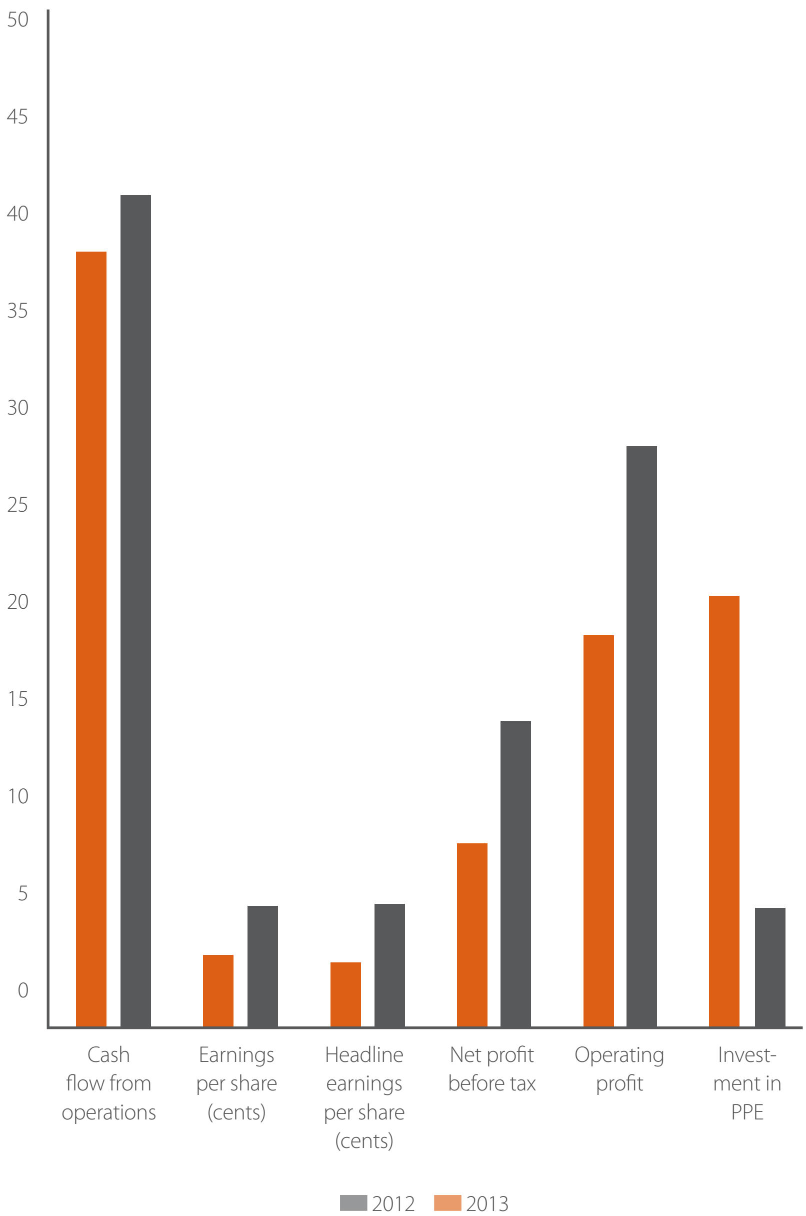
- Employing our infrastructure, technologies and processes to use our resource most efficiently; and
- Devising technology and management systems that reduce our waste emissions.

FINANCIAL CAPITAL

Financial capital makes it possible for the other types of capital to be owned and traded and is representative of how successful we have been at achieving the sustainable development of our natural, human, social or manufactured capital.

Sustainable organisations need a clear understanding of how financial value is created, in particular the dependence on other forms of capital. We enhance our financial capital by:

- Effective management of risk;
- Corporate governance structures; and
- Assessing the wider economic impacts of our activities on society.



FINANCIAL INDICATORS

Cash flow from operations **down 7% to R38,5 million**

Earnings per share from continuing operations **down 39% to 3,61 cents**

Headline earnings per share from continuing operations **down 47% to 3,15 cents**

Net profit from continuing operations **down 41% to R8,9 million**

Operating profit from continuing operations **down 32% to R19,4 million**

Investment in property, plant and equipment **up 367% to R21,3 million**

CORPORATE GOVERNANCE

INTRODUCTION

Insimbi's governance structure is founded on effective and responsible leadership. The board regards governance as fundamentally essential to the success of the company's business and is committed to applying the principles of good governance in directing and managing the company to achieve its strategic objectives.

These financial statements have been audited in compliance with the requirements of the Companies Act, International Financial Reporting Standards and the JSE Listing Requirements. The preparation of the Annual Financial Statements has been supervised by Mr GE Ferns, CA (SA), Group Financial Director.

CORPORATE GOVERNANCE

Insimbi endorses the principles of the Code of Corporate Practices and Conduct recommended in the King Report on Corporate Governance. We continue to develop our governance policies, practices and procedures in line with an integrated governance, risk and compliance framework. The board is satisfied and believes that every effort has been made in 2012/13 to apply all material aspects of King III as far as appropriate.

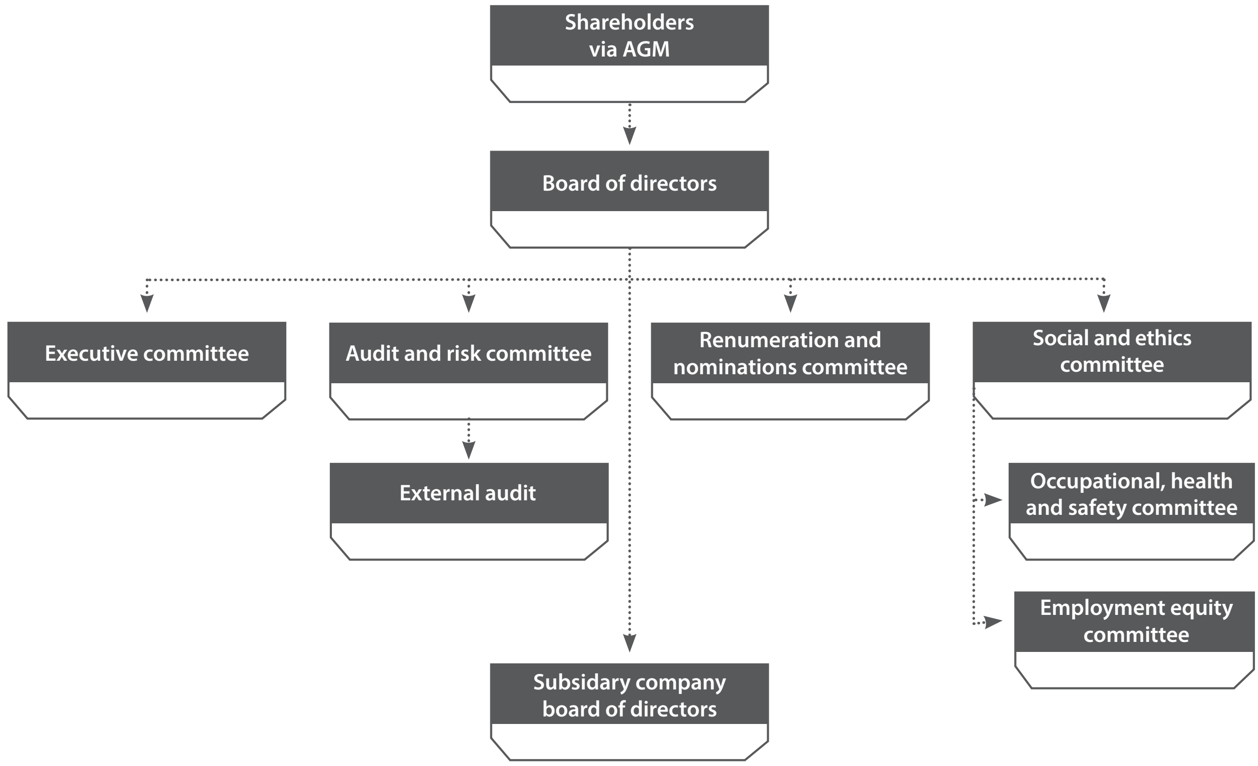
During the year under review focus had been placed on areas in which the application of the King III principles could be improved such as risk management, integrated reporting structure and processes and compliance. In support of the company's commitment to strengthen its application of the King III principles:

- The group has enhanced its risk assessment procedures to include strategic objectives, extensive risk categorisation, periodic assessment of risk movements, assessing assurance over risks, prioritised residual risk exposures and action plans.
- Management completed a review of the group's compliance function with the objective of providing assurance on the initiatives taken to date as well as the compilation of a roadmap and advice on a way forward to mature the company's compliance function.
- IT governance, was highlighted as one of the areas that requires an in-depth review of the group's processes as they relate to King III.

ETHICAL CODE AND VALUES

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. A set of values and a behavioural code of conduct require staff to display integrity, mutual respect and openness, and afford them the right and obligation to challenge others who are not adhering to these values.

Governance framework



The Social and Ethics Committee is responsible for monitoring ethics practices and the report of the committee appears on page 18. The Social and Ethics Committee will review and update the group's documented policies and practices to enhance and promote ethical conduct and good corporate citizenship and the group's pledge 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.

These policies also set stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interest.

The board and executive management base all their decisions and actions on the business judgement 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;
- 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.

BOARDS OF DIRECTORS AND NON-EXECUTIVE 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. Assessments of the performance of the board collectively and the directors individually were conducted in March 2013. The board was assessed on its effectiveness and composition, board dynamics, risk management, ethical leadership and corporate citizenship, remuneration of directors and succession planning. Individual directors were appraised in terms of knowledge, skills and execution of duties. The results were summarised in a report from the company secretary to the chairman of the board.

In the same process, the directors formally assessed the performance of the chairman and the CEO, which was reported to the board by the chairman of the Remuneration and Nominations Committee. All assessments are approached in a constructive manner with a view of improving the effectiveness of the board, the chairman and the directors

Considerable thought has been given to the board composition and legislative requirements, the board is committed to implementing a strategy to deal with compliance in this area.

The roles of Chairman and Chief Executive Officer are separated in line with the recommendations of King III and JSE regulations.

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.

Newly appointed directors are required to attend the Directors Induction Course within two months after their appointment. The current board of directors received and attended presentations and discussion on legislative changes during the year under review. 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 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 any interests in contracts 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 every board meeting. Under Audit and Risk Committee supervision and 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.

The board met four times during the period and has a formal schedule of matters reserved to it as recorded in the updated and approved 2013/2014 Board Charter. Attendance at these meetings is reflected in the table below:

Attendance at board and committee meetings

	Board of Directors	Special Board Ad hoc	Audit and Risk	Remuneration and Nominations	Social and Ethics
DJ O'Connor	4	1	3	2	2
PJ Schutte	4	1	nm	2	2
F Botha	4	1	3	2	2
EP Liechti	4	1	nm	nm	nm
CF Botha	4	1	nm	nm	nm
GS Mahlati	3	1	2	2	2
LY Mashologu	3	1	3	2	2

nm – Non-members

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 and Risk Committee;
- Remuneration and Nominations Committee;
- Social and Ethics Committee; and
- Pension Fund Management Committee.

BOARD COMMITTEES

The Audit and Risk Committee ("the committee")

Terms of reference and functions

The committee at its meeting held in September 2012 agreed to reconstitute the Audit Committee to the Audit and Risk Committee. The 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.

The committee has adopted formal terms of reference and has satisfied its responsibilities for the year in compliance with its terms of reference, which functions of the 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. The board delegated this function to management. Management completed a financial and internal control combined assurance effectiveness assessment and provided a written reported to the committee.

The Audit an Risk 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.

Risk management

For the year under review the board delegated the risk management processes to the committee as per Principle 4.3 in King III. Management is committed to maintaining and monitoring 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 2012, 21 May 2012 and 27 September 2012.

Information technology

A policy, which will be reviewed in 2013/2014, 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 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 and Risk 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 and Risk Committee Report is set out on page 24.

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 Ms K Holtzhausen representing Insimbi. Mr L Hutton, 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. Ms K Holtzhausen was nominated and replaced Mr JA Viera-Pereira and she was appointed to represent the employer and Mr L Hutton replaced Mr N Beeslaar to represent the employees.

THE REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee met twice during the year under review.

The committee consists of Mr DJ O'Connor, the Chairman, Ms LY Mashologu and Dr GS Mahlati as members. The committee met twice during the year under review 29 March 2012 and 27 September 2012.

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

The report of the Remuneration and Nominations Committee, which contains a summary of the group's remuneration policy, is set out on page 19.

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.

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

CORPORATE GOVERNANCE CONTINUED

development. Transformation and employment equity will be integrated in this committee's activities.

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 comprise three 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 meets at least twice annually.

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

Reporting

The committee reports, 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.

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.

Newly appointed directors attend a Directors Induction Programme and the Company Secretary oversees this induction process.

The board has assessed the competence, qualifications and experience of the Company Secretary, as required in terms of section 3.84 of the JSE Listings Requirements and has agreed that she is sufficiently qualified, competent and experienced to hold the position of Company Secretary. The board made their assessment during a closed session board meeting. The Company Secretary fulfils no executive management function and is not a director. Therefore, the board is satisfied that the Company Secretary maintained an arm's length relationship with the executive team, the board and individual directors in terms of section 3.84 of the JSE Listings Requirements.

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 23 August 2013 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 78.

Details of the group's engagement with its stakeholders are outlined in the sustainability report on pages 4 to 5.

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 were 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.

DIRECTORATE

EXECUTIVE DIRECTORS

Pieter Jacobus Schutte 54
Chief Executive Officer
National Diploma in Ceramic Technology

Appointed to the board on 11 June 2004.

Prior to joining Insimbi in 1996, Pieter worked for Vereeniging Refractories Proprietary Limited in its Research Technical Department and later as a Technical Sales Representative and at Cullinan Refractories Proprietary 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 49
Commercial 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.

Graham Edward Ferns 52
Financial Director
Chartered Accountant

Appointed to the board on 1 April 2013.

Graham has more than twenty years experience in the manufacturing sector in South Africa. He has worked mainly in large multinational corporate environment with companies such as Smith and Nephew Limited, as financial manager and Sara Lee Corporation as Group Financial Director of Branded Apparel Group, and other JSE listed groups in South Africa.

Eduard Philip Liechti 51
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 25 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.

Colin Francis Botha 45
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.

Leslie Gustav Tessendorf 69
Divisional Director – KwaZulu-Natal Division
Artisan Fitter and Turner

Appointed to the board on 20 July 2005 as alternate to Colin Francis Botha.

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

Les retired from the board and Insimbi on 8 October 2012.

NON-EXECUTIVE DIRECTORS

Dr Gilimamba Sylvester Mahlati 56
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 Chairman of African Financial Group which invests in Healthcare, Resources and Financial Services. He is a non executive Chairman of Arkein International and non executive director of Unihealth a hospital company.

Gil is the Chairperson of the Social and Ethics Committee and is a member of the Audit and Risk Committee and the Remuneration and Nominations Committee.

Lerato Yvonne Mashologu 41
Independent Non-executive Director
Bachelor of Science (BSc) in Mathematics and Computer Science, MBA from Wits Business School and a certificate in Leadership Coaching also from Wits Business School

Appointed to the board on 19 March 2008.

Lerato has several years experience in investments, including in heading various BEE investment organizations. She has also spent a number of years operationally involved as an investor in the IT outsourcing industry. She has a keen interest in BEE transformation. She is the Chairperson of the CIDA Empowerment Trust, an education trust funding tertiary education for historically disadvantaged students. She is MD of the WorkPlace Institute, a consultancy advising on transformation strategies. Lerato is the chairman of the Insimbi Audit and Risk Committee, and member of the Social and Ethics as well as the Remuneration and Nominations Committees.

Daniel John O'Connor 65
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 as well as the Social and Ethics Committee.

CHAIRMAN'S REPORT

INTRODUCTION

The year-ending 2013 began with a general optimism that 2013 would see improved economic conditions and higher growth forecasts for the local economy estimated at 3,6%. We waited with bated breath for the political scenario to unfold running up to the ANC conference in Mangaung on 16 to 20 December 2012 with an expectation that with the political landscape stabilised, there would be a surge of economic activity post Mangaung. Sadly this never happened and even more disturbing was the increase in industrial action across the board in South Africa, predominantly in the second half of the financial year.

This has all contributed to revised GDP growth figures for 2013 which is now estimated by the IMF to be only 2,5%, significantly down on the 3,6% initially forecast.

Much was dependent on the anticipated recovery of the European Zone, our main trading partner, and their growth figures have been cut from an uninspiring 2,4% to a paltry 1,9% for 2013. All of this contributed to what has transpired to be yet another very challenging year for the country and the Insimbi Group

PERFORMANCE

As was the case in previous years we operated in two halves with the first half performance well on target but with trading conditions deteriorating rapidly in the second half, results were disappointing.

The Marikana massacre of mine workers has had a significant negative impact on all sectors of the local economy and the image of SA has been severely tarnished. As a result foreign investment has suffered and in fact the rand has weakened as a result of outflows of foreign money, following this tradegy.

This coupled with the road transport strike and the problems experienced at the Mittal Van der Bijl plant resulted in a very poor 6 month trading period from September 2012 to February 2013, with December 2012 being the worst trading period we have experienced in over 10 years.

Having said all this, revenue for the year was only down by 0,8% on the previous year and gross profit was only down by 7,2% on the previous year which given the hardships experienced by everyone in the second half of the fiscal and financial year, is admirable. Earnings and headline earnings reflect the difficult trading conditions and the impact of the poor performance of the economy and the effect of the strikes during 2012. Earnings for the year are R7,9 million and headline earnings are R8,0 million, earnings from continuing operations are R8,9 million. During the year the group revalued it's land and buildings, resulting in a gain on revaluation of R20,4 million net of deferred taxation. The revaluation is recorded in the group's comprehensive income.

As in the past a huge emphasis was placed on working capital and this resulted in a positive cash flow throughout the year and in fact, despite the difficult trading conditions, operation cashflows were only 6,6% or R2,7 million lower than the previous financial year

BOARD, ETHICS AND CORPORATE GOVERNANCE

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.

Mr F Botha resigned as Financial Director effective 1 April 2013 and Mr GE Ferns was appointed as Financial Director.

OUTLOOK

GDP for the 2014 fiscal year has been forecast at 3,6% and this is expected to be the average annual growth through to the end of 2016. Whilst not earth shattering, it is certainly an improvement on the 2,5% achieved in the year under review.

As always, our performance will be linked to that of the Eurozone and Asia and we remain optimistic that although these continents are not out of the woods yet, that it is only a matter of time before the global economy has completely shrugged off the effects which were triggered by the sub-prime crisis in America in 2007/2008.

On the political side, South Africa has it's fourth democratic election coming up in 2014 and we expect that despite some stability post Mangaung, the government will not embark on any new major infrastructure projects, Having said this, the Minster of Finance has set aside R827 million for infrastructure projects over the next three years and this will bring stabke growth to our businesses.

Plans to inject huge amounts into the local economy will stimulate many sectors and will hopefully see unemployment figures drop.

The implementation of all this spending may, however, prove to be challenge and there are always concerns that these monies, end up disappearing into the "cracks" via widespread corruption and abuse of public funds.

China is also likely to downgrade its expected growth rate which could spell bad news for many sectors. The African continent is expected to grow at around 5% and both SA and Insimbi should be in a position to take advantage of any potential new business. The upcoming wage negotiations with NUMSA may potentially have a negative influence on the economy. These negations' will be critical to continuing growth in the economy. On a positive side the Insimbi Group has survived six years of tough economic conditions which indicates the inherent resilience of the company and that bodes well for the future.

The start up of Nano Milling and the aluminium plant in Johannesburg will definitely stimulate add value to Insimbi's results in 2014.

Thanks
I would like to thank my fellow board members and directors for their continual commitment and positive attitude and it was again a pleasure to be part of the team.

DJ O'Connor
Independent Non-executive Chairman
21 May 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

OVERVIEW OF OPERATIONS

As highlighted in the Chairman's Review, the trading conditions in South Africa were extremely erratic during the year under review and despite the optimism we felt at the end of our interim period ended 31 August 2012, the second half of the financial year from 1st September 2012 to 28th February 2013, was fraught with many unexpected challenges triggered primarily by the widespread industrial action which commenced in September and continued unabated throughout the rest of the year. In particular the road transport strike resulted in us being unable to receive commodities into our warehouses and more importantly, prevented us from making deliveries to our customer base country wide and this had a significantly negative impact on our anticipated results for the year ended 28 February 2013. The expected local GDP growth for 2013 of 3,6% was downgraded to only 2,5% in the midterm budget and even this seems optimistic.

After a very pleasing set of interim results, we lost ground in the second half of the year as a result of the downturn in business activity resulting from the strikes and ended up finishing the year on EPS and HEPS of 3,13 cps and 3.15 cps and 3,16 cps on continued operations (2012: 5,91) compared to half year results of 4,74 cps and 4,72 cps respectively. This was very disappointing and despite the fact that we maintained our record of profitability, it is cold comfort given that much of the second half of the year, was beyond our control.

The strike action that started off at Marikana in August 2012 and continued for most of the remainder of the financial year. The production stoppage at the Arcelor Mittal Vanderbijlpark plant and the impact of the European crisis did have a negative effect on the overall performance of the group and specifically the foundry, steel and aluminium-based products and in light of this, it makes me even more satisfied with our performance.

Net operating cash flow remained positive despite the poor results in the second half of the year and in fact, actually increased from R18,6 million at interim, to R25,6 million for the full year and also compares very favorably with the R26,5 million generated in the previous year-ending 29 February 2012.

Despite the disappointment experienced from September 2012 to February 2013, I continue to be 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 these periods.

FINANCIAL PERFORMANCE

Due to the poor economic conditions experienced in the second half of the financial year and while the group results remained in the black for the year, our operating results for the year-ending February 2013, were well below our results for the immediately preceding year-ending February 2012.

Group revenue dropped by only 0,8% (or R7 million) to R828 million and earnings decreased by 49% to R7,9 million, down from R15,6 million in the previous year. Headline earnings decreased by 48,3% to R7,9 million.

Segmental revenues over the past three financial years are as follows:

	2013 **Rm**	2012 Rm	2011 Rm
Foundry Segment	**521**	541	412
Steel Segment	**223**	216	219
Refractory Segment	**84**	78	101
Total revenue	**828**	835	732

In addition to the difficult trading conditions locally, which exhibited themselves mainly in the second half of the financial year, the Euro zone continued to suffer from retarded and even negative growth and this had a negative impact on our exports. Trade to our traditional emerging market partners, was promising but the expected recovery in Europe did not occur as Portugal, Italy, Greece and Spain as well as Cyprus continued to implode.

The group produced a gross profit of R83,5 million compared to R90,0 million in the previous year, a decrease of 7,3%. Gross margins were slightly down at 10,0% compared to 10,8% in the previous year and is evidence of the difficult market conditions and low commodity prices experienced during the year. Gross margins were 10,6% at 31 August 2012 compared to the full year gross margin of 10,0%.

Group consolidated net operating expenses were again well controlled throughout the period under review and were R67,1 million compared to R61,1 million in the previous year, an increase of only 8,9%. 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 R13,0 million compared to R21,9 million in the previous financial year, a decrease of 40,6%.

As always, our ability to manage our working capital and cash flow remained a key focus area for the group's management and proved invaluable in trading through the difficult second half of the year and R38,5 million was generated from operations compared to R41,2 million in the previous year, a decrease of only R3,7 million

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

or 6,6%. Lower borrowings were reflected in decreased finance costs of R6,7 million compared to R7,3 million in the prior period, a reduction of R0,6 million in interest (9%).

OPERATION REVIEW

The Foundry Segment has experienced mixed trading conditions during the period under review mainly, due to the labour unrest particular during the second half of the financial year.

The Steel Segment did initially show signs of improvement in the first half of the year but the strike action in various industries together with the Mittal Vanderbiljpark fire that stopped production for some months did have a negative impact on this segment.

The Refractory Segment had the most stable trading conditions of all segments and performed better than the previous year mainly due to the PPC De Hoek upgrade project. Unfortunately the planned infrastructure spend again did not materialised in the year under review and this affected 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 together with labour unrest 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 R827 million 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

Economic conditions in South Africa are under pressure and with the GDP growth rate being lower than expected, I believe the 2014 financial year, will be one with some challenges and market conditions will stay relative flat until such time the infrastructure spend kicks in and the ongoing events in Europe show signs of stabilisation.

Insimbi will continue targeting markets that are considered to be emerging and the group will focus on developing our client base. 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 includes 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 2014 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 2013

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee was established by the board in March 2012. The committee has an independent role and is governed by a formal charter. The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to:

- Ethics and code of conduct compliance;
- Socio-economic development;
- Environment – health and safety;
- Empowerment and transformation;
- Labour and employment;
- Stakeholder engagement; and
- Corporate citizenship.

COMPOSITION

The committee comprises three independent non-executive directors, namely Dr GS Mahlati, Mr DJ O'Connor and Ms LY Mashologu. The committee met twice during the year under review. The committee charter will be approved and recommended to the board for approval at the first committee meeting in 2013. The committee has not been formally evaluated during the year under review.

FUNCTIONING

Ethics and code of conduct

The committee will oversee the process of updating and implementing a code of conduct.

Socio-economic development

The group undertakes to demonstrate its commitment to making a sustainable contribution to the communities in which it operates by investing in social development programmes.

Environment , health and safety

An Occupational Health and Safety Committee was established in January 2013, as a sub-committee of the Social and Ethics Committee. Management is in the process of finalising the appointments of committee members and the various safety officers.

Environmental management will be embedded in the group's operations to ensure sustainable business practices. The group's response to climate change will be to monitor and evaluate all aspects of the environment while focusing on energy and water efficiency, distribution network optimisation, and waste management. The efficient use of energy has become a critical part of the group's cost management strategy as a result of the high cost and limited availability of electricity.

Empowerment and transformation

In South Africa the drive continues to establish economic and social equity through the process of B-BEE. Insimbi is a Level 7 contributor under the DTI Codes of Good Practice, which indicates the need to focus on empowerment and transformation.

LABOUR AND EMPLOYMENT

Employment Equity Committee

In time we expect to achieve the required levels of diversity across race and gender groups throughout our business. The group will ensure that when the opportunity arises, due consideration will be given to those individuals who are the right fit for the position and will enhance the diversity of the of the employee base. It was agreed that the Employment Equity Committee will report into the Social and Ethics Committee.

Skills development

The group is committed to developing the skills, knowledge and capability of its employees to achieve sustainable business growth and to enable employees to realise their potential.

Learning and skills development interventions focused on enhancing management and leadership competencies, developing scarce and critical skills, and internal transformation.

STAKEHOLDER ENGAGEMENT

Insimbi strives to be a transparent corporate citizen. Insimbi's website contains a range of stakeholder-related information and presentations. The annual general meeting is usually attended by all the directors and committee Chairmen. Stakeholders are encouraged to attend the meeting and to interact with the directors.

COMMITMENT

Progress can only be credibly reported if indicators are identified, measured, monitored and recorded. Within Insimbi's sustainability performance a major focus going forward will be to identify and monitor the performance of the group against the determined targets for sustainability performance and with this, meeting the legislative requirements.

APPROVAL

This Social and Ethics Committee Report has been approved by the board of directors of Insimbi.

Dr GS Mahlati
Independent Non-executive Director
21 May 2013

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

The Remuneration Committee also acts as the Nominations Committee, and the committee makes recommendations in respect of the fee structure for non-executive directors to be approved by the shareholders once approved by the board.

MEMBERSHIP

Mr DJ O'Connor acts as the Chairman and Dr GS Mahlati and Ms LY Mashologu were appointed as members.

The committee members are independent non-executive directors. 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 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 JSE Listings Requirements.

The board is satisfied that the committee is made up of the board members most suitably qualified to perform the role and that the committee members act impartially and fairly in that role. The Chairperson reports to the board on the committee's deliberations and decisions.

The committee meets 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 judgement in accordance with their statutory obligations

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

REMUNERATION PHILOSOPHY

The group's remuneration philosophy strives to reward employees in a fair and responsible way and to ensure a culture of high performance through employees who are motivated, engaged and committed while achieving a balance between shareholder interests and appropriate remuneration packages. The remuneration policy is formulated to attract, retain and motivate top-quality people in the best interests of the group. Remuneration arrangements are designed to support Insimbi's business strategy, vision and to conform to best practices. Total rewards are set at levels that are competitive in the context of the relevant areas of responsibility and the industry in which the group operates. Total incentive based rewards are earned through the attainment of demanding targets consistent with shareholder growth expectations.

GOVERNANCE

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

- 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;
- Monitor human resources strategies and policies of the group;
- Make recommendations on the remuneration policies and practices for the non-executive directors, executive directors, senior management and the group in general;
- Make recommendations on the empowerment credentials of the group;
- Make recommendations on the composition of the board and board committees; and
- Ensure that nominees to the board are not disqualified from being directors and, prior to their appointment, investigate their backgrounds according to the recommendations required for listed companies by the JSE.

POLICY

The remuneration of executive directors and senior management is determined on a total cost-to-company basis. Remuneration is reviewed annually to ensure that the executives and senior management who contribute to the success of the group remain remunerated at appropriate levels in accordance with the remuneration philosophy.

The variable pay element provided by the incentive bonus scheme is intended to enhance total pay opportunities, should that be merited by corporate and individual performance. The purpose of the bonus scheme is to reward and motivate the achievement of group and subsidiary financial targets, as well as to motivate strategic and personal performance.

FIXED REMUNERATION

Insimbi applies discretion in all remuneration reviews and there is no minimum across-the-board increase to all employees. Salary increases for the forthcoming financial year range from 6,5% to 15,0%. The executive team was given the discretion to apply the appropriate increase to each staff member falling under their control within the stipulated range.

The annual pay increase of the executive directors for the forthcoming year is 5%. Details of the directors' remuneration for the year ended 28 February 2013 appear on pages 29 to 30.

REMUNERATION AND NOMINATIONS COMMITTEE REPORT CONTINUED

The emoluments paid to the three most senior members of management are set out on page 29.

EXECUTIVE SERVICE CONTRACTS

The executive service contracts were reviewed in February 2013. These contracts include a restraint of trade undertaking as well as a confidentiality clause applicable to the products and operations.

NON-EXECUTIVE REMUNERATION

Non-executive directors receive a fixed fee for service on the board and board committees. Non-executive directors do not receive incentive bonuses. The fee payable to the Chairman and non-executive directors are recommended by the Remuneration and Nominations Committee to the board, which in turn proposes the fees for approval by the shareholders at the annual general meeting.

Details of the fees paid to each of the non-executive directors during the year are reflected on pages 29 and 30.

The board resolved at its meeting held on 20 February 2013 that non-executive directors' remuneration be increased for the 2014 financial year by 5,0%. In terms of section 66(8) of the Companies Act, shareholders are referred to special resolution number 1 on page 80 of this report regarding approval of the proposed non-executive director fee structure for 2014.

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.

SHAREHOLDERS' NON-BINDING ADVISORY VOTE

In terms of King III and best practice principles the remuneration policy as contained in this remuneration report, will be put to a non-binding shareholders' vote at the annual general meeting of shareholders. Shareholders are referred to ordinary resolution number 9 on page 80 in this regard.

BOARD AND COMMITTEE EFFECTIVENESS

Appraisals of the effectiveness of the Board, its committees and individual directors were conducted during the year by the committee assisted by the Company Secretary. The appraisals were benchmarked against the group's strategic requirements and the need to ensure the capacity to deliver these requirements and strengthen the diversity and sector expertise of directors. Self-assessment questionnaires were also performed by each committee during the year under review. The appraisals were positive and their recommendations are being followed through for implementation. An internal appraisal of the Chairman was led by the Chief Executive Officer and discussed by the board. The appraisal was positive.

SUCCESSION

Succession planning, taking into account the strategy of the group and future retirements from the board, was addressed. The committee takes cognisance of the importance of institutional knowledge to the board and the need to balance this with introducing new ideas and experience. GE Ferns was appointed as Financial Director on 1 April 2013. F Botha stepped down as Financial Director but will remain in his position as Commercial Director. Shareholders will be requested to confirm this appointment at the annual general meeting.

PERFORMANCE AND RE-ELECTION

The committee reviewed the performance of directors DJ O'Connor, PJ Schutte and EP Liechti who, in terms of the memorandum of incorporation, retire by rotation at the 2013 annual general meeting. The committee recommends their re-election to the board.

CONFIRMATION OF INDEPENDENCE

King III recommends that the independence of non-executive directors be assessed by the board on an annual basis. The board, assisted by the committee, conducted an assessment of the independence of its non-executive directors. All non-executive directors meet the criteria for independence set out in King III.

AUDIT AND RISK COMMITTEE

The committee considered whether the current members (individually/collectively) of the Audit and Risk Committee satisfy the requirements of section 94 of the Companies Act 71 of 2008 and King III. The committee recommends the election of LY Mashologu, D O'Connor and Dr GS Mahlati to the Audit and Risk Committee. This recommendation will be submitted to the shareholders at the annual general meeting to be held on 23 August 2013. The members of the Audit and Risk Committee will serve for a one-year term, concluding at the 2014 annual general meeting.

APPROVAL

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

DJ O'Connor
Chairman
21 May 2013

OPERATIONS AND PROJECTS

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 2013 – 2014 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. General terms are 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 Proprietary Limited was appointed as our clearing and forwarding agent and to date no incidents have been reported.

As such, Insimbi is assured of excellent attention and service. The comment generally applied to the Insimbi logistics team based in South Africa is that "they can make a plan" in the event of any difficulty.

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 labelling 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.

FINANCIALS 2013

DIRECTORS' RESPOSIBILITIES 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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

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

The directors have reviewed the group's cash flow forecast for the year to 31 May 2014 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 pages 32 to 77.

The annual financial statements set out on pages 32 to 77, which have been prepared on the going concern basis, under 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, were approved by the board on 21 May 2013 and was signed on its behalf by:

PJ Schutte
Johannesburg
21 May 2013

F Botha
Johannesburg
21 May 2013

CERTIFICATE BY COMPANY SECRETARY

I certify that the company has lodged with the Companies Intellectual Property Commission in respect of the year ended 28 February 2013, 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
21 May 2013

AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Audit and Risk Committee appointed in respect of the 2013 financial year of Insimbi Refractory and Alloy Supplies Limited as required by Section 94 of the Companies Act 71 of 2008. The Audit Committee was reconstituted in September 2012 and the risk function was included in the committee's responsibilities. The newly established committee will be known as the Audit and Risk Committee ("the committee"). The updated charter which includes the risk function was approved by the committee and recommended to the board of directors for their approval which was approved in March 2013.

MEMBERS OF THE COMMITTEE

A guidance letter from the JSE dated 23 November 2012 stated that it has amended its guidance regarding the Committee composition. It will allow an issuer to appoint an independent non-executive chairman of the board as a member of the issuer's audit committee provided that an issuer complies with certain provisions. Insimbi is pleased to note that it is compliant to the JSE listing requirements however not to King III.

Due to the composition of Insimbi's board of directors Mr DJ O'Connor, the independent non-executive Chairperson, was appointed as a member of the Audit and Risk Committee in 2011. Insimbi's Remuneration and Nominations Committee will be addressing the board composition matter in the coming year.

The members of the committee are all independent non-executive directors of the group and include:
Ms YL Mashologu
Dr GS Mahalati
Mr DJ O'Connor

The Committee is satisfied that its members 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 Regulations, 2011.

MEETINGS HELD BY THE COMMITTEE

The 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 three scheduled meetings during 2013 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 Committee oversees:

- Financial reporting;
- Integrated reporting;
- Annual financial statements;
- Preliminary and interim financial statements;
- External audit;
- Management's responsibility in respect of fulfilling the internal audit function; 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 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 and the extent and scope of the work required.

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 committee and its Chairman at all times.

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

ACCOUNTING PRACTICES AND INTERNAL CONTROL

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

FINANCIAL DIRECTOR

Mr CF Botha resigned as Financial Director in April 2013; however he will continue his position as Group Commercial Director. In terms of the JSE Listings Requirements, the committee has considered and satisfied itself of the appropriateness of the expertise and experience of the outgoing financial director Mr F Botha, Mr GE Ferns who was appointed on a consultation basis was appointed as financial director in April 2013.

AUDIT AND RISK COMMITTEE REPORT

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

The 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.

INTEGRATED ANNUAL REPORT 2013

Following the review of the integrated annual report 2013, the Committee recommend it to the board for approval thereof.

On behalf of the Committee

L Mashologu
Independent Non-executive Director

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 28 February 2013. The consolidated financial statement for the year ended 28 February 2013 were authorised for issue in accordance with a resolution of the directors on 17 May 2013. Insimbi Refractory and Alloy Supplies Limited is a public company incorporated and domiciled in South Africa whose shares are publicly traded. The principal activities of the group are described below.

1. GENERAL REVIEW

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-Saharah 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.

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. AUTHORISED AND ISSUED SHARE CAPITAL

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

3. PROPERTY, PLANT AND EQUIPMENT

The Teakwood property purchase transaction was finalised on 26 February 2013 and this property, which was purchased for R13,5 million, was registered in the name of Insimbi Alloy Properties Proprietary Limited on 26 February 2013. The Board approved a change in policy relating to the valuation of land and buildings and the following fixed property has been revalued as at 28 February 2013 as follows:

	Book Value 28.02.13 R'000	Valuation 28.02.13 R'000	Valuation surplus R'000
359 Crocker Road Wadeville	11 561 098	36 896 000	25 334 902
174 Teakwood Road Jacobs	13 746 146	15 700 000	1 953 854
cnr Johan van Niekerk and Charles Matthews Street, Atlantis	4 313 606	5 400 000	1 086 384

4. POST STATEMENT OF FINANCIAL POSITION EVENT

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

5. DIVIDENDS

Interim dividend number 7 of 2 cents per share was declared on 1 October 2012 payable on 12 November 2012 to shareholders registered on 9 November 2012. The total payout was R5 047 100 (2012: R5 200 000). No final dividend was declared (2012: 2 539 036).

6. DIRECTORS

The directors of the company, all of whom are South African citizens, during the year and as at the date of this report, 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 Mashologu	appointed 19 March 2008
DJ O'Connor	appointed 11 June 2004
PJ Schutte	appointed 11 June 2004
GE Ferns	appointed 1 April 2013
LG Tessendorf (alternate to CF Botha)	appointed 29 July 2005 (resigned 8 October 2012)

7. SECRETARY

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

8. SPECIAL RESOLUTIONS

At the annual general meeting held on 24 August 2012, it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.

9. DIRECTORS' INTERESTS IN CONTRACTS

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

10. ADDRESS

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

11. AUDITORS

PricewaterhouseCoopers Inc. was appointed on 11 March 2010.

12. INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Par value of issued shares	**Percentage holding 2013 %**	Percentage holding 2012 %	**Indebtedness 2013 R'000**	Indebtedness 2012 R'000
Insimbi Alloy Supplies Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**(21 085)**	(21 587)
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

Name of subsidiary	Par value of issued shares	**Percentage holding 2013 %**	Percentage holding 2012 %	**Indebtedness 2013 R'000**	Indebtedness 2012 R'000
Interest in subsidiaries through Insimbi Alloy Supplies Proprietary Limited					
Insimbi Aluminium Alloys Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**38 912**	36 470
Insimbi Bulk Commodities Proprietary Limited	120 ordinary shares of R1 each	**100**	100	**4**	3
Insimbi Nano Milling Proprietary Limited	100 ordinary shares no par value	**80**	–	**1 211**	–
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	90 ordinary shares of K1 000 each	**90**	90	**2 013**	3 321
Insimbi Thermal Insulation Proprietary Limited**	404 ordinary shares of R1 each	**49,5**	49,5	**5 418**	5 995
Metlite Alloys Proprietary Limited	52 ordinary shares of R1 each	**100**	100	**–**	802

* Effectively 100% holding within the group

** Effectively 100% controlled

DIRECTORS' REPORT CONTINUED

12. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Par value of issued shares	**Percentage holding 2013 %**	Percentage holding 2012 %	**Indebtedness 2013 R'000**	Indebtedness 2012 R'000
Interest in subsidiaries through Insimbi Alloy Supplies Proprietary Limited					
Metlite Alloys Properties Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**187**	673

13. GOING CONCERN

The directors have reviewed the group's cash flow forecast for the year to 31 May 2014 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.

14. DIRECTORS' INTERESTS

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

	Direct beneficial	**Percentage**	**Indirect beneficial**	**Percentage**	**Associates**	**Percentage**
2013						
CF Botha	**45 047 000**	**17,33**	–	–	**250 000**	**0,10**
PJ Schutte	**45 197 000**	**17,38**	–	–	**312 500**	**0,12**
F Botha	**45 133 300**	**17,36**	–	–	**250 000**	**0,10**
EP Liechti	**45 047 000**	**17,33**	–	–	**250 000**	**0,10**
DJ O'Connor	–	–	**11 875 000**	**4,57**	–	–
LG Tessendorf*	**187 500**	**0,07**	–	–	–	–
	180 611 800	**69,46**	**11 875 000**	**4,57**	**1 062 500**	**0,42**

* Resigned effective 8 October 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 28 February 2013. The associates are family members of the directors above.

	Direct beneficial	Percentage	Indirect beneficial	Percentage	Associates	Percentage
2012						
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
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	68,91	7 500 000	2,88	1 062 500	0,42

15. DIRECTORS' REMUNERATION AND BENEFITS

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 28 February 2013.

	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
2013							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 555	148	43	–	130	–	1 876
F Botha	1 255	402	70	–	105	–	1 832
CF Botha	1 439	209	64	–	120	–	1 832
EP Liechti	1 458	173	79	–	122	–	1 832
LG Tessendorf*	435	75	58	79	43	10	700
	6 142	1 007	314	79	520	10	8 072
Non-executive							
DJ O'Connor	153	–	–	–	–	–	153
GS Mahlati	129	–	–	–	–	–	129
LY Mashologu	129	–	–	–	–	–	129
	411	–	–	–	–	–	411
Directors of subsidiary company							
Executive							
D de Beer	578	83	–	74	47	22	804
BL Homann**	429	119	17	61	43	16	685
M Volschenk**	428	90	49	58	43	7	675
	1 435	292	66	193	133	45	2 164
Prescribed officers							
S Roberts	477	96	36	64	40		713
H Vermaak	517	48	–	64	43		672
	994	144	36	128	83		1 385
Total	8 982	1 443	416	400	736	55	12 032
Paid by subsidiary							
Executive	2 429	436	102	321	216	45	3 549
Non-executive	258	–	–	–	–	–	258
	8 982	436	416	321	216	45	3 807
Paid in the form of a management fee							
Executive	6 142	1 007	314	79	520	10	8 072
Non-executive	64	–	89	–	–	–	153
	6 206	1 007	403	79	520	10	8 225
Total	8 893	1 443	505	400	736	55	12 032

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

*Resigned effective 8 October 2012

* *Resigned effective 21 December 2012

15. DIRECTORS' REMUNERATION AND BENEFITS CONTINUED

	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
2012							
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
EP 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	153	–	–	–	–	–	153
GS Mahlati	129	–	–	–	–	–	129
L Mashologu	129	–	–	–	–	–	129
	411	–	–	–	–	–	411
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	9 803	2 051	467	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 29 February 2012

**Resigned 31 August 2011

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

We have audited the consolidated and separate financial statements of Insimbi Refractory and Alloy Supplies Limited set out on pages 32 to 77, which comprise the statements of financial position as at 28 February 2013, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Insimbi Refractory and Alloy Supplies Limited as at 28 February 2013, 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.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Megan Naidoo
Registered Auditor
Sunninghill
23 May 2013

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2013

	Note	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Continuing operations					
Revenue	20	**828 315**	835 237	**–**	–
Cost of sales		**(744 741)**	(745 173)	**–**	–
Gross profit		**83 574**	90 064	**–**	–
Other income	22	**2 963**	225	**1 500**	600
Operating expenses	21	**(34 061)**	(35 407)	**(1 538)**	(527)
Administration expenses	21	**(33 082)**	(26 182)		
Operating profit/(loss)		**19 394**	28 700	**(38)**	73
Investment revenue	23	**235**	489	**7 586**	5 200
Finance costs	24	**(6 655)**	(7 314)	**(1)**	(1)
Profit before taxation		**12 974**	21 875	**7 547**	5 272
Taxation	25	**(4 065)**	(6 663)	**(362)**	(540)
Profit for the year from continuing operations		**8 909**	15 212	**7 185**	4 732
Discontinued operations		**–**	–	**–**	–
(Loss)/profit for the year from discontinued operations (attributable to owners of the parent)	29	**(1 208)**	422	**–**	–
Profit for the year		**7 701**	15 634	**7 185**	4 732
Profit attributable to:					
Owners of the parent		**7 929**	15 634	**7 185**	4 732
Non-controlling interest		**(228)**	–	**–**	–
		7 701	15 634	**7 185**	4 732
Other comprehensive income:					
Exchange differences on translating foreign operations		**–**	5	**–**	–
Gain on property revaluation		**28 375**	–	**–**	–
Taxation related to components of other comprehensive income		**(7 945)**	–	**–**	–
Other comprehensive income for the year net of taxation		**20 430**	5	**–**	–
Total comprehensive income for the year		**28 131**	15 639	**7 185**	4 732
Total comprehensive income attributable to:					
Owners of the parent		**28 359**	15 639	**7 185**	4 732
Non-controlling interest		**(228)**	–	**–**	–
		28 131	15 639	**7 185**	4 732
Basic and fully diluted earnings per share from continuing and discontinued operations					
From continuing operations	36	**3,61**	5,91	**–**	–
From discontinuing operations	36	**(0,48)**	0,16	**–**	–
From profit for the year	36	**3,13**	6,07	**–**	–

The notes on pages 36 to 75 forms an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 28 February 2013

	Note	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Assets					
Non-current assets					
Property, plant and equipment	5	**79 003**	34 672	**–**	–
Intangible assets	6	**40 741**	39 606	**–**	–
Investment in subsidiaries	7	**–**	–	**23 574**	23 574
Loans to group companies	8	**–**	–	**5 360**	5 360
Deferred taxation	10	**6 460**	6 905	**501**	490
		126 204	81 183	**29 435**	29 424
Current assets					
Inventories	12	**66 423**	72 753	**–**	–
Current tax receivable		**2 145**	2 291	**–**	373
Trade and other receivables	13	**93 156**	120 864	**1 253**	1 531
Cash and cash resources	14	**33 469**	36 506	**–**	–
		195 193	232 414	**1 253**	1 904
Total assets		**321 397**	313 597	**313 597**	31 328
Equity and liabilities					
Equity					
Share capital	15	**44 442**	44 442	**44 442**	44 442
Reserves	16	**20 589**	159	**–**	–
Retained income/(accumlated loss)		**46 169**	45 826	**(35 187)**	(34 786)
Non-controlling interest		**(228)**	–	**–**	–
Treasury shares		**(4 951)**	(2 564)	**–**	–
		106 021	87 863	**9 255**	9 656
Liabilities					
Non-current liabilities					
Other financial liabilities	17	**20 283**	35 608	**–**	–
Deferred tax	10	**10 896**	2 991	**–**	–
		31 179	38 599	**–**	–
Current liabilities					
Loans from group companies	8	**–**	–	**21 085**	21 587
Other financial liabilities	17	**64 862**	46 204	**–**	–
Derivative financial instruments	17	**19**	1 551	**–**	–
Current tax payable		**255**	2 635	**–**	–
Trade and other payables	18	**119 061**	136 745	**348**	85
		184 197	187 135	**21 433**	21 672
Total liabilities		**215 376**	225 734	**225 735**	21 672
Total equity and liabilities		**321 397**	313 597	**313 597**	31 328

The notes on pages 36 to 75 forms an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2013

	Share capital R'000	Share premium R'000	Tresury shares R'000	Foreign currency translation reserve R'000	Re-valuation reserve R'000	Retained income (loss) R'000	Non-control-ling interest R'000	Total equity R'000
GROUP								
Balance at 1 March 2011	–	44 442	(239)	154	–	35 392	–	79 749
Changes in equity								
Total comprehensive income for the year	–	–		5	–	15 634	–	12 015
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 1 March 2012	–	44 442	(2 564)	159	–	45 826	–	87 863
Changes in equity								
Profit for the year	–	–	–	–	–	7 929	(228)	7 701
Total comprehensive income for the year	–	–	–		20 430	–	–	20 430
Purchase of own/treasury shares	–	–	(2 387)	–	–	–	–	(2 387)
Dividends	–	–	–		–	(7 586)	–	(7 586)
Total changes	–	–	(2 387)	–	20 430	343	(228)	18 158
Balance at 28 February 2013	**–**	**44 442**	**(4 951)**	**159**	**20 430**	**46 169**	**(228)**	**106 021**
Note(s)		15	15		16			
COMPANY								
Balance at 1 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 1 March 2012	–	44 442	–	–	–	(34 786)	–	9 656
Changes in equity								
Total comprehensive income for the year	–	–	–	–	–	7 185		7 185
Dividends	–	–	–	–	–	(7 586)	–	(7 586)
Total changes	–	–	–	–	–	(401)	–	(401)
Balance at 28 February 2013	**–**	**44 442**	**–**	**–**	**–**	**(35 187)**	**–**	**9 255**
Note(s)		15	15					

The notes on pages 36 to 75 forms an integral part of these financial statements.

STATEMENT OF CASH FLOW

for the year ended 28 February 2013

	Note	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Cash flows from operating activities					
Cash generated from operations	27	**38 518**	41 217	**503**	(557)
Interest income		**245**	575	**–**	–
Finance costs		**(6 662)**	(7 314)	**(1)**	(1)
Tax paid	28	**(6 235)**	(8 030)	**–**	(520)
Net cash from operating activities		**25 866**	26 448	**502**	(1 078)
Cash flows from investing activities					
Purchase of property, plant and equipment	5	**(21 344)**	(5 828)	**–**	–
Sale of property, plant and equipment	5	**372**	383	**–**	–
Purchase of other intangible assets	6	**(1 435)**	(1 168)	**–**	–
Loans advanced to group companies		**–**	–	**–**	1 078
Repayment of loans from group companies		**–**	–	**(502)**	–
Sale of financial assets		**–**	495	**–**	–
Dividends received		**–**	–	**7 586**	5 200
Net cash from investing activities		**(22 407)**	(6 118)	**7 084**	6 278
Cash flows from financing activities					
Repurchase of treasury shares	15	**(2 387)**	(2 325)	**–**	–
Repayment of other financial liabilities		**3 477**	(5 556)	**–**	–
Dividends paid	30	**(7 586)**	(5 200)	**(7 586)**	(5 200)
Net cash from financing activities		**(6 496)**	(13 081)	**(7 586)**	(5 200)
Total cash movement for the year		**(3 037)**	7 249	**–**	–
Cash at the beginning of the year		**36 483**	29 234	**–**	–
Total cash at the end of the year	14	**33 446**	36 483	**–**	–

The notes on pages 36 to 75 forms an integral part of these financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2013

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 Rand.

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 2013 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 and loans and receivables

The group assesses its trade receivables 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.

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.

1.2 Significant judgements and sources of estimation uncertainty continued

Impairment testing continued

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

Expected 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.

Plant and equipment is carried at cost, less accumulated depreciation and any impairment losses. Land and buildings are carried at revalued amounts less accumulated depreciation and impairment losses. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset.The useful lives of items of property, plant and equipment have been assessed as follows:

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

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 prospectively 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.

1.3 Property, plant and equipment continued

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 initially recognised at cost. 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.

Regulatory permits

Regulatory permits acquired in a business combination are shown at fair value at the acquisition date.

Insimbi Nano Milling

Development costs directly attributable to the design and testing of the unique Nano Milling technology controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible assets so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible assets;
- It can be demonstrated how the intangible assets will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available; and
- The expenditure attributable to the intangible asset during its development can be reliable measured.

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

1.5 Investments in subsidiaries continued

Company annual financial statements continued

- 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.

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 and are recognised initially at fair value 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.

1.6 Financial instruments continued

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.

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.

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.

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 which, at the time of the transaction, affects neither accounting profit, nor taxable profit (tax loss).

1.7 Tax continued

Deferred tax assets and liabilities continued

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.

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 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.

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 unit. 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.

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 32.

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:

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 2013 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 2013 is presented in Rand, which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand, 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 Rand 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.

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED

Number	Effective date	Executive summary	Expected impact
International Financial Reporting Standards and amendments issued and became effective for the current year-end			
Amendment to IAS 1: Presentation of Financial Statements	1 January 2011	The amendment requires entities to separate items presented in other comprehensive income (OCI) into two groups based on whether or not they may be recycled to profit or loss in the future.	Minimal
International Financial Reporting Standards and amendments issued but not effective for current year-end			
Amendment to IAS 19: Employee Benefits	1 January 2013	The amendment eliminates the option to defer the recognition of actuarial gains and losses, streamlines the presentation of changes in assets and liaabilities arising from defined benefit plans including the requirement that re-measurements be presented in other comprehensive income, and enhances the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.	Not applicable
Amendments to IAS 27: Separate Financial Statements	1 January 2013	IFRS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9: Financial Instruments.	Not applicable
Amendments to IAS 28: Investments in Associates and Joint Ventures	1 January 2013	The new IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	Not applicable
Amendment to IFRS 1: First-time Adoption of International Financial Reporting Standards – Guidance on Government Loans	1 January 2013	The amendment provides guidance on how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS.	Not applicable
Amendment to IFRS 7: Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities	1 January 2013	The amended disclosures will require more extensive disclosures than are currently required under IFRS. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.	Minimal
Amendments to IFRS 10: Consolidated Financial Statements	1 January 2013	IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes IAS: 27 Consolidated and	Minimal

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 IFRS 10: Consolidated Financial Statements continued		Separate Financial Statements. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. The standard provides additional guidance to assist in determination of control where this is difficult to assess.	
Amendments to IFRS 11: Joint Arrangements	1 January 2013	IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31: Interests in Joint Venture. IFRS 11 classifies joint arrangements into joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The focus is no longer on the legal structure. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.	Not applicable
Amendments to IFRS 12: Disclosure of Interests in Other Entities	1 January 2013	IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risk and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.	Not applicable
Amendments to IFRS 13: Fair Value Measurement	1 January 2013	IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value, and sets out disclosure requirements on fair value measurements.	Possible changes to disclosure
Amendments to IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities	1 January 2013	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition. The key changes in the amendment are:	Not applicable

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 IFRS 10: Consolidated Financial Statements, IFRS 11: Joint Arrangements and IFRS 12: Disclosure of Interests in Other Entities continued		• If the consolidation conclusion under IFRS 10 differs from IAS 27/SIC 12 as at the date of initial application, the immediately preceding comparative period (that is, 2012 for a calendar-year entity that adopts IFRS 10 in 2013) is restated to be consistent with the accounting conclusion under IFRS 10, unless impracticable. • Any difference between IFRS 10 carrying amounts and previous carrying amounts at the beginning of the immediately preceding annual period is adjusted to equity. • Adjustments to previous accounting are not required for investees that will be consolidated under both IFRS 10 and the previous guidance in IAS 27/SIC 12 as at the date of initial application, or investees that will be unconsolidated under both sets of guidance as at the date of initial application. • Comparative disclosures will be required for IFRS 12 disclosures in relation to subsidiaries, associates, and joint arrangements. However, this is limited only to the period that immediately precedes the first annual period of IFRS 12 application. Comparative disclosures are not required for interests in unconsolidated structured entities.	
Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	1 January 2014	The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS: 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value provides the most useful and relevant information. In response to this, the Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.	Not applicable

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 32: Offsetting of Financial Assets and Financial Liabilities	1 January 2014	The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32, but clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements.	Minimal
Amendment to IFRS 9: Financial Instruments	1 January 2015	• IFRS 9, published in November 2009, addresses classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard requires a single impairment method to be used, replacing the numerous impairment methods in IAS 39 that arose from the different classification categories. The standard also removes the requirement to separate embedded derivatives from financial asset hosts (1 January 2013). • IFRS 9 was amended in October 2010 to incorporate financial liabilities. 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. The amendment introduces new requirements that address the problem of volatility in profit or loss (P&L) arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value	Minimal

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
Amendment to IFRS 9: Financial Instruments continued		due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within profit and loss (1 January 2013). • In December 2011, the effective date of IFRS 9 was delayed. The original effective date for annual periods beginning on/after 1 January 2013 has been delayed to annual periods beginning on/after 1 January 2015. The amendment also modifies the relief from restating prior periods, in that if IFRS 9 is adopted for reporting periods beginning before 1 January 2012, comparatives need to be restated nor does the additional disclosure requirements of IFRS 7 need to be provided; beginning on/after 1 January 2012 and before 1 January 2013, either the additional disclosure required by IFRS 7 must be provided or the prior periods need to be restated; beginning on/after 1 January 2013, the IFRS 7 additional disclosure is required but the entity need not restate prior periods.	

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
Annual Improvements 2009-2011 Cycle	1 January 2013	Improvements to IFRS is a collection of amendments to International Financial Reporting Standards ("IFRSs"). These amendments are the result of conclusions the board reached on proposals made in its annual improvements project.

4. INTERPRETATIONS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS	Effective date	Subject of amendment
IRFIC 20: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	The Interpretations Committee was asked to clarify when and how to account for stripping costs (the process of removing waste from a surface mine in order to gain access to mineral ore deposits) to address diversity in practice. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

5. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost/ valuation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost/ valuation R'000	Accumulated depreciation R'000	Carrying value R'000
GROUP						
Land and buildings	57 996	–	57 996	22 367	(5 639)	16 728
Plant and machinery	29 640	(12 243)	17 397	24 669	(10 405)	14 264
Furniture and fixtures	3 490	(2 895)	595	3 237	(2 620)	617
Motor vehicles	8 225	(5 604)	2 621	6 554	(4 060)	2 494
IT equipment	3 264	(2 870)	394	3 018	(2 449)	569
Total	102 615	(23 612)	79 003	59 845	(25 173)	34 672

Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Disposals R'000	Re-valuation cost R'000	Re-valuations accumulated depreciation	De-preciation R'000	Total R'000
GROUP							
2013							
Land and buildings	16 728	13 864	–	21 767	6 608	(971)	57 996
Plant and machinery	14 264	5 949	–	–	–	(2 816)	17 397
Furniture and fixtures	617	313	–	–	–	(335)	595
Motor vehicles	2 494	1 218	–	–	–	(1 091)	2 621
IT equipment	569	–	(11)	–	–	(164)	394
	34 672	21 344	(11)	21 767	6 608	(5 377)	79 003

Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Total R'000
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

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. The property is pledged as security for the term loan. (note 17).

Revaluations

Revaluation of land and buildings

During the year the group changed its accounting policy for the treatment of land and buildings to the revaluation method in terms of IAS 16, Property, Plant and Equipment. The change in accounting policy is applied prospectively and the effect of the change is as follows: Revaluation reserve net of deferred taxation - R20 340 (2012: Nil).

5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Revaluation of land and buildings continued

The effective date of the revaluations was 28 February 2013. Revaluations were performed by independent valuer, Mr Tom Bate MSc BSc Land Econ (UK) MRCIS, MIV (SA), of MillsFitchet who are not connected to the group. The valuer is a professional valuer registered without restriction in terms of Section 19 of the Property Valuers Professional Act No. 47 of 2000.

Land and buildings will be re-valued independently every five years.

The carrying amount of land and buildings under the cost model would have been R29 621 (2012: R16 728).

The valuation was performed using the discounted cash flow approach and the following assumptions were used:
Discount rate 10,75%

These assumptions were based on current market conditions.

6. INTANGIBLE ASSETS

	2013			2012		
	Cost/ valuation R'000	**Accumulated impairment R'000**	**Carrying value R'000**	Cost/ valuation R'000	Accumulated impairment R'000	Carrying value R'000
GROUP						
Goodwill	**39 938**	**(4 300)**	**35 638**	39 938	(4 000)	35 938
Regulatory permit	**2 500**	**–**	**2 500**	2 500	–	2 500
Intangible assets under development	**2 603**	**–**	**2 603**	1 168	–	1 168
Total	**45 041**	**(4 300)**	**40 741**	43 606	(4 000)	39 606

Reconciliation of intangible assets

	Opening balance R'000	**Additions R'000**	**Impairment loss R'000**	**Total R'000**
GROUP				
2013				
Goodwill	**35 938**	**–**	**(300)**	**35 638**
Regulatory permit	**2 500**	**–**	**–**	**2 500**
Intangible assets under development	**1 168**	**1 435**	**–**	**2 603**
	39 606	**1 435**	**(300)**	**40 741**

	Opening balance R'000	Additions R'000	Total R'000
GROUP			
2012			
Goodwill	35 938	–	35 938
Regulatory permit	2 500	–	2 500
Intangible assets under development	–	1 168	1 168
	38 438	1 168	39 606

6. INTANGIBLE ASSETS CONTINUED

Other information

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. The goodwill in the refractory segment was impaired and written off at the year end due to the closure of the Insimbi Thermal Insulation Proprietary Limited business on 31 March 2013.

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 are 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 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

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

		2013			2012	
Key assumptions (%)	**Foundry**	**Steel**	**Refractory**	Foundry	Steel	Refractory
Gross margin – budgeted	**12,12**	**9,52**	**12,56**	13,80	6,50	14,50
Growth rate	**3,00**	**3,00**	**3,00**	3,00	3,00	3,00
Discount rate	**18,41**	**18,41**	**18,41**	22,00	22,00	22,00

Gross margin: budgeted gross margin as per 2013 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.

	GROUP		**COMPANY**	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Intangible assets with indefinite lives:				
Regulatory permit – Metlite Alloys Proprietary Limited	**2 500**	2 500	**–**	–
Intangible assets subject to amortization:				
Insimbi Nano Milling Proprietary Limited	**2 603**	1 168	**–**	–

The intangible asset under development is the investment in Insimbi Nano Milling Proprietary Limited 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. The development phase is expected to be completed during the following 12 months.

The regulatory permit has an indefinate useful life.

Sensitivity analysis

A decrease in the growth rate by 1% or an increase of 1% in the discount rate assumed, will not result in additional impairment to the group.

7. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Insimbi Alloy Properties Proprietary Limited	Insimbi Refractory and Alloy Supplies Limited	**100,00**	100,00	**–**	–
Insimbi Alloy Supplies Proprietary Limited	Insimbi Refactory and Alloy Supplies Limited	**100,00**	100,00	**23 574**	23 574
Insimbi Refractory and Alloy Supplies Proprietary Limited Zambia	Insimbi Alloy Supplies Proprietary Limited	**90,00**	90,00	**–**	–
Insimbi Refractory and Alloy Supplies Proprietary 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 Aluminium Alloys Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**100,00**	100,00	**–**	–
Insimbi Thermal Insulation Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**49,50**	49,50	**–**	–
Metlite Alloys Proprietary Limited	Insimbi Alloys Proprietary Limited	**100,00**	100,00	**–**	–
Metlite Alloy Properties Proprietary Limited	Insimbi Alloy Properties Proprietary Limited	**100,00**	100,00	**–**	–
Insimbi Nano Milling Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**80,00**	80,00	**–**	–
				23 574	23 574

Insimbi Thermal Insulation Proprietary Limited is effectively controlled by the group and are thus consolidated into the group results. The main basis of control is through board representation, and assumption of risks. The group has assumed all the risks and liabilities of the company at the year-end and no dividends have accrued to any of the shareholders.

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 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.				
Fellow subsidiaries				
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**(21 085)**	(21 587)

8. LOANS TO/(FROM) GROUP COMPANIES CONTINUED

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
These loans are unsecured, interest free and have no fixed terms of repayment.				
Non-current assets	**–**	–	**5 360**	5 360
Current liabilities	**–**	–	**(21 085)**	(21 587)
	–	–	**(15 725)**	(16 227)

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. FINANCIAL ASSETS BY CATEGORY

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

	Loans and receivables R'000	**Total R'000**
GROUP		
2013		
Trade and other receivables*	**91 408**	**91 408**
Cash and cash equivalents	**33 469**	**33 469**
	124 877	**124 877**
GROUP		
2012		
Trade and other receivables*	118 944	118 944
Cash and cash equivalents	36 483	36 483
	155 427	155 427
COMPANY		
2013		
Loans to group companies	**5 360**	**5 360**
COMPANY		
2012		
Loans to group companies	5 360	5 360
Trade and other receivables*	377	377
	5 737	5 737

* Pre-payments and VAT are excluded from trade and other receivables.

10. DEFERRED TAXATION

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
The analysis of deferred tax assets and deferred tax liabilities is as follow:				
Deferred tax assets	**6 460**	6 905	**501**	490
Deferred tax liabilities	**(10 896)**	(2 991)	**–**	–
Deferred tax liabilities (net)	**(4 436)**	3 914	**501**	490
The gross movement on the deferred tax income account is as follows:				
Opening balance	**3 914**	3 828	**490**	511
(Credited)/charged to the income statement	**(405)**	86	**11**	(20)
(Credited) to other comprehensive income	**(7 945)**	–	**–**	–
Closing balances	**(4 436)**	3 914	**501**	491

	Accelerated tax depreciation	Fair value gains	Tax losses available for set off	Other	Total
The movement in deferred tax assets and liabilities during the year is as follows:					
Deferred tax liabilities					
At 1 March 2011	(625)	(2 490)	–	–	(3 115)
(Credited)/charged to the income statement	506	–	–	–	506
At 29 February 2012	(119)	(2 490)	–	(382)	(2 991)
(Credited)/charged to the income statement	**31**	**–**	**–**	**9**	**40**
(Credited)/charged to other comprehensive income	**–**	**(7 945)**	**–**	**–**	**(7 945)**
At 28 February 2013	**(88)**	**(10 435)**	**–**	**(373)**	**(10 896)**
Deferred tax assets					
At 1 March 2011	–	–	6 158	1 167	7 325
(Credited)/charged to the income statement	–	–	(420)	–	(420)
At 29 February 2012	–	–	5 738	1 167	6 905
(Credited)/charged to the income statement	**–**	**–**	**236**	**(681)**	**(445)**
At 28 February 2013	**–**	**–**	**5 974**	**486**	**6 460**

11. 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 an expense when they are due. The expense recognised during the year was R2 384 (2012: R2 170).

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
12. INVENTORIES				
Raw materials components	**56 091**	64 433		
Finished goods	**2 811**	3 086	**–**	–
Goods in transit	**8 563**	5 892	**–**	–
	67 465	73 411	**–**	–
Inventories (write-downs)	**(1 042)**	(658)	**–**	–
	66 423	72 753	**–**	–
The total inventory write-down for the year was included in the cost of sales in other comprehensive income, amounted to R957 (2012: R733).				
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	**90 983**	113 380	**–**	338
Prepayments	**1 335**	1 920	**1 143**	1 143
Deposits	**397**	3 096	**–**	–
VAT	**413**	1 127	**110**	50
Sundry debtors	**28**	1 341	**–**	–
	93 156	120 864	**1 253**	1 531

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 provision for bad debt amounted to R747 (2012: R20) at year end.

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.

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
Cash and cash equivalents consist of:				
Cash on hand	**86**	87	**–**	–
Bank balances	**33 383**	36 419	**–**	–
Bank overdraft	**(23)**	23	**–**	–
	33 446	36 483	**–**	–

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
14. CASH AND CASH EQUIVALENTS CONTINUED				
Current assets	**33 469**	36 506	**–**	–
Current liabilities	**(23)**	(23)	**–**	–
	33 446	36 483	**–**	–
15. SHARE CAPITAL				
Authorised				
12 000 000 000 ordinary shares of 0,000025 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				
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	**(4 951)**	(2 564)	**–**	–
	39 491	41 878	**44 442**	44 442
Reconciliation of number of shares issued				
Shares purchased by subsidiaries	**8 743**	4 856	**8 743**	4 856
Issue of shares – ordinary shares	**57 709**	68 470	**57 709**	68 470
Issue of shares to directors – ordinary shares	**193 548**	186 674	**193 548**	186 674
	260 000	260 000	**260 000**	260 000
Shares repurchased by a subsidiary and held in treasury amounted to 8 743 (2012: 4 856) at year-end which are disclosed as a reduction of equity in the statement of changes in equity. Subsequent to year-end 636 (2012: 326) were purchased, changing the number of shares held in treasury to 9 379 (2012: 5 189).				
16. REVALUATION RESERVE				
During the year the group changed its accounting policy for the treatment of land and buildings to the revaluation method in terms of IAS 16: Property, plant and equipment.				
The group has revalued its land and buildings under the revaluation model. The change in accounting policy is applied prospectively and the effect of the change is as follows:				
Surplus on revaluation of land and buildings	**28 375**	–	**–**	–
Deferred taxation	**(7 945)**	–	**–**	–
	20 430	–	**–**	–

17. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
At fair value through profit or loss				
Foreign exchange contract	**19**	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				
Nedbank mortgage bond	**3 700**	4 300	**–**	–
Nedbank Limited – senior debt loan	**11 922**	26 090	**–**	–
Nedbank Limited – term loan	**4 159**	4 531	**–**	–
Nedbank instalment sale	**3 641**	1 688	**–**	–
Nedbank mortgage bond No 2	**13 500**	–	**–**	–
Nedbank overnight loan	**48 200**	45 180	**–**	–
Bank overdraft	**23**	23	**–**	–
	85 145	81 812	**–**	–
	85 164	83 363	**–**	–
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	**20 283**	35 608	**–**	–
Current liabilities				
Fair value through profit or loss	**19**	1 551	**–**	–
At amortised cost	**64 862**	46 204	**–**	–
	64 881	47 755	**–**	–
	85 164	83 363	**–**	–

Nedbank Limited – mortgage bond

Interest rate – prime less 0,5%. The monthly capital repayment is R50 000 (2012: R50 000). The loan is secured by the property acquired in Atlantis, Western Cape. The interest rate at year-end was 8,0% (2012: 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 (2012: R1 367 467) 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 (2012: R63 428). The loan is secured by the property. Interest at year-end was 6,5% (2012: 7%). The last capital repayment falls due on 1 November 2020.

17. OTHER FINANCIAL LIABILITIES CONTINUED

Nedbank Limited – instalment sale agreements

Interest rate – prime linked at 8,5% (2012: 9%). The agreements are secured by motor vehicles and plant and equipment with a net book value of R1 819 997 (2012: R1 389 089) and repayable in monthly instalments of R105 539 (2012: R84 741).

Nedbank mortgage bond No. 2

Interest Interest rate – prime linked at 8,5%. The monthly capital repayment is R167 570 (2012: nil) per month. The loan is secured by the property acquired in Teakwood Road, Jacobs, KZN, The interest rate at year-end was 8,5% (2012: nil). The last repayment falls due on 1 March 2023.

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 (2012: 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 at year-end was 7,5% (2012: 7,5%). The overdraft facility is R10 million (2011: R10 million). The interest rate on the overdraft facility is 7% (2012: 7.5%).

Security

All the facilities are secured by a general notarial bond of R70 million (2012: R70 million) over inventories, plant and equipment, a mortgage bond for R15 million (2012: R15 million) over Stand 359, Crocker Road, Wadeville and a mortgage bond for R6 million (2012: R6 million) over the property in Atlantis, Western Cape and a mortgage bond for R13,5 million (2012: nil) over the property 174 Teakwood Road, Jacobs, Durban.

The fire insurance policy entered into between the company and Alexander Forbes Risk 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, Metlite Alloy Properties and Metlite Alloys Proprietary Limited have signed a cross deed of suretyship whereby each company bound themselves jointly and severally as surety and co-principal debtor to Nedbank Limited.

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

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Property, plant and equipment	**79 003**	34 672	**–**	–
Inventories	**66 423**	72 753	**–**	–
Trade receivables	**90 983**	113 380	**–**	–
	236 409	220 805	**–**	–

Covenants

The group has certain covenants to comply with in terms of its borrowing agreements with Nedbank Limited. These covenants include gearing ratio interest cover asset to debt ratio senior debt service ratio and dividend cover. The group complies with the covenants in terms of the agreements with Nedbank Limited, except for the dividend cover ratio, which Nedbank Limited has condoned.

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 R125,8 million (2012: R138,2 million):

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
17. OTHER FINANCIAL LIABILITIES CONTINUED				
Borrowing facilities continued				
Fixed rate				
Expiring within one year	11 922	15 730	–	–
Expiring beyond one year	–	10 360	–	–
	11 922	26 090	–	–
Floating rate				
Expiring within one year	52 940	51 335	–	–
Expiring beyond one year	20 283	4 387	–	–
	73 223	55 722	–	–
18. TRADE AND OTHER PAYABLES				
Trade payables	105 713	123 825	–	–
VAT	7 013	8 990	–	–
Audit fees	986	1 014	86	85
Other accrued expenses	5 349	2 916	262	–
	119 061	136 745	348	85

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. Leave is accrued on a monthly basis to a maximum of 20 days per employee.

19. FINANCIAL LIABILITIES BY CATEGORY

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

	Financial liabilities at amortised cost R'000	Fair value through profit or loss – held for trading R'000	Total R'000
GROUP			
2013			
Nedbank Limited – term loan	4 159	–	4 159
Nedbank Limited – senior debt	11 922	–	11 922
Nedbank Limited – overnight loan	48 200	–	48 200
Nedbank Limited – mortgage loan	3 700	–	3 700
Nedbank Limited – instalment sale	3 641	–	3 641
Nedbank Limited – mortgage loan No. 2	13 500	–	13 500
Trade and other payables			
– local	103 359	–	103 359
– foreign	2 354	–	2 354
Foreign exchange contracts	–	19	19
	190 835	19	190 854

19. FINANCIAL LIABILITIES BY CATEGORY CONTINUED

	Financial liabilities at amortised cost R'000	Fair value through profit or loss – held for trading 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
	205 614	1 551	207 165
COMPANY			
2013			
Loans from group companies	**21 587**	–	**21 587**
	21 587	–	**21 587**
COMPANY			
2012			
Loans from group companies	21 587	–	21 085
	21 587	–	21 085

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
20. REVENUE				
Sale of goods	**825 154**	832 224	**–**	–
Rendering of services	**3 161**	3 013	**–**	–
	828 315	835 237	**–**	–
21. EXPENDITURE BY NATURE				
21.1 Cost of sales				
Cost of inventories expensed during the year	**744 741**	745 173	**–**	–

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
21. EXPENDITURE BY NATURE CONTINUED				
21.2 Operating and administration expenses				
Administration and management fees	**7 621**	7 127	**1**	1
Advertising	**328**	265	**–**	–
Auditors' remuneration	**887**	480	**135**	128
Bad debts	**708**	562	**–**	–
Bank charges	**342**	684	**–**	–
Commission paid	**89**	47	**–**	–
Computer expenses	**296**	192	**–**	–
Consulting and professional fees	**2 959**	–	**–**	–
Depreciation and amortisation	**5 061**	4 077	**–**	–
Donations	**193**	170	**5**	–
Employee costs	**34 061**	32 109	**–**	–
Foreign exchange loss	**350**	3 285	**–**	–
Insurance	**608**	550	**–**	–
Lease rentals on operating leases	**2 200**	1 824	**–**	–
Legal expenses	**257**	1 456	**752**	281
Loss on foreign currency translation	**–**	5	**–**	–
Motor vehicle expenses	**532**	480	**–**	–
Other expenses	**1 431**	411	**440**	–
Petrol and oil	**1 552**	1 075	**–**	–
Postage	**31**	46	**–**	–
Printing and stationery	**696**	558	**205**	114
Repairs and maintenance	**1 428**	1 562	**–**	–
Secretarial fees	**–**	88	**–**	–
Security	**952**	1 014	**–**	–
Staff welfare	**59**	51	**–**	–
Subscriptions	**96**	115	**–**	3
Telephone and fax	**1 123**	1 217	**–**	–
Travel – local	**1 176**	1 039	**–**	–
Travel – overseas	**622**	221	**–**	–
Utilities	**1 486**	880	**–**	–
	67 143	61 589	**1 538**	527
21.3 Employee costs				
Salaries	**27 521**	25 330	**–**	–
Motor vehicle allowances	**1 492**	1 408	**–**	–
Medical aid contributions	**1 029**	1 039	**–**	–
Pension fund contributions	**2 384**	2 170	**–**	–
Bonus and 13th cheque	**1 622**	2 096	**–**	–
Staff welfare	**13**	66	**–**	–
	34 061	32 109	**–**	–
21.4 Foreign exchange (profit)/loss				
– realised	**(2 023)**	29	**–**	–
– unrealised	**–**	3 256	**–**	–
	(2 023)	3 285	**–**	-

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
22. OTHER INCOME				
Management fees	**–**	–	**1 500**	600
Foreign exchange gain	**2 023**	16	**–**	–
Rent received	**579**	–	**–**	–
Profit on disposal of assets	**361**	209	**–**	–
	2 963	225	**1 500**	600
23. INVESTMENT INCOME				
Dividend revenue				
Subsidiaries – local	**–**	–	**7 586**	5 200
Interest revenue				
Bank	**235**	489	**–**	–
	235	489	**7 586**	5 200
24. FINANCE COSTS				
Bank	**6 655**	7 314	**–**	–
25. TAXATION				
Major components of the tax expense				
Current				
Local income tax – current period	**4 865**	6 393	**373**	–
– prior period	**(395)**	–	**–**	–
Secondary tax on companies	**–**	520	**–**	520
	4 470	6 913	**373**	520
Deferred				
Originating and reversing temporary differences	**(405)**	(250)	**(11)**	20
	(405)	(250)	**(11)**	20
	4 065	(6 633)	**362**	540
	%	%	**%**	%
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	**–**	–	**(23,20)**	**(27,61)**
Disallowable charges	**–**	0,08	**–**	–
Current years losses in subsidiaries	**4,95**	0,06	**–**	–
Secondary tax on companies	**–**	2,32	**–**	9,86
Prior year adjustments to tax liability	**(1,62)**	–	**–**	–
	31,33	30,46	**4,80**	10,25

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
26. AUDITORS' REMUNERATION				
Fees	**887**	480	**135**	128
27. CASH GENERATED FROM OPERATIONS				
Profit before taxation (continuing and discontinuing operations)	**12 105**	22 461	**7 547**	5 272
Adjustments for:				
Depreciation and amortisation	**5 377**	4 749	**–**	–
Profit on sale of assets	**(361)**	(277)	**–**	–
Fair value on foreign exchange contracts	**(1 676)**	3 285	**–**	–
Dividends received	**–**	–	**(7 586)**	(5 200)
Interest received	**(245)**	(575)	**–**	–
Finance costs	**6 662**	7 314	**1**	1
Impairment loss	**300**	–	**–**	–
Movement in foreign currency translation reserve	**–**	5	**–**	–
Changes in working capital:				
Inventories	**6 330**	(9 771)	**–**	–
Trade and other receivables	**27 708**	(8 367)	**278**	(361)
Trade and other payables	**(17 682)**	22 393	**263**	(270)
	38 518	41 217	**503**	(557)
28. TAX PAID				
Balance at beginning of the year	**(344)**	(1 461)	**373**	373
Current tax for the year recognised in profit or loss	**(4 001)**	(6 913)	**(373)**	(520)
Balance at end of the year	**(1 890)**	344	**–**	(373)
	(6 235)	(8 030)	**–**	(520)
29. DISCONTINUED OPERATIONS				
The group has taken a decision to close the operations of Insimbi Thermal Insulation Proprietary Limited with effect from 31 March 2013 as a result of sustained losses in this company. The cash flows, of the company are disclosed in the detail below:				
Operating cash flows	**356**	796	**–**	–
Investing cash flows	**(16)**	(25)	**–**	–
Financing cash flows	**(536)**	(1 033)	**–**	–
Total cash flows	**(196)**	(262)	**–**	–

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R'000	R'000	**R'000**	R'000
29. DISCONTINUED OPERATIONS CONTINUED				
Revenue	**11 203**	9 480	**–**	–
Cost of sales	**(8 520)**	(6 082)	**–**	–
Other income	**(180)**	80	**–**	–
Expenses	**(3 375)**	(2 977)	**–**	–
Investment revene	**10**	85	**–**	–
Finance cost	**(7)**	–	**–**	–
Interest	**(339)**	(164)	**–**	–
(Loss)/profit after taxation on discountinued operation	**(1 208)**	422	**–**	–
30. DIVIDENDS PAID				
Dividends	**(7 586)**	(5 200)	**(7 586)**	(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 withholding tax of 15% will be applicable. The dividend per share was 3 cents (2012: 2 cents). The dividend paid in 2013 and 2012 were 3 cents and 2 cents per share respectively. The dividend paid in 2013 was 2 cents per share in respect of the final dividend for 2012 and 1 cent per share in respect of the interim dividend for 2013. No final dividend has been declared or paid.

	GROUP		COMPANY	
	2013	2012	**2013**	2012
31. COMMITMENTS				
Authorised capital expenditure				
Already contracted for but not provided for				
– Property, plant and equipment	**–**	771	**–**	–
Not yet contracted for and authorised by directors	**2 500**	15 000	**–**	–

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

R2,5 million relates to the building of plant and equipment at the Insimbi Nano Milling plant in Wadeville. The objective of this capital expenditure is to manufacture a full scale plant to manufacture product based in the Nano Milling technology in which the group has invested.

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	**643**	643	**–**	–
– in second to fifth year inclusive	**2 573**	2 573	**–**	–
– later than five years	**–**	643	**–**	–
	3 216	3 859	**–**	–

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.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
31. COMMITMENTS CONTINUED				
Instalment sale agreements:				
Motor vehicles and equipment				
– within one year	**1 368**	1 063	**–**	–
– in second to fifth year inclusive	**2 795**	815	**–**	–
Less: future finance charges	**(522)**	(190)	**–**	–
Present value of minimum lease payments	**3 641**	1 688	**–**	–
It is group policy to lease certain motor vehicles and equipment under finance leases.				
The net carrying amounts of assets under finance leases were:				
– Motor vehicles	**3 104**	1 219	**–**	–
– Equipment	**96**	170	**–**	–
	3 200	1 389	**–**	–
The average lease term was three to five years and the average effective borrowing rate was 8,5% (2012: 9%). Interest rates are linked to prime at the contract date. All leases have fixed repayments.				
Cshell (formerly disclosed as 1st African Group)	**–**	759	**–**	–
	–	759	**–**	–
The lease expired on 30 July 2012, and the company has purchased the property known as 174 Teakwood Road, Jacobs, Durban.				
32. CONTINGENCIES				
Guarantees				
All guarantees are performance guarantees held for Insimbi Alloy Supplies Proprietary Limited on behalf of various government beneficiaries.				
Guarantees	**954**	932	**–**	–

33. RELATED PARTIES

Relationships

Ultimate holding company	Insimbi Refractory and Alloy Supplies Limited
Subsidiaries	Refer to note 7
Members of key management	Directors of the group as per the Directors' Report meet the definition of key managment personnel. Key management personnel consist only of directors

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Related party balances				
Loan accounts – Owing/(to) by related parties				
Insimbi Alloy Properties Proprietary Limited – 100% subsidiary	**–**	–	**5 360**	5 360
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**–**	–	**(21 085)**	(21 587)
Administration fees paid to related parties	**–**	–	**–**	–
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**7 621**	7 307	**–**	–
Dividends paid to/(received from)	**–**	–	**–**	–
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**(7 586)**	(5 200)	**–**	–
Compensation paid to directors is fully disclosed in the directors' report				

Related party transactions

All related party transaction are performed at onus lenght and are fully disclosed in the financial statements.

34. 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 notes 8 and 17, cash and cash equivalents disclosed in note 14, 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.

There is an externally imposed capital requirement as agreed to in exchange for facilities granted by Nedbank Limited. The gearing ratio of the company must not exceed 60% as per the covenants contained within the facility agreement.

There have 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 2013 and 2012 respectively were as follows:

	2013	2012	**2013**	2012
Gearing ratio	**49**	34	**–**	–

34 RISK MANAGEMENT CONTINUED

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 have 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.

Principal financial instruments:

- The principal financial instruments used by the group, from which financial risk arises, are as follows:
- Trade and other receivables;
- Cash and cash equivalents;
- Forward exchange assets;
- Loan receivables;
- Long-term borrowings;
- Variable rate installment 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 measurement 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.

When a customer is identified as having cash flow problems the credit manager will take the following steps:

- Confirm the situation with the customer;
- Advise the divisional director of the situation during the monthly meeting at which outstanding debtors balances are reviewed;
- Place customer on hold, request customer be changed to a cash on delivery basis and request owner or directors of customer to agree to sign a surety for amount due; and/or
- Request customer to issue post dated cheques which are held by credit control until due date.

Procedures for avoiding excessive concentration of risk

Procedures for avoiding excessive concentration of risk include:

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

34. RISK MANAGEMENT CONTINUED

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, management 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 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 except for the breach of the dividend covenant which has been condoned by Nedbank Limited. 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.

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000
GROUP			
At 28 February 2013			
Borrowings	**68 611**	**15 203**	**8 872**
Trade and other payables	**119 061**	**–**	**–**
At 29 February 2012			
Borrowings	68 037	16 970	1 424
Trade and other payables	136 745	–	–

At year-end the group had R40,7 million (2012: R56,4 million) available in the form of unutilised facilities. This amount can be utilised to settle trade payables should customers not settle their debts. This facility can also be utilised for future expansion of the business.

Management of liquidity risk in regard to financial liabilities

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

Management has assessed the fair value of the groups financial liabilities which it has equated to the cost of financial liabilities.

Interest rate risk

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.

34. RISK MANAGEMENT CONTINUED

Interest rate risk continued

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 8,5% (2012: 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 overleaf, 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 28 February 2013, 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 R1 480 000 (2012: R773 000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The above sensitivity analysis is for illusrative purposes only and represents management's 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 counterparty.

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.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. 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.

34. RISK MANAGEMENT CONTINUED

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

	Fully performing R'000	Past due and not impaired R'000	Impaired and provided for R'000	Total R'000
Trade receivables past due but not yet impaired				
GROUP				
2013				
Trade receivables				
– local	**85 945**	**1 239**	**650**	**87 834**
– foreign	**2 236**	**913**	**–**	**3 149**

	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

Debts passed due and not impaired amounted to R1 312 (2012: R3 097) in 90 days and R840 (2012: R1 727) in 60 days.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of movement of the provision for impairment of trade and other receivables for individually assessed trade debtors				
Balance brought forward	**(20)**	(75)	**–**	–
Increase in provision	**(727)**	49	**–**	–
Decrease in provision	**–**	6	**–**	–
	(747)	(20)	**–**	–

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 UK 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 and liabilities are denominated in a currency that is not the entity's functional currency.

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 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.

34. RISK MANAGEMENT CONTINUED

	After tax effect on profit and loss arising from US Dollar		After tax effect on profit and loss arising from Euro		After tax effect on profit and loss arising from British Pound	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
GROUP						
2013						
Foreign trade payables	**(94)**	**131**	**(52)**	**73**	**–**	**–**
Foreign trade receivables	**113**	**(157)**	**11**	**(15)**	**–**	**–**
Foreign bank	**206**	**(206)**	**80**	**(80)**	**–**	**–**
GROUP						
2012						
Foreign trade payables	(227)	316	(102)	142	–	–
Foreign trade recevables	98	(136)	27	(37)	–	–
Foreign bank	267	(267)	3	(3)	2	(2)

Sensitivity analysis – forward exchange contracts

Fair value risk arises on the mark to market of forward exchange contracts. Th effect of this risk is shown in the table below. The major risk lies in exposure to the US Dollar and 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 exchange exposure including commissions on an ongoing basis. The notional principal amounts of the outstanding forward exchange rate contracts at 28 February 2013 were R27 738 441 (2012: R26 712 906) and are expected to mature within the next 12 months.

	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	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
GROUP						
2013						
Financial liabilities	**95**	**(95)**	**34**	**(34)**	**1**	**(1)**
GROUP						
2012						
Financial liabilities	96	(96)	1 131	(1 131)	2	(2)

35. EVENTS AFTER THE REPORTING PERIOD

The company has closed the trading operations of Insimbi Thermal Insulation Proprietary Limited with effect from 31 March 2013. Certain products will continue to be sold through other companies in the group.

36. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Where there is a discontinued operation, earnings per share is determined for both continuing and discontinued operations.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Basic earnings/(loss) per share				
From continuing operations (cents per share)	**3,61**	5,91	**–**	–
From discontinued operations (cents per share)	**(0,48)**	0,16	**–**	–
	3,13	6,07	**–**	–
Basic earnings per share was based on earnings of R7,701 (2012 – R15,643) and a weighted average number of shares of 253,110 (2012 – 257,516).				
Reconciliation of profit or loss for the year to basic earnings				
Profit/(loss) for the year attributable to equity holders of the parent (continuing operations)	**9 137**	15 212	**–**	–
Profit/(loss) for the year attributable to equity holders of the parent (discontinued operations)	**(1 208)**	422	**–**	–
	7929	15 634	**–**	–
Reconciliation of weighted average number of shares				
Number of shares in issue at the end of the year	**260 000**	260 000	**–**	–
Less: Treasury shares held in a subsidiary at the end of the year	**(6 890)**	(2 484)	**–**	–
	253 110	257 516	**–**	–
Headline earnings per share				
Headline earnings are determined by adjusting basic earnings by excluding separately identifiable remeasurement items. Headline earnings are presented after tax and non-controlling interest.				
Headline earnings/(loss) per share (cents) continuing operations	**3,15**	5,99	**–**	–
	3,15	5,99	**–**	–
Reconciliation between earnings and headline earnings				
Basic earnings/(loss)	**7 929**	15 634		
Adjusted for:				
Profit/(loss) on sale of assets	**(260)**	(199)		
Impairment on goodwill	**300**	–		
Headline earnings	**7 969**	15 435		

37. DIRECTORS' REMUNERATION AND BENEFITS

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 28 February 2013.

	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
2013							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 555	148	43	–	130	–	1 876
F Botha	1 255	402	70	–	105	–	1 832
CF Botha	1 439	209	64	–	120	–	1 832
EP Liechti	1 458	173	79	–	122	–	1 832
LG Tessendorf*	435	75	58	79	43	10	700
	6 142	1 007	314	79	520	10	8 072
Non-executive							
DJ O'Connor	153	–	–	–	–	–	153
GS Mahlati	129	–	–	–	–	–	129
LY Mashologu	129	–	–	–	–	–	129
	411	–	–	–	–	–	411
Directors of subsidiary company							
Executive							
D de Beer	578	83	–	74	47	22	804
BL Homann**	429	119	17	61	43	16	685
M Volschenk**	428	90	49	58	43	7	675
	1 435	292	66	193	133	45	2 164
Prescribed officers							
S Roberts	477	96	36	64	40		713
H Vermaak	517	48	–	64	43		672
	994	144	36	128	83		1 385
Total	8 893	1 443	505	400	736	55	12 032
Paid by subsidiary							
Executive	2 429	436	102	321	216	45	3 549
Non-executive	258	–	–	–	–	–	258
	8 982	436	416	321	216	45	3 807
Paid in the form of a management fee							
Executive	6 142	1 007	314	79	520	10	8 072
Non-executive	64	–	89	–	–	–	153
	6 206	1 007	403	79	520	10	8 225
Total	8 893	1 443	505	400	736	55	12 032

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

* Resigned effective 8 October 2012
* *Resigned effective 21 December 2012

37. DIRECTORS' REMUNERATION AND BENEFITS CONTINUED

	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
2012							
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
EP 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	153	–	–	–	–	–	153
GS Mahlati	129	–	–	–	–	–	129
L Mashologu	129	–	–	–	–	–	129
	411	–	–	–	–	–	411
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	9 803	2 051	467	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 29 February 2012
* *Resigned 31 August 2011

SEGMENTAL REPORT

	GROUP		COMPANY	
	Foundry R'000	Steel R'000	Refractory R'000	Total R'000
2013				
Revenue				
Sale of goods	**521 330**	**222 700**	**81 106**	**825 136**
Commission	**257**	**–**	**2 922**	**3 179**
	521 587	**222 700**	**84 028**	**828 315**
Cost of sales	**(466 494)**	**(201 908)**	**(76 340)**	**(744 741)**
Gross profit	**55 092**	**20 793**	**7 689**	**83 574**
Other income	**2 852**	**–**	**111**	**2 963**
Profit before operating and administration expenses	**57 945**	**20 793**	**7 800**	**86 537**
Operating and administration expenses				
Communication	**(1 044)**	**(67)**	**(32)**	**(1 143)**
Consulting and professional fees	**(4 618)**	**(826)**	**(52)**	**(5 496)**
Depreciation and amortisation	**(4 369)**	**–**	**(991)**	**(5 360)**
Employee cost	**(29 616)**	**(1 504)**	**(2 941)**	**(34 061)**
Motor vehicle expenses	**(1 585)**	**(294)**	**(173)**	**(2 051)**
Other expenses	**(12 863)**	**(308)**	**(335)**	**(13 326)**
Occupancy	**(5 706)**	**–**	**–**	**(5 706)**
	(59 621)	**(2 999)**	**(4 523)**	**(67 143)**
Operating profit before finance income from continuing operations	**(1 677)**	**17 794**	**3 277**	**19 394**
2012				
Revenue				
Sale of goods	540 872	215 738	75 614	832 224
Commission	293	–	2 720	3 013
	541 165	215 738	78 334	835 237
Cost of sales	(481 692)	(193 302)	(70 179)	(745 173)
Gross profit	59 473	22 436	8 155	90 064
Other income	305	–	(80)	225
Profit before operating and administration expenses	59 778	22 436	8 075	90 289
Operating and administration expenses				
Communication	(1 124)	(75)	(65)	(1 264)
Consulting and professional fees	(2 063)	(8)	–	(2 071)
Depreciation and amortisation	(4 077)	–	–	(4 077)
Employee cost	(27 789)	(2 032)	(2 339)	(32 160)
Motor vehicle expenses	(1 122)	(254)	(179)	(1 555)
Other expenses	(16 379)	(263)	(102)	(16 744)
Occupancy	(3 718)	–	–	(3 718)
	(56 272)	(2 632)	(2 685)	(61 589)
Operating profit before finance income from continuing operations	3 506	19 804	5 390	28 700

SHAREHOLDER ANALYSIS

The management executive committee is the group chief operations decision making unit. 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.

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	125	28,34	263 906	0,10
5 001 – 50 000 shares	184	41,72	3 768 706	1,45
50 001 – 100 000 shares	29	6,58	2 146 890	0,83
100 001 – 250 000 shares	55	12,47	8 452 497	3,25
250 001 – 500 000 shares	23	5,22	7 549 659	2,90
500 001 – 1 000 000 shares	9	2,04	7 170 519	2,76
1 000 001 shares and over	16	3,63	230 647 823	88,71
Totals	**441**	**100,00**	**260 000 000**	**100,00**
Distribution of shareholders				
Bank	5	1,13	5 253 059	2,02
Close corporations	6	1,36	620 802	0,24
Endowment funds	1	0,23	20 000	0,01
Individuals	376	85,26	211 920 572	81,51
Investment companies	4	0,91	6 315 650	2,43
Nominees and trusts	26	5,90	14 971 180	5,76
Other corporations	7	1,59	269 515	0,10
Private companies	14	3,17	11 745 891	4,52
Public company	1	0,23	265 000	0,10
Treasury shares	1	0,23	8 618 331	3,31
Totals	**441**	**100,00**	**260 000 000**	**100,00**
Public/non-public shareholders				
Non-public shareholders	**11**	**2,49**	**202 167 631**	**77,76**
Directors and associates of the company	10	2,27	193 549 300	74,44
Treasury shares	1	0,23	8 618 331	3,31
Public shareholders	**430**	**97,51**	**57 832 369**	**22,24**
Totals	**441**	**100,00**	**260 000 000**	**100,00**
Beneficial shareholders holding 5% or more				
Schutte, PJ			45 509 500	17,50
Botha, F			45 383 300	17,46
Liechti, EP			45 297 000	17,42
Botha, CF			45 297 000	17,42
Totals			**181 486 800**	**69,80**

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: ZAE000116828
("Insimbi" or "the company")

All terms defined in the Integrated Annual Report 2013, to which this notice of annual general meeting is attached, shall bear the same meanings when used in this notice of annual general meeting.

Notice is hereby given that the sixth annual general meeting of Insimbi Refractory and Alloy Supplies Limited will be held at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Friday, 23 August 2013 at 10:00.

For purposes of the holding of the general and annual general meetings, the Companies Act 71 of 2008 ("the Act") 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 sixth annual general meeting of the company, the record date is hereby set at close of business on Friday, 16 August 2013 with the last day to trade in the shares of the company on the JSE Limited being Thursday, 8 August 2013.

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:

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 and Risk Committee, for the financial year ended 28 February 2013, 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.

ORDINARY RESOLUTIONS

1. **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 Act, as amended, the annual financial statements of the company and its subsidiaries for the year ended 28 February 2013."

2. **Ordinary resolution number 2**
   The appointment of auditor of the company for the ensuing year-ending 28 February 2014
   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution: "To re-appoint, on recommendation of the Audit and Risk Committee,
   2.1 PricewaterhouseCoopers Inc. as the auditors of the company, and
   2.2 Mr M Naidoo is hereby appointed as the designated auditor to hold office for the ensuing year in compliance with the requirements of Section 90(2) of the Act 71.

3. **Ordinary resolution number 3**
   Re-appointment of directors
   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution: Messrs DJ O'Connor, PJ Schutte, EP Liechti retire in accordance with the company's Memorandum of Incorporation ("MOI") and, being eligible, offer themselves for re-election and appointment:
   3.1 Re-election and appointment of Mr DJ O'Connor
   "Resolved that Mr DJ O'Connor be re-elected and appointed as director of the company."
   CV on page 13 of the annual report.
   3.2 Re-election and appointment of Mr PJ Schutte
   "Resolved that Mr PJ Schutte be re-elected and appointed as director of the company."
   CV on page 13 of the annual report.
   3.3 Re-election and appointment of Mr EP Liechti

"Resolved that Mr EP Liechti be re-elected and appointed as director of the company."
CV on page 13 of the annual report.

4. **Ordinary resolution number 4**
   4.1 Ratification of -appointment of Mr GE Ferns as Financial Director
   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:
   4.2 Ratification of the appointment of Mr GE Ferns
   "Resolved that Mr GE Ferns' appointed as Financial Director with effect from 1 April 2013 be and is hereby ratified."
   CV on page 13 of the annual report.

5. **Ordinary resolution number 5**
   Appointment of Audit and Risk Committee members for the year-ending 28 February 2014.
   On recommendation of the Remuneration and Nominations Committee, 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 (as independent non-executive Chairperson of the Board of Directors) be appointed as the company's Audit and Risk Committee members for the year-ending 28 February 2014."
   5.1 Re-appointment of Ms LY Mashologu as Chairperson
   "Resolved that Ms LY Mashologu be re-appointed as Chairperson of the Audit and Risk Committee."
   5.2 Re-appointment of Dr GS Mahlati as a member of the Audit and Risk Committee
   "Resolved that Dr GS Mahlati be re-appointed as a member of the Audit and Risk 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 and Risk Committee."

6. **Ordinary resolution number 6:**
   Indemnification of directors
   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:
   "Resolved as an ordinary resolution that, the company hereby indemnifies each of the directors and officers of the group from time to time from any cost, damage, fine or loss of whatsoever nature which they may incur whilst acting bona fide in the course and scope of their duties, save to the extent that such indemnification is prohibited by the Act or any other law.

7. **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 Act, 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 Act. 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.

8. **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 Act, 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.

9. **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."

ADVISORY NOTE

Please note that there is no minimum requisite percentage of voting rights for an advisory vote to be adopted.

Remuneration policy for the year ended 28 February 2013

King III recommends that the remuneration philosophy of the company be submitted to shareholders for consideration as a non-binding advisory vote, the company's remuneration philosophy and policy (excluding the remuneration of non-executive directors and members of committees of the board for their services as directors and members of such committees) as set out on pages 19 to 20 of the integrated annual report 2013, be and is hereby endorsed.

SPECIAL RESOLUTIONS

Please note that for the purposes of sections 62(3)(c) and 65(9) of the Act, the minimum percentage of voting rights that is required for the following Special resolutions to be passed is 75% of the voting rights exercised on each special resolution.

1. **Special resolution number 1**

Directors' fees for the year-ending 28 February 2014

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 Sections 66(8) and 66(9) of the Act; and that the remuneration 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 R162 300

Non-executive directors at R136 899"

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 2014.

2. Special resolution 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 MOI of the company, the provisions of Sections 46 and 48 of the Act, 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;

(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 Act, 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.

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 13;
- Major shareholders – page 77;
- Directors' interests in ordinary shares – page 28; and
- Share capital of the company – page 57.

Litigation statement

The directors, whose names appear on page 13 of the integrated 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 13 of the integrated 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 integrated 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 28 February 2013 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 Act, 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 Act 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 Act, 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 Act 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.

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 23 August 2013 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 21 August 2013.

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 21 August 2013.

By order of the board

K Holtzhausen
Company Secretary
21 May 2013

SHAREHOLDERS' DIARY

Publication of annual reports (mailed to shareholders)	31 May 2013
Last day to trade in order to be eligible to participate and vote at the AGM	8 August 2013
Record date for voting purposes	16 August 2013
Proxy date and time	21 August 2013 at 10:00
Annual general meeting	23 August 2013 at 10:00

REPORTS AND FINANCIAL STATEMENTS

Annual results announcement (on or about)	31 May 2013
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).

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 23 August 2013 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 ( ) ______________ Cellphone number ______________

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/our behalf at the annual general meeting, provided that my/our proxy:
- May only delegate his/her authority to act on my/our 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/our behalf at the general meeting by no later than 10:00 on Wednesday, 21 August 2013, being 48 (forty-eight) hours before the general meeting to be held at 10:00 on Friday, 23 August 2013; and
- Must provide to his/her proxy with a copy of his/her authority to delegate his/her authority to act on my/our 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 M Naidoo as the designated auditor			
3. Re-appointment of directors			
3.1 DJ O'Connor			
3.2 PJ Schutte			
3.3 EP Liechti			
4. Ratification of appointment of GE Ferns as Financial Director			
5. Appointment of Audit and Risk Committee members			
5.1 LY Mashologu			
5.2 GS Mahlati			
5.3 DJ O'Connor			
6. Indemnification of directors			
7. Placing unissued shares under the control of directors			
8. General authority to issue shares/convertible securities or options for cash			
9. Directors' Company Secretary authority to implement company resolutions			
Non-binding advisory note endorsement of remuneration policy and philosophy			
Special Resolutions			
1 Approval of directors' fees for 2014 financial year			
2 General authority to purchase company shares			
3. Financial assistance to directors and to all related and inter-related companies within Insimbi group of companies			

Signed at ______________________________ on ______________ 2013

Signature ______________________________ -

(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, 21 August 2013, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 10:00 on Friday, 23 August 2013.
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 Act.

- 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 your 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 Act, 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.

ADMINISTRATION

DIRECTORS
PJ Schutte
F Botha
CF Botha
EP Liechti
GS Mahlati*
DJ O'Connor*
GE Ferns
LY Mashologu*
**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
Germiston,
1422
Gauteng

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

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 2013

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

TRANSFER SECRETARIES
Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
Ground Floor
71 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
2107
Gauteng

www.insimbi-alloys.co.za