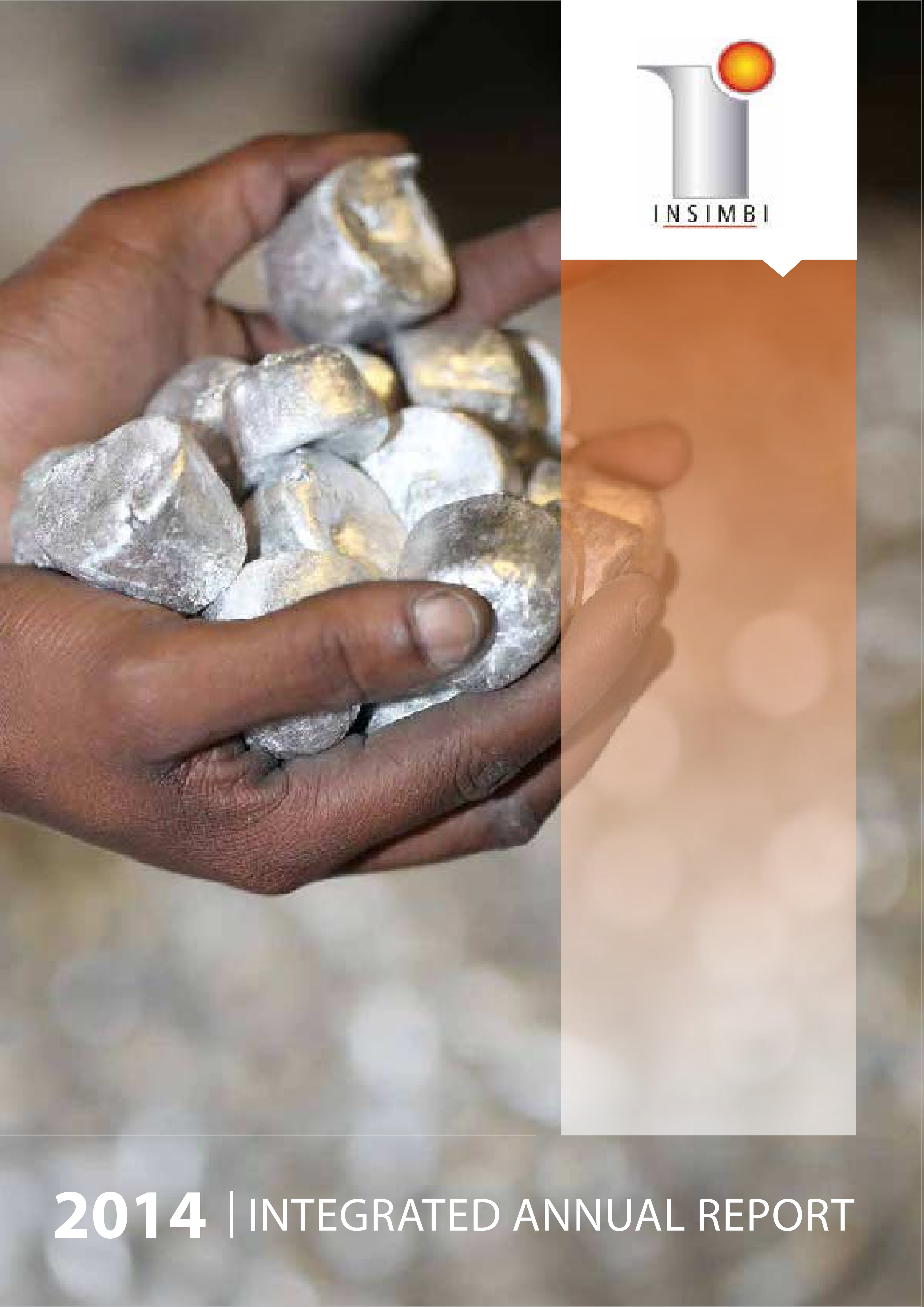


INSIMBI

2014 | INTEGRATED ANNUAL REPORT

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 seventh 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 all companies within the Insimbi group of companies for the year-ended 28 February 2014 and therefore 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 2014 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.

We depend on a variety of resources and relationships for our success and the extent to which we are reliant on them 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 independent 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 33 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 within the group's trading and manufacturing operations.

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 or mitigate 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, 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 2013 Annual Report, we committed to several targets with regard to integrating sustainability into our business strategy.

Our progress report for 2014 is as follows:

- Our targets for formal engagement forums for each stakeholder grouping have not been met 100%; however we conducted an ethics survey and formal feedback sessions were held with all the employees (more detail of this on pages 4 and 5). The marketing teams have been engaging with all our customers on an ongoing basis and the same applies to our procurement team who strive to enhance the relationship with our suppliers. Engaging with our stakeholders will remain an ongoing organic process.

- BEE and transformation remains a challenge and our focus for the year-ending 2015 is to align our transformation strategy with the revised codes. To this end, we are considering the ring-fencing of certain initiatives into specific SPVs which will include black ownership on a JV by JV basis. In November 2013, Insimbi entered into a joint venture with African Financial Group Proprietary Limited; Dr GS Mahlati and his family have vested interest in this company and this may affect his independent status in the ensuing year.

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 2015 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 the material issues that have to be considered in our 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	• The Occupational, Health and Safety Committee 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 and provincial authorities to ensure compliance with all current legislation to ensure sustainable production, ie chrome drying plant. • Annual renewal of environmental licences to ensure continued operations.

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 on 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	• 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

CAPITALS MODEL

A brief outline of the capitals model (natural, human, social, manufactured and financial capital) 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; and
- 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

We are pleased to report that Insimbi offered financial assistance to various staff members to further their career and personal development plans. Two staff members are currently busy with their Metallurgy degrees during the year under review. Three cleaners were promoted to administration staff and are undergoing six months in house training. One of these ladies enrolled for a Practical accounting and Bookkeeping certificate at Damelin. The stores staff was evaluated and promotions were given where the individual excelled in his key performance areas ("KPAs"), one such individual commenced with driving lessons to obtain his code 10 drivers licence and he applied for a bursary to attend a boiler making course once he obtained his driver's licence. Another stores member was promoted to a Picking Manager.

A total of R71 940 was also allocated as bursaries to the children of seven staff members to assist them financially with the cost of their children's education

A total of 14 temporary staff members were appointed as permanent employees at Insimbi Aluminium Alloys.

Current employee profile at Insimbi Alloy Supplies (February 2014)

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	11	3	2		1	1	2		20
Middle management	5	7	3						15
Junior management	7	21	28	6		3	8	4	77
Semi-skilled			52				7		59
Unskilled				8				1	9
Grand total	**30**	**31**	**86**	**15**	**1**	**4**	**17**	**5**	**189**

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.

One of the challenges has, among others, been the difficulty in actually identifying a legitimate worthy cause and/or project in the areas where we are represented.

Socio-economic development has been assigned to the Social and Ethics Committee. The committee will focus on identifying reputable charities and organisations in which the company could invest to enhance their sustainability as well 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 application 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 resources 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 **up 36% to R52,6 million**

Earnings per share from continuing operations **up 127% to 8,21 cents**

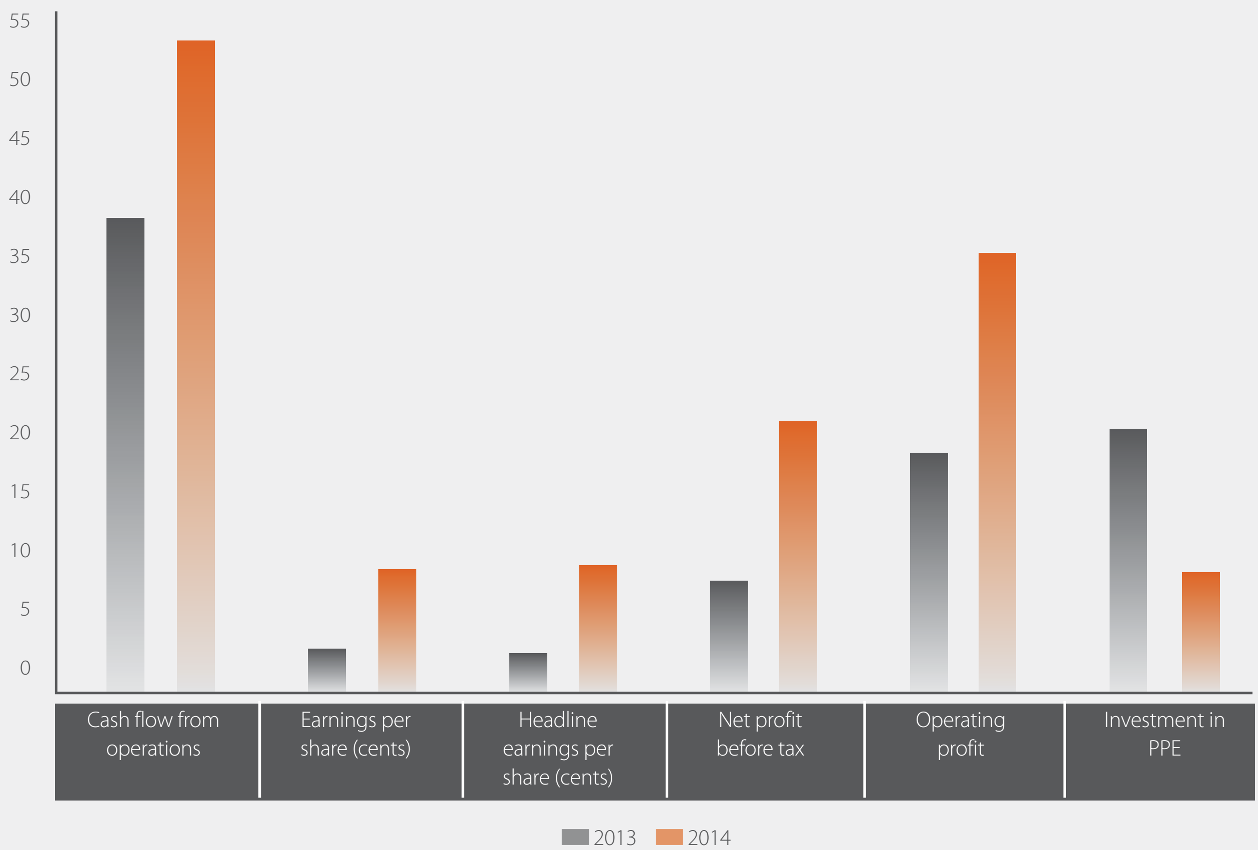
Headline earnings per share from continuing operations **up 166% to 8,38 cents**

Net profit from continuing operations **up 128% to R20,3 million**

Operating profit from continuing operations **up 86% to R36,0 million**

Investment in property, plant and equipment **down 62% to R8,2 million**

Dividend of **2,5 cents per share** declared for the year ended 28 February 2014



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 Listings Requirements. The preparation of the Annual Financial Statements has been supervised by Mr F Botha, 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 2013/14 to apply all material aspects of King III as far as appropriate.

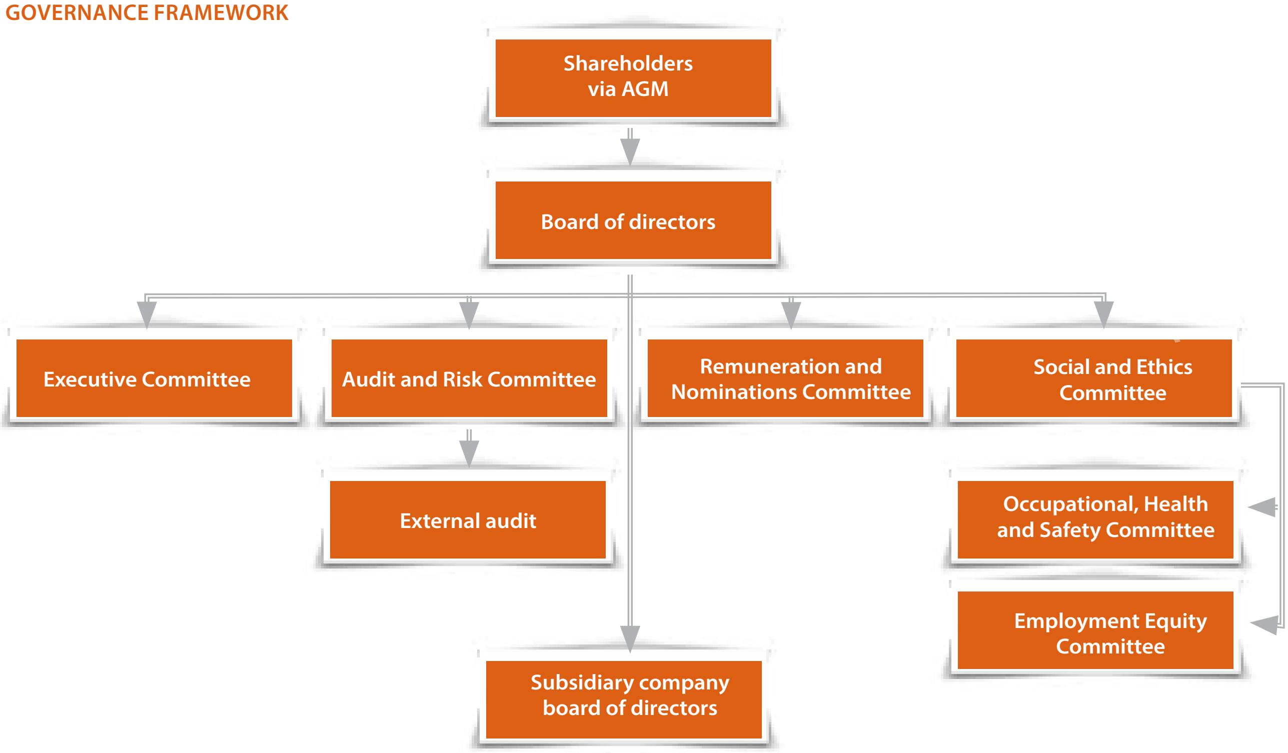
During the year under review focus had been placed on areas in which the application of the King III principles could be improved such as risk management, integrated reporting structure and processes and compliance. In support of the company's commitment to strengthen its application of the King III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

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.

GOVERNANCE FRAMEWORK



ETHICAL CODES 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 to afford them the right and obligation to challenge others who are not adhering to these values

The Social and Ethics Committee is responsible for monitoring ethics practices and the report of the committee appears on page 20. 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 teamwork 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.

Management supported the Social and Ethics Committee suggestion to conduct an ethics survey. This survey has been completed by 67% of Insimbi's permanent staff members in February 2014. The purpose of the survey was to assist management to measure, monitor and accurately report on organisational ethics. Insimbi achieved an A rating which confirms that ethical conduct is dominant within the organisation. This survey will be conducted annually and the aim is to achieve an AAA rating.

Management is pleased to report back on the following:

1. **Ethical behaviour rated out of 10 where 10 is the most ethical score:**
   - Company's overall commitment to values – 6,89
   - Employees' commitment to values – 8,72
   - Leaders' values commitment to values – 6,11
   - Values as a guide when strategic decisions are taken 6,58

   The overall result (6.89) was somewhat lower than is ideal: a target of 7,5 would be an important achievement.

   Some aspects that have to be recognised/considered
   - Positive impact of behaviour of colleagues
   - Job satisfaction on ethical behaviour
   - Fairness achieved in the lowest score

2. **Unethical behaviour rated out of 10 and 0 is best as it represents the lowest incidence of misconduct:**
   - Internal processes to reduce or prevent unethical behaviour – 4,75
   - Incidents of unethical behaviour – 3,23

   Some aspects that have to be recognised/considered:
   - Ethics hotline/reporting improvement
   - Most effective organisational factors were the rules and regulations and disciplinary measures
   - Management expressed their commitment to improve internal communication processes to enhance the inclusive stakeholder approach

3. **Ethical boundaries results scored +0.3 on a scale of –10 to +10**

   Management recognises the results below and will consider various methods to improve the stakeholder approach to make it more inclusive:
   - Low extent to which employees feel valued
   - Low extent to which values are exercised for employees and external stakeholders
   - Low social and environmental responsibility results

BOARD 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 five 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 and again in March 2014. 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.

CORPORATE GOVERNANCE CONTINUED

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 for 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	3	1	nm	nm	nm
CF Botha	3	1	nm	nm	nm
GS Mahlati	3	1	2	2	2
GE Ferns	4	1	3*	nm	nm
LY Mashologu	4	1	3	2	2

nm – Non-members
** By invitation*

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 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 and 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 of all our stakeholders. 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. The health, safety and environment committee is responsible for monitoring and creating safe working conditions for employees.

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 26 March 2013, 17 May 2013 and 25 September 2013.

Information technology

A policy, which will be reviewed in 2014/2015, 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 26.

Pension Fund Management Committee

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

CORPORATE GOVERNANCE CONTINUED

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 Samon, represented the employees. Two meetings were held during the year, the first on 29 July 2013 and the second on 27 February 2014.

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, Ms LY Mashologu and Dr GS Mahlati. The committee met twice during the year under review on 26 March 2013 and 25 September 2013. On the recommendation from the JSE, the members agreed that Mr O'Connor the chairperson of the board, will be chairing the nominations section and Dr GS Mahlati will be chairing all remuneration items on the agenda.

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 21.

Social and Ethics Committee

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

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

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 22 August 2014 at 10h00 at the company's registered office. Details of the annual general meeting are outlined in the notice of the meeting on page 82.

Details of the group's engagement with its stakeholders are outlined in the sustainability report on pages 3 to 6.

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 55

Chief Executive Officer

National Diploma in Ceramic Technology

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 50

Commercial Director and Financial Director

Chartered Accountant (South Africa)

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 & Lybrand (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. Fred assumed the role of Financial Director with effect from 1 April 2014. In terms of the restructuring of roles and responsibilities, Fred retains his commercial role but he has also assumed responsibility for the operations of both secondary aluminium smelters, i.e. Insimbi Aluminium Alloys Proprietary Limited and Metlite Alloys Proprietary Limited, as well as the operations of Insimbi Nano Milling Proprietary Limited, the newly established nano paint manufacturing company. He is also integrally involved in vetting of investment opportunities, due diligences and proposals to the board once the investment strategy criteria have been met.

Graham Edward Ferns 53

Financial Director

Chartered Accountant

Appointed to the board on 1 April 2013 – resigned 31 March 2014

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. Graham resigned as Financial Director effective 31 March 2014 to pursue a career path in the private sector.

Eduard Philip Liechti 52

Sales Director

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. His new responsibilities will be the marketing of all exports as well as maintaining local sales to the powder coating, steel and speciality industries. Eddie was appointed the Chairperson of the Group Health and Safety and Environment Committee on 12 March 2014.

Colin Francis Botha 46

Procurement 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.

NON-EXECUTIVE DIRECTORS

Dr Gilimamba Sylvester Mahlati 57

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 as well a member of the Remuneration and Nominations Committee; he chairs the remuneration items.

Lerato Yvonne Mashologu 42

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 a keen interest in BEE transformation. She currently chairs the CIDA Empowerment Trust, and the Fluor Development Trust, both of which are education trusts, focusing on the provision of funding for tertiary education and skills development in the construction industry respectively, for historically disadvantaged students. 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 66

Independent 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 the 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

When I look back at my Chairman's report in our 2013 Integrated Annual Report, I made certain comments in my "outlook" paragraph and as I sit now a year later to write my 2014 Chairman's report, I have the benefit of reflecting on these comments in hindsight. Expectations for 2014 were a GDP growth of 3.6%, this was rapidly downgraded to a revised growth of 2.9% which was certainly cause for concern and indicated that another difficult year lay ahead for the Insimbi group and the South African economy. I was also concerned about labour unrest, China's growth, political landscape and the commitment of government to spend its budgeted amounts on infrastructure upgrades effectively due to corruption and misuse of public funds.

I am pleased to say that despite my rather cautious view of what lay ahead, the Insimbi group performance exceeded my expectations despite many of the concerns I raised last year, actually coming to pass. I am especially proud and satisfied that for the first time in many years, the performance in the second half of the financial year has been comparable to that of the first half of the financial year and this is what we came to expect in many years of operating prior to the global economic collapse which commenced in 2007/2008.

PERFORMANCE

We approached the first six months of the year under review with subdued optimism but there were concerns raised that we might not meet our budgets. A huge amount of emphasis was placed on improving margins, keeping costs down and maintaining our focus on our working capital cycle. This proved to be very successful and we closed the interim period with revenue of R477 million and EPS and HEPS of 4,46 cents per share and 4,48 cents per share.

However, given our experience in the second half of the year over the past few financial years, we were not very bullish about what to expect during the period September 2013 to February 2014 and we approached this period with extreme caution and conservatism. I am therefore, very pleased to announce that Insimbi had its most successful second half since year-ending 2009 and we posted full year revenues of R938,98 million and fully year EPS and HEPS of 8,21 cents per share and 8,38 cents per share respectively due to improved trading conditions during this period and particularly in the last quarter.

Earnings and headline earnings improved from R7,9 million and R8,0 million to R20,3 and R20,7 respectively, a very satisfactory result considering that the economic environment locally and globally, continued to be unpredictable and challenging.

In the latter part of the year restructuring of the organisation took place following recommendations by a firm of international independent consultants. Many of these recommendations were implemented and this has resulted in a consolidation of certain roles with a focus on improving reporting lines and greater "exploitation" of executives' and employees' respective strengths which will ensure that operations are more streamlined and hopefully, more profitable due to improved focus on specific areas of responsibility.

The weaker Rand definitely had a positive impact on our business across the board, mainly due to the fact that our customers were faced with less competition from cheap imports and some have even moved back into exports.

Since our IPO in March 2008, Insimbi has produced positive EPS, HEPS and cash flow every year, this despite immensely difficult trading conditions and I believe we have fared better than many of our listed peers. Whilst our results during the period of our listing have not always been as good as management and the board would have liked to see, their efforts have made the group more resilient and key indicator focused, this will stand us in good stead when the global and local economies return to a greater level of stability and optimism.

Working capital is always an area of close attention and again as was the case in previous years this was well under control.

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.

OUTLOOK

The South African economy is dependent on the economies of our major trading partners. America and most of Europe are looking much more positive than they have for many years but China and other emerging markets continue to be a concern. Africa, on the other hand, is showing very positive signs and given that the rest of Africa accounts for a significant portion of our total exports, this is good for Insimbi.

Closer to home, the continued labour unrest in the platinum sector, while not affecting us directly, does give cause for concern as unions are aligning ahead of 2014/2015 collective bargaining negotiations in other sectors. It has an extremely negative impact on investor sentiment and fuels the risk of capital flight.

Electricity prices remain a concern for producers across South Africa and having said all of the above we are cautiously optimistic about the new financial year-ending February 2015 and there are several opportunities which are being investigated which we believe will see both turnover and margins improve.

CONCLUSION

A very big thank you to the directors and the staff of the Insimbi group.

As always it has been an absolute pleasure to work with you and I appreciate all the support you have given me.

DJ O'Connor
Independent Non-executive Chairman
23 May 2014

CHIEF EXECUTIVE OFFICER'S REVIEW

OVERVIEW OF OPERATIONS

As I wrote my seventh annual review I realised that nobody really knew what to expect from the second half of the financial year under review – and if or what effect any possible industrial action would have on overall market sentiment and our core business compared to the previous year. Well, I am very pleased to announce a much improved set of results compared to the previous year under review.

The labour unrest had limited influence on our overall performance, and, together with the devaluation of the South African Rand and slightly improved market conditions, boosted both our revenue and profits.

After a satisfactory interim performance, the second half of the year under review illustrated good performance in a market still with its challenges – which remains relatively flat and with little real movement in commodity prices. There was a slight increase in demand in certain segments, but there was not the much stronger performance that we had been hoping for.

I am especially encouraged by our strong operating cash flow generated during the period under review, and am very proud that we have consistently generated cash and profits since we were listed in March 2008.

FINANCIAL OVERVIEW

Some key performance indicators for the financial year under review:

- Revenue up by R110 million
- Operating profits up by R16,6 million
- Net profit before tax up by R16,7 million

Group revenue increased by 13.36% – or from R828 million to R938 million. The increase in sales value can be attributed to increases in demand and better pricing in South African Rand due to its devaluation against all major currencies in the second half of the financial year. Commodity prices stayed on the flat side, with very limited movements. A much improved performance during the short month of December had a positive impact on overall performance.

	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Foundry segment	**583**	521	541	412
Steel segment	**258**	223	216	219
Refractory segment	**98**	84	78	101
Total revenue	**939**	828	835	732

The group produced a gross profit of R101 million compared to the R83,5 million in the previous financial year – an increase of 20.9%. Gross margins were slightly better at 11%, compared to the 10% of the previous year. As stated before, a weaker Rand assisted the company to improve margins and profits, but there was also an increase in business in certain segments – together with an expansion in the total basket of products. A continued focus on margins was also a big driver towards better performance.

Group consolidated net operating expenses were very well controlled throughout the financial year, and totalled R68 million, compared to R67 million in the previous year. This was a very pleasing result – given the increases experienced in fuel and electricity costs, together with the implementation of toll fees during the year. Staffing costs were well controlled and this was in line with CPIX.

As always, our ability to manage our working capital and cash flow remained a key focus point for the group, and proved to be invaluable in trading – particularly with the devaluation of the Rand in relation to product imports. Total cash generated from operations for the year was R53 million, compared to R38,5 million in the previous financial year. The final payment on senior debt in November 2013 also contributed to improved cash generation and better cash flow.

OPERATION REVIEW

The Foundry segment experienced a much improved second half of the year, although there were still mixed trading conditions. The increase in revenue was attributed to the weaker Rand, an increase in market share, and an increase in the total basket of products. The continual focus on the African export market assisted with the total improved performance of this segment. The newly formed Powders Division within the Foundry segment has been growing from strength to strength, and will contribute significantly to the future success of the segment. The Foundry segment is a reliable indicator of the economic outlook, and we are very excited and confident that the next year could be another improved year – provided no external factors like industrial action dampen performance or market outlook.

The Steel segment had a disappointing last six months compared to the first six months, but this was still better than the previous year. The slow-down over the last part of the year under review was mainly due to the cancellation of some high volume, low margin contracts in the steel sector – but this had a positive effect on margins and profits. The continued depressed international steel market also negatively affected this segment.

The Refractory segment had excellent overall total performance – mainly due to a market increase in certain industries, but also due to the weakening of the Rand. Unfortunately the continued inability to improve infrastructure spend is ongoing, and hopefully we will see a more positive impact on this segment in the year to come – generated from infrastructure spend.

The two aluminium smelters were in full operation during the period under review, and although they had their challenges, they did generate positive revenue. The purchasing of good quality scrap remains a challenge, and unfortunately the directive by government on preferential pricing on ferrous scrap had no impact on the industry from a buying perspective.

The nano-milling plant has been relocated to the Wadeville premises and can now produce 75 000 litres of PVA paint per month. Some inroads have been made on the marketing side, considerable work remains to be done to turn this operation around. Various strategies have been formulated to ensure a focused marketing action plan that will produce positive results in the shortest possible time. At the same time, various other products and markets are currently under review in order to evaluate greater potential.

During the last half of the year Insimbi underwent a complete reorganisation based on recommendations from outside consultants – with the focus on clear responsibilities and accountabilities. Although we are still in the first phase of the new structure, the increased focus and benefits experienced already are very encouraging.

PROSPECTS

The continuous low infrastructure spend, together with unemployment, increased electricity costs, increased fuel and toll fees, industrial action, and an increase in inflation and the repo rate – mean that economic conditions in South Africa will remain under pressure as long as there is reluctance from the public and private sectors to work together for a better South Africa.

I believe that the 2014/2015 financial year will continue to have its challenges, but there will also be opportunities and Insimbi is prepared and equipped to embrace these in order to have another prosperous financial year. We will continue to service the South African market to the best of our ability – but at the same time focus on emerging markets.

The signing of a three-year contract with AfriSam as preferred supplier of refractories and services, will lay a solid foundation for the Refractory segment. This will allow Insimbi to focus on providing a complete service package to the end user – in which both parties will benefit.

The R50 billion Transnet contract will have a positive impact as only 70 locomotives will be imported with the balance being built in South Africa along with preferential procurement and local content stipulations that will significantly benefit South African manufactures.

The capital investment made in the chrome sand drying facility will enable Insimbi to return to full strength in this market, and this will boost not only our local sales, but also exports.

The weakening of the Rand against all major currencies will continue to benefit the company from a revenue and profit perspective. This will also benefit all manufacturing industries in exports – as we have seen during the month of February – and Insimbi is prepared to accommodate any increase in demand in our total basket of products.

Cash flow and working capital will be under pressure due to higher import costs, but I believe that our management skills in controlling all of these will assist us in stocking the correct quality and quantity of products.

We will continue to source new and existing products at the best possible prices and most favourable terms, in order to provide the best solution at the best price to our customer base.

As for acquisitive growth opportunities, we continue to look for and carefully evaluate strategic targets that will benefit the group.

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 committed to providing continued technical support to all our customers.

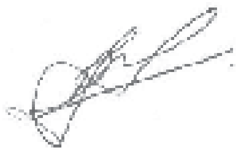
We remain committed to corporate and social responsibilities and to ensuring that the needs of all our stakeholders are met. This includes providing our employees with a safe, healthy and rewarding work environment.

APPRECIATION

In closing, I extend my gratitude to all our customers for their ongoing support. I hope that the slightly improved markets are sustainable and that your business will prosper and that we, in turn, as your partner in supply, will also prosper.

Thank you to all our suppliers and principals for your support and for supplying us with consistent quality products. Your support has enabled us to continually increase our regional market share and this has contributed to our continued success.

My thanks and gratitude are also extended to all staff members and my fellow directors for their dedication, commitment and hard work during the past year. I know that I am not alone when I say that I am optimistic about our prospects for the 2014/2015 financial year.



PJ Schutte
Chief Executive Officer
23 May 2014

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics 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 and 2014/15 annual work plan was approved and recommended to the board for approval at the committee meeting which was held on 27 March 2014. 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 contribution to the communities in which it operates by investing in social development programmes.

Environment, health and safety

The Occupational Health and Safety Committee is a sub-committee of the Social and Ethics Committee.

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 energy generating resources.

Empowerment and transformation

In South Africa the drive continues to establish economic and social equity through the process of B-BBEE. Insimbi is a Level 6 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
23 May 2014

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

The committee consists of three members who 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 the Chairman of the combined committee to comply with JSE Listings Requirements; however it was agreed that Dr GS Mahlati will act as the chairperson when Remuneration matters are discussed, thus the Chairmanship of the combined committee is shared between Mr D O'Connor and Dr GS Mahlati.

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 chairmen report 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 6.0% to 15.0% with an overall average increase payable of 6%. 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 6.0%. Details of the directors' remuneration for the year-ended 28 February 2014 appear on pages 78 and 79.

The emoluments paid to the three most senior members of management are set out on page 78 and 79.

REMUNERATION AND NOMINATIONS COMMITTEE REPORT CONTINUED

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 31 and 32.

The board resolved at its meeting held in February 2014 that non-executive directors' remuneration be increased for the 2015 financial year by 6.0%. In terms of section 66(8) of the Companies Act, shareholders are referred to special resolution number 1 on page 85 of this report regarding approval of the proposed non-executive director fee structure for 2015.

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. A conflict of interest policy was approved and adopted at the board meeting which was held on 27 March 2014.

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 non-binding advisory note on page 85 in this regard.

BOARD AND COMMITTEE EFFECTIVENESS

Appraisals of the effectiveness of the board, its committees and individual directors were conducted for the year-ended February 2013. The board of directors agreed that this process would be conducted on a bi-annual basis with the assistance of the Company Secretary.

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 resigned as Financial Director with effect from 31 March 2014. F Botha assumed the role as Financial Director but will remain in his position as Commercial Director.

The following were appointed as directors on the subsidiary companies boards:

- D de Beer was appointed as alternative director to CF Botha on the board of Insimbi Alloy Supplies Proprietary Limited; and
- SE Green was appointed to the board of Metlite Alloy Supplies Proprietary Limited and Insimbi Aluminium Alloys Proprietary Limited

PERFORMANCE AND RE-ELECTION

The committee reviewed the performance of directors F Botha, Dr GS Mahlati and Ms LY Mashologu who, in terms of the memorandum of incorporation, retire by rotation at the 2014 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 for the year-ended 28 February 2014.

In November 2013, Insimbi entered into a joint venture with African Financial Group Proprietary Limited, Dr GS Mahlati and his family have vested interest in this company and this may affect his independent status in the ensuing year.

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, DJ 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 22 August 2014. The members of the Audit and Risk Committee will serve for a one-year term, concluding at the 2015 annual general meeting.

APPROVAL

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

DJ O'Connor	**Dr GS Mahlati**
Chairman of the	Chairman of the
Nominations Committee	Renumeration Committee
23 May 2014	23 May 2014

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 more formalised. 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 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. and is delegated to the trader involved in the deal, but the final decision to purchase 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 free on board (FOB), cost insurance and freight (CIF) or cost, freight and rail (CFR). 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 is 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

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 2014

Contents

Annual financial statements

Shareholder information

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the 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 judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable 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 2015 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 33.

The annual financial statements set out on pages 34 to 81, 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 23 May 2014 and signed on its behalf by:

PJ Schutte
Johannesburg
23 May 2014

F Botha
Johannesburg
23 May 2014

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 2014, 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 Holtzhausen
Company Secretary
23 May 2014

AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Audit and Risk Committee appointed in respect of the 2014 financial year of Insimbi Refractory and Alloy Supplies Limited as required by Section 94 of the Companies Act 71 of 2008. The committee charter was approved by the committee and recommended to the board of directors for their approval which was approved in March 2014.

MEMBERS OF THE COMMITTEE

The members of the committee are all independent non-executive directors of the group and include:
Ms YL Mashologu
Dr GS Mahlati
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 required of it under 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 2014 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 of 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 GE Ferns resigned as Financial Director in March 2014 and Mr F Botha was appointed. 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 GE Ferns. Mr F Botha will be overseeing the finalisation of the 2014 integrated annual report.

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 that indicates 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 2014

Following the review of the integrated annual report 2014, the committee recommended it to the board for approval thereof.

On behalf of the committee

LY Mashologu
Independent non-executive director
23 May 2014

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 2014. The consolidated financial statement for the year-ended 28 February 2014 were authorised for issue in accordance with a resolution of the directors on 23 May 2014. Insimbi Refractory and Alloy Supplies Limited is a public company incorporated and domiciled in South Africa whose shares are publicly traded.

Insimbi Refractory and Alloy Supplies provides the steel, aluminium, cement and foundry industries with resource-based commodities like ferrous and non-ferrous alloys, as well as refractory materials, by integrating the supply, logistics and technical support function.

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-Saharan 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, refer to note 14 on page 63 with respect to shares held in treasury as at year-end.

3. EVENTS AFTER REPORTING PERIOD EVENT

Subsequent to year-end Nedbank has approved an increase of the multi-option facility of R65 million. The company has not drawn down on this additional funding. Furthermore Nedbank has released the R15 million mortgage bond over Stand 359, Crocker Road, Wadeville.

4. DIVIDEND

Interim dividend number 8 of 1 cent per share was declared on 8 November 2013 payable on 9 December 2013 to shareholders registered on 6 December 2013. The total payout was R2 447 746 (2013: R7 586 146). A final dividend of 2,5 cents per share was declared for the year-ended 28 February 2014.

5. DIRECTORS

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

CF Botha	appointed 11 June 2004
F Botha	appointed 11 June 2004
EP Liechti	appointed 11 June 2004
GS Mahlati	appointed 1 January 2009
LY Mashologu	appointed 19 March 2008
DJ O'Connor	appointed 11 June 2004
PJ Schutte	appointed 11 June 2004
GE Ferns	appointed 1 April 2013 (resigned 31 March 2014)

6. SECRETARY

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

7. SPECIAL RESOLUTIONS

At the annual general meeting held on 23 August 2013, it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.

8. DIRECTORS' INTEREST 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 as disclosed in the attached annual financial statements.

9. ADDRESS

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

10. AUDITORS

PricewaterhouseCoopers Inc. was appointed on 11 March 2010.

11. INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Par value of issued shares	**Percentage holding 2014 %**	Percentage holding 2013 %	**Indebtedness 2014 R'000**	Indebtedness 2013 R'000
Insimbi Alloy Supplies Proprietary Limited	100 ordinary shares of R1 each	**100.0**	100.0	**(19 673)**	(21 085)
Insimbi Alloy Properties Proprietary Limited	1 000 ordinary shares of R0,01 each	**100.0**	100.0	**5 360**	5 360
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	10 ordinary shares of K1 000 each	**10.0**	10.0	**–**	–

** Effectively 100% holding within the group*

Name of subsidiary	Par value of issued shares	**Percentage holding 2014 %**	Percentage holding 2013 %	**Indebtedness 2014 R'000**	Indebtedness 2013 R'000
Interest in subsidiaries through Insimbi Alloy Supplies Proprietary Limited					
Insimbi Aluminium Alloys Proprietary Limited	100 ordinary shares of R1 each	**100.0**	100.0	**42 351**	38 912
Insimbi Bulk Commodities Proprietary Limited	120 ordinary shares of R1 each	**100.0**	100.0	**5**	4
Insimbi Nano Milling Proprietary Limited	100 ordinary shares no par value	**80.0**	80.0	**2 007**	1 211
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	90 ordinary shares of K1 000 each	**90.0**	90.0	**2 217**	2 013
Insimbi Thermal Insulation Proprietary Limited**	404 ordinary shares of R1 each	**100.0**	49.5	**2 506**	5 418
Metlite Alloys Proprietary Limited	52 ordinary shares of R1 each	**100.0**	100.0	**79**	–
Interest in subsidiaries through Insimbi Alloy Properties Proprietary Limited					
Metlite Alloy Properties Proprietary Limited	100 ordinary shares of R1 each	**100.0**	100.0	**–**	187

** Effectively 100% holding within the group*
*** Effectively 100% controlled*

12. GOING CONCERN

The directors have reviewed the group's cash flow forecast for the year to 31 May 2015 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.

13. DIRECTORS' INTERESTS

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

	Direct beneficial	Percentage	Indirect beneficial	Percentage	Associates	Percentage
2014						
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**	**–**	**–**
	180 424 300	**69. 40**	**11 875 000**	**4. 57**	**1 062 500**	**0. 42**

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 2014. The associates are family members of the directors above.

	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	69.47	11 875 000	4.57	1 062 500	0.42

** Resigned 8 October 2012*

Currently there is no share-based payment scheme in place to reward executive directors or other employees.

14. DIRECTORS' REMUNERATION AND BENEFITS

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year-ended 28 February 2014.

	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
2014							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 639	148	46	–	137	–	1 970
F Botha	1 333	402	78	–	111	–	1 924
CF Botha	1 519	209	69	–	127	–	1 924
EP Liechti	1 535	173	88	–	128	–	1 924
GE Ferns*	1 230	144	86	–	102	–	1 562
	7 256	1 076	367	–	605	–	9 304
Non-executive							
DJ O'Connor	163	–	–	–	–	–	163
GS Mahlati	137	–	–	–	–	–	137
LY Mashologu	137	–	–	–	–	–	137
	437	–	–	–	–	–	437
Prescribed officers							
H Vermaak	557	41	–	68	46	–	712
D de Beer	676	83	–	85	56	–	900
S Roberts	510	96	39	68	43	–	756
	1 743	220	39	221	145	–	2 368
Total	9 436	1 296	406	221	750	–	12 109
Paid by subsidiary**							
Executive	7 256	1 076	367	–	605	–	9 304
Non-executive	437	–	–	–	–	–	437
Prescribed officers	1 743	220	39	221	145	–	2 368
	9 436	1 296	406	221	750	–	12 109

** Resigned effective 31 March 2014*

*** The executive directors and chairperson were reimbursed via a management agreement, the structure was amended with effect from 1 March 2013 when these individuals were transferred to the payroll of Insimbi Alloy Supplies.*

The directors and prescribed officers received a 6% increase in March 2014.

14. 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
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
L 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	–	12 032
Paid by subsidiary							
Executive	2 429	436	102	321	216	45	3 549
Non-executive	258	–	–	–	–	–	258
	2 687	436	102	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	153	–	–	–	–	–	153
	6 295	1 007	314	79	520	10	8 225
Total	8 982	1 443	416	400	736	55	12 032

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

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 34 to 81, which comprise the statements of financial position as at 28 February 2014, 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 2014, 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 2014, 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 2014

STATEMENT OF COMPREHENSIVE INCOME

for the year-ended 28 February 2014

	Note	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Continuing operations					
Revenue	19	**938 980**	828 315	**–**	–
Cost of sales		**(837 891)**	(744 741)	**–**	–
Gross profit		**101 089**	83 574	**–**	–
Other income	21	**2 758**	2 963	**1 986**	1 500
Operating expenses		**(68 484)**	(67 143)	**(1 985)**	(1 538)
Operating profit /(loss)		**35 363**	19 394	**1**	(38)
Investment revenue	22	**311**	235	**2 448**	7 586
Finance costs	23	**(6 684)**	(6 655)	**–**	(1)
Profit before taxation		**28 990**	12 974	**2 449**	7 547
Taxation	24	**(8 680)**	(4 065)	**–**	(362)
Profit for the year from continuing operations		**20 310**	8 909	**2 449**	7 185
Discontinued operations					
(Loss) from discontinued operations (attributable to the owners)	13	**–**	(1 208)	**–**	–
Profit for the year		**20 310**	7 701	**2 449**	7 185
Profit attributable to:					
Owners of the parent		**20 290**	7 929	**2 449**	7 185
Non-controlling interest		**20**	(228)	**–**	–
		20 310	7 701	**2 449**	7 185
Other comprehensive income:					
Items that will be reclassified to profit or loss:					
Exchange differences on translating foreign entities		**(5)**	–	**–**	–
Items that will not be reclassified to profit or loss:					
Gains and losses on property revaluation		**–**	28 375	**–**	–
Income tax relating to items that will not be reclassified		**1 073**	(7 945)	**–**	–
Other comprehensive income for the year net of taxation		**1 068**	20 430	**–**	–
Total comprehensive income for the year		**21 378**	28 131	**2 449**	7 185
Total comprehensive income					
Attributable to:					
Owners of the parent:		**21 358**	28 359	**2 449**	7 185
Non-controlling interests		**20**	(228)	**–**	–
Basic and fully diluted earnings per share from continuing and discontinued operations					
From continuing operations	34	**8,21**	3,61	**–**	–
From discontinued operations	34	**–**	(0,48)	**–**	–
From profit for the year	34	**8,21**	3,13	**–**	–

The notes on pages 38 to 79 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

at 28 February 2014

		GROUP		COMPANY	
		2014	2013	**2014**	2013
	Note	**R'000**	R'000	**R'000**	R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**78 008**	79 003	**–**	–
Intangible assets	4	**42 154**	40 741	**–**	–
Investments in subsidiaries	5	**–**	–	**23 574**	23 574
Loans to group companies	6	**–**	–	**5 360**	5 360
Deferred taxation	8	**12 047**	6 460	**501**	501
		132 209	126 204	**29 435**	29 435
Current assets					
Inventories	10	**82 713**	66 423	**–**	–
Derivative financial assets		**556**	–	**–**	–
Current taxation after receivable		**2 059**	2 145	**88**	–
Trade and other receivables	11	**118 982**	93 156	**98**	1 253
Cash and cash resources	12	**48 985**	33 469	**–**	–
		253 295	195 193	**186**	1 253
Total assets		**385 504**	321 397	**29 621**	30 688
Equity and liabilities					
Equity					
Share capital	14	**44 442**	44 442	**44 442**	44 442
Reserves		**21 657**	20 589	**–**	–
Treasury shares		**(9 439)**	(4 951)	**–**	–
Retained income/(accumulated loss)		**64 011**	46 169	**(35 186)**	(35 187)
Non-controlling interest		**(208)**	(228)	**–**	–
		120 463	106 021	**9 256**	9 255
Liabilities					
Non-current liabilities					
Other financial liabilities	16	**15 621**	20 283	**–**	–
Deferred taxation	8	**15 792**	10 896	**–**	–
		31 413	31 179	**–**	–
Current liabilities					
Loans from group companies	6	**–**	–	**19 673**	21 085
Other financial liabilities	16	**57 239**	64 839		–
Current taxation payable		**767**	255	–	–
Trade and other payables	17	**173 193**	119 061	**599**	348
Derivative financial instruments		**–**	19	**–**	–
Bank overdraft	12	**2 429**	23	**93**	–
		233 628	184 197	**20 365**	21 433
Total liabilities		**265 041**	215 376	**20 365**	21 433
Total equity and liabilities		**385 504**	321 397	**29 621**	30 688

The notes on pages 38 to 79 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year-ended 28 February 2014

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Revaluation reserve	Retained income/ Accumulated loss	Non-controlling interest	Total equity
GROUP								
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
Changes in equity								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**20 290**	**20**	**20 310**
Total comprehensive income for the year	**–**	**–**	**–**	**(5)**	**1 073**	**–**	**–**	**1 068**
Purchase of own/treasury shares	**–**	**–**	**(4 488)**	**–**	**–**	**–**	**–**	**(4 488)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(2 448)**	**–**	**(2 448)**
Total changes	**–**	**–**	**(4 488)**	**(5)**	**1 073**	**17 842**	**20**	**14 442**
Balance at 28 February 2014	**–**	**44 442**	**(9 439)**	**154**	**21 503**	**64 011**	**(208)**	**120 463**
COMPANY								
Balance at 1 March 2012	–	44 442	–	–	–	(34 786)	–	9 656
Changes in equity								–
Profit 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
Changes in equity								**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2 449**	**–**	**2 449**
Dividends	**–**	**–**	**–**	**–**	**–**	**(2 448)**	**–**	**(2 448)**
Total changes	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Balance at 28 February 2014	**–**	**44 442**	**–**	**–**	**–**	**(35 186)**	**–**	**9 256**

The notes on pages 38 to 79 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

for the year-ended 28 February 2014

		GROUP		COMPANY	
		2014	2013	**2014**	2013
	Note	**R'000**	R'000	**R'000**	R'000
Cash flows from operating activities					
Cash generated from operations	26	**52 567**	38 518	**1 407**	503
Interest income		**311**	245		–
Finance costs		**(6 684)**	(6 662)	**–**	(1)
Tax paid	27	**(8 424)**	(6 235)	**(88)**	–
Net cash from operating activities		**37 770**	25 866	**1 319**	502
Cash flow from investing activities					
Purchase of PPE	3	**(8 199)**	(21 344)	**–**	–
Sale of PPE	3	**2 755**	372	**–**	–
Purchase of intangible assets	4	**(1 413)**	(1 435)	**–**	–
Loans from group companies repaid		**–**		**(1 412)**	(502)
Dividends received		**–**		**2 448**	7 586
Net cash from investing activities		**(6 857)**	(22 407)	**1 036**	7 084
Cash flow from financing activities					
Repurchase of treasury shares	14	**(4 488)**	(2 387)	**–**	–
Repayment of other financial liabilities		**(12 262)**	3 477		–
Dividends paid	28	**(2 448)**	(7 586)	**(2 448)**	(7 586)
Net cash from financing activities		**(19 198)**	(6 496)	**(2 448)**	(7 586)
Total cash movement for the year		**11 715**	(3 037)	**(93)**	–
Exchange gains/(losses) on cash		**1 395**	–	**–**	–
Cash at the beginning of the year		**33 446**	36 483	**–**	–
Total cash at the end of the year	12	**46 556**	33 446	**(93)**	–

The notes on pages 38 to 79 form an integral part of these financial statements.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial assets and financial liabilities (including derivative financial instruments) that are shown at fair value and land and buildings that are shown at revalued cost, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements reflect 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 financial statements 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

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

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

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3: Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5: Non-current Assets Held-For-Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

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

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

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

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

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.1 Consolidation continued

Business combinations continued

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

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. For further detail please refer to note 1.6. Trade and other receivables. 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 have 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. Provision is made for stock older than 365 days.

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. For further details please refer to note 4.

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

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 8 – Deferred taxation.

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.2 Significant judgements and sources of estimation uncertainty continued

Taxation continued

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.

Intangible assets with indefinite useful lives

Key factors taken into consideration in determining that the regulatory permit has an indefinite useful life are as follow:

- The products manufactured will continue as long as steel is manufactured. The majority of the products are used a deoxidants into the steel industry. The steel industry is well established in South Africa and production methods in the steel industry are consistent and use our products on an ongoing basis. Industry information indicates that there will be significant demand for steel and thus aluminium as a result of the government recapitalisation of the Transnet rolling stock. This will be a massive boost for the steel industry and as a result we expect an ongoing demand for our products.
- No significant capital expenditure is required for the plant. We expect the plant to be maintained through regular ongoing maintenance
- The assets is well controlled as the group owns both the site to which the asset refers as well as all of the manufacturing equipment.
- The asset is site specific and the group owns the property to which the asset has been allocated
- The industry is extremely stable and there is reason to expect growth in the industry due to the Transnet rolling stock programme.
- There are no technological barriers for the group but there are significant cost barriers for competitors to enter the market, such as the cost of environmental and regulatory permits and the cost of establishing the plant.
- The group has considerable expertise and management skills related specifically to the aluminium industry.
- The asset is the only secondary aluminium smelter in the Western Cape.

The useful life of regulatory permit is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. The permit endures in perpetuity provided that the company complies with changes in legislation as they occur.

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 select entity; 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 are carried at cost less accumulated depreciation and any impairment losses.

Land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.3 Property, plant and equipment continued

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

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

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

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

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

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

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

1.4 Intangible assets and goodwill

Goodwill

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.

Other intangible assets

Intanigble assets acquired in a business combination are shown at fair value at the acquisition date, and are tested annually for impairment.

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

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.4 Intangible assets and goodwill continued

Other intangible assets continued

Other intangible assets are amortised over their estimated useful lives, and will commence once the assets start generating economic benefits. Other intangible assets are tested annually for impairment.

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

Item	Average useful life
Patents, trademarks and other rights	Indefinite

For further detail please refer to note 4.

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.

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

Company annual financial statements

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

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

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

1.6 Financial instruments

Classification

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

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

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is reassessed 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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.6 Financial instruments continued

Subsequent measurement

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

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest. Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.6 Financial instruments continued

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 remeasured to fair value at subsequent reporting dates.

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

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss – held for trading.

Held to maturity

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

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

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

1.7 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

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.

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.

The group 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. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

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. When any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

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 is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

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

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

A constructive obligation to restructure arises only when an entity:

- Has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented
- 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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.13 Provisions and contingencies continued

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 30.

1.14 Revenue

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

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. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.17 Translation of foreign currencies

Functional and presentation currency

Items included in the annual financial statements 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 financial statements are presented in Rand which is the group functional and presentation currency.

Foreign currency transactions

Functional and presentation currency Items included in the annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the company operates. The group annual financial statements are presented in South African Rand which is the group's functional and presentation currency.

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 financial statements are recognised in profit or loss in the period in which they arise.

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

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

Foreign entities:

The results and financial position of the group entities that have a functional currency different from the presentation currency, are translated to the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate on the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

1.18 Other income

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

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

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED

International Financial Reporting Standards and amendments effective for the first time for 28 February 2014 year-end			
Number	**Effective date**	**Executive summary**	**Expected impact**
Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting	1 January 2013	The IASB has published an amendment to IFRS 7: Financial Instruments: Disclosures, reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.	Not applicable
Amendments to IAS 1: Presentation of Financial Statements, on presentation of items of OCI	1 July 2012	The IASB has issued an amendment to IAS 1: Presentation of Financial Statements. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.	Minimal
IAS 19: Employee Benefits	1 January 2013	The IASB has issued an amendment to IAS 19: Employee Benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.	Minimal
IFRS 10: Consolidated Financial Statements	1 January 2013	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.	Minimal
IFRS 12: Disclosures of interests in other entities	1 January 2013	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.	Not applicable
IFRS 13: Fair Value Measurement	1 January 2013	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.	Minimal

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED CONTINUED

International Financial Reporting Standards and amendments effective for the first time for 28 February 2014 year-end continued

Number	Effective date	Executive summary	Expected impact
IAS 27 (revised 2011): Separate Financial Statements	1 January 2013	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	Minimal
IAS 28 (revised 2011): Associates and Joint Ventures	1 January 2013	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	Not applicable
Amendment to the transition requirements in 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.	Not applicable

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2014 year-end

Number	Effective date	Executive summary	Expected impact
IAS 32 (Amendment): 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
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
IFRIC 21: Levies	1 January 2014	The interpretation addresses the accounting for a liability to pay a levy imposed by government recognised in accordance with IAS 37: Provisions, and the liability to pay a levy imposed by government whose timing and amount is certain. It excludes income taxes within the scope of IAS 12: Income Taxes. Its application to liabilities arising from emissions trading schemes is optional.	Not applicable

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2014 year-end continued

Number	Effective date	Executive summary	Expected impact
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	Early adoption is permitted although the amendments may not be applied before an entity applies IFRS 13. The IASB has amended IAS 36 as follows: • To remove the requirement to disclose recoverable amount when a cash-generating unit ("CGU") contains goodwill or indefinite lived intangible assets but there has been no impairment; • To require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed; and • To require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.	Minimal
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	Early adoption is permitted. The amendments will not result in the expiration or termination of the hedging instrument if: • As a consequence of laws or regulations, the parties to the hedging instrument agree that a CCP, or an entity (or entities) acting as a counterparty in order to effect clearing by a CCP ('the clearing counterparty'), replaces their original counterparty; and • Other changes, if any, to the hedging instrument are limited to those that are necessary to effect such replacement of the counterparty. These changes include changes in the contractual collateral requirements, rights to offset receivables and payables balances, and charges levied.	Minimal
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	1 July 2014	Early application is permitted. The IASB has issued an amendment to clarify the application of IAS 19: Employee Benefits (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.	Not applicable

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2014 year-end continued

Number	Effective date	Executive summary	Expected impact
Amendments to IFRS 9: Financial Instruments: Hedge Accounting and Amendments to IFRS 7 and IAS 39	None	**Hedge accounting** The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements. **Own credit** Although not related to hedge accounting, the IASB has also amended IFRS 9 to allow entities to early adopt the requirement to recognise in OCI the changes in fair value attributable to changes in an entity's own credit risk (from financial liabilities that are designated under the fair value option). This can be applied without having to adopt the remainder of IFRS 9.	Minimal
IFRS 14: Regulatory Deferral Accounts	1 January 2016	Early application is permitted. The IASB has issued this standard as an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure. Application is not compulsory, but entities that will apply the guidance should begin to consider the implications in connection with the adoption of IFRS.	Not applicable
IFRS 9: Financial Instruments (2009)	1 January 2013	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.	Minimal
IFRS 9: Financial Instruments (2010)	1 January 2013	The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.	Minimal

3. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	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	18 443	–	18 443	18 443	–	18 443
Buildings	40 484	(1 527)	38 957	39 553	–	39 553
Plant and machinery	32 307	(15 716)	16 591	29 640	(12 243)	17 397
Furniture and fittings	4 132	(3 437)	695	3 490	(2 895)	595
Motor vehicles	9 427	(6 642)	2 785	8 225	(5 604)	2 621
IT equipment	3 673	(3 136)	537	3 264	(2 870)	394
	108 466	(30 458)	78 008	102 615	(23 612)	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					
2014					
Land	18 443	–	–	–	18 443
Buildings	39 553	931	–	(1 527)	38 957
Plant and machinery	17 397	4 628	(1 961)	(3 473)	16 591
Furniture and fittings	595	642	–	(542)	695
Motor vehicles	2 621	1 208	(6)	(1 038)	2 785
IT equipment	394	790	(381)	(266)	537
	79 003	8 199	(2 348)	(6 846)	78 008

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 R'000	De-preciation R'000	Total R'000
GROUP							
2013							
Land	10 775	–	–	7 668	–	–	18 443
Buildings	5 953	13 864	–	14 099	6 608	(971)	39 553
Plant and machinery	14 264	5 949	–	–	–	(2 816)	17 397
Furniture and fittings	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

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 16).

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Revaluations

Revaluation of land and buildings

During the prior 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.

The effective date of the revaluations was Thursday, 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 47 of 2000.

Land and buildings are revalued independently every five years.

The carrying amount of the land and buildings under the cost model would have been R29 294 000 (2013: R29 621 000).

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

This assumption was based on market conditions at the time.

4. INTANGIBLE ASSETS

	2014			2013		
	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						
Regulatory permit	**2 500**	**–**	**2 500**	2 500	–	2 500
Goodwill	**39 938**	**(4 300)**	**35 638**	39 938	(4 300)	35 638
Intangible assets under development	**4 016**	**–**	**4 016**	2 603	–	2 603
Total	**46 454**	**(4 300)**	**42 154**	45 041	(4 300)	40 741

Reconciliation of intangible assets

	Opening balance R'000	**Additions R'000**	**Total R'000**
GROUP			
2014			
Regulatory permit	**2 500**	**–**	**2 500**
Goodwill	**35 638**	**–**	**35 638**
Intangible assets under development	**2 603**	**1 413**	**4 016**
	40 741	**1 413**	**42 154**

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

4. 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 28 February 2013, due to the closure of the Insimbi Thermal Insulation Proprietary Limited business on 31 March 2013.

Management reviews business performance based on the market segments in which the group operates. The following is a summary of the goodwill allocation to each operating segment.

	Opening R'000	Additions R'000	Disposals R'000	Impairment R'000	Closing R'000
2014					
Foundry	**19 329**	–	–	–	**19 329**
Steel	**11 885**	–	–	–	**11 885**
Refractory	**4 424**	–	–	–	**4 424**
Total	**35 638**	–	–	–	**35 638**
2013					
Foundry	19 629	–	–	(300)	19 329
Steel	11 885	–	–	–	11 885
Refractory	4 424	–	–	–	4 424
Total	35 938	–	–	(300)	35 638

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

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

	2014			2013		
Key assumptions	**Foundry**	**Steel**	**Refractory**	Foundry	Steel	Refractory
Gross margin - budgeted	**10,2**	**12,1**	**12,2**	12,1	9,5	12,6
Growth rate	**3,0**	**3,0**	**3,0**	3,0	3,0	3,0
Discount rate	**20,1**	**20,1**	**20,1**	18,4	18,4	18,4

Gross margin: budgeted gross margin as per 2014 budget.
Growth rate: Minimum growth rate used to extrapolate cash flows beyond the budget period
Discount rate: Pre-tax discount rate applied to the cash flow projections

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

Sensitivity analysis

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

4. INTANGIBLE ASSETS CONTINUED

Other intangible assets

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
Intangible assets with indefinite lives:				
Regulatory permit – Metlite Alloys Proprietary Limited	**2 500**	2 500	**–**	–

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

Key factors taken into consideration in determining that the intangible asset has an indefinite useful life are as follow:

- The products manufactured will continue as long as steel is manufactured. The majority of the products are used as deoxidants into the steel industry. The steel industry is well established in South Africa and production methods in the steel industry are consistent and use our products on an ongoing basis. Industry information indicates that there will be significant demand for steel and thus aluminium as a result of the government recapitalisation of the Transnet rolling stock. This will be a massive boost for the steel industry and as a result we expect an ongoing demand for our products;
- No significant capital expenditure is required for the plant. We expect the plant to be maintained through regular ongoing maintenance;
- The asset is well controlled as the group owns both the site to which the asset refers as well as all of the manufacturing equipment;
- The asset is site specific and the group owns the property to which the asset has been allocated;
- The industry is extremely stable and there is reason to expect growth in the industry due to the Transnet rolling stock programme;
- There are no technological barriers for the group but there are significant cost barriers for competitors to enter the market, such as the cost of environmental and regulatory permits and the cost of establishing the plant;
- The group has considerable expertise and management skills related specifically to the aluminium industry; and
- The asset is the only secondary aluminium smelter in the Western Cape.

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
Allocation of intangible assets with indefinite lives to cash-generating units				
2014				
Foundry	**2 500**	2 500	**–**	–
Steel	**–**	–	**–**	–
Refractory	**–**	–	**–**	–
	2 500	2 500	**–**	–
Intangible assets under development:				
Insimbi Nano Milling Proprietary Limited	**4 016**	2 603	**–**	–

The investment in insimbi Nano Milling includes directly attributable costs that are capitalised during the development phase of the project. These costs include materials, services, and employee costs related to the development of the asset. The useful life of the asset will be assessed upon completion of the development phase. The development phase is expected to be completed during the following 12 months. The development was conceived to introduce the concept of nano sizing of a range of products to the South African industry. Nano sizing is the reduction of particle size with sophisticated equipment extremely fine submicron sizes.

5. INVESTMENTS IN SUBSIDIARIES GROUP AND COMPANY

Name of company	Held by	**holding 2014 %**	holding 2013 %	**Carrying amount 2014 R'000**	Carrying amount 2013 R'000
Insimbi Alloy Properties Proprietary Limited	Insimbi Refractory and Alloy Supplies Limited	**100,00**	100,00	**–**	–
Insimbi Alloy Supplies Proprietary Limited	Insimbi Refractory and Alloy Supplies Limited	**100,00**	100,00	**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	**100,00**	49,50	**–**	–
Metlite Alloys Proprietary Limited	Insimbi Alloy Supplies 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 controlled by the group and 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 year-end and no dividends have accrued to any of the shareholders.

In November 2013 Insimbi entered into a joint venture with African Financial Group (Pty) Ltd. Even though the legal structure thereof was approved and established at year-end, no transactions had taken place with this entity.

6. LOANS TO/(FROM) GROUP COMPANIES

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
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	**–**	–	**(19 673)**	(21 085)
These loans are unsecured, interest free and have no fixed terms of repayment.				
Non-current assets	**–**	–	**5 360**	5 360
Current liabilities	**–**	–	**(19 673)**	(21 085)
	–	–	**(14 313)**	(15 725)

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.

7. FINANCIAL ASSETS BY CATEGORY

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

	Loans and receivables R'000	Fair value through profit or loss - designated R'000	Total R'000
GROUP			
2014			
Derivative assets	**–**	**556**	**556**
Trade and other receivables	**118 020**	**–**	**118 020**
Cash and cash equivalents	**48 985**	**–**	**48 985**
	167 005	**556**	**167 561**

	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

The fair value of the foreign currency exchange contracts are determined by using the volatility in the relevant exchange spot rates.

The derivative instruments are held at fair value and have significant inputs other than quoted prices that are either directly or indirectly observable for the instruments. This results in the fair value measure of these instruments being classified as Level 2 in the fair value ranking. No other financial instruments are held at fair value.

7. FINANCIAL ASSETS BY CATEGORY CONTINUED

	Loans and receivables R'000	Total R'000
COMPANY		
2014		
Loans to group companies	**5 360**	**5 360**
COMPANY		
2013		
Loans to group companies	5 360	5 360

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

8. DEFERRED TAXATION

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Deferred tax liability				
Accelerated tax depreciation	**(88)**	(88)	**–**	–
Fair value gains	**(9 362)**	(10 435)	**–**	–
Other	**(6 342)**	(373)	**–**	–
Total deferred tax liability	**(15 792)**	(10 896)	**–**	–
Deferred tax assets				
Tax losses available for offset against future taxable income	**11 561**	5 974	**501**	501
Other	**486**	486	**–**	–
	12 047	6 460	**–**	–
The gross movement on the deferred tax income account is as follows:				
Opening balance	**(4 436)**	3 914	**501**	490
(Credited)/charged to the income statement	**(342)**	(405)	**–**	11
(Credited) to other comprehensive income	**1 073**	(7 945)	**–**	–
Closing balances	**(3 705)**	(4 436)	**501**	501

	Accelerated tax depreciation R'000	Fair value gains R'000	Other R'000	Total R'000
GROUP				
The movement in deferred tax assets and liabilities during the year is as follows:				
Deferred tax liabilities				
At 1 March 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)
(Credited)/charged to the income statement			**(5 969)**	**(5 969)**
(Credited)/charged to other comprehensive income		**1 073**		**1 073**
At 28 February 2014	**(88)**	**(9 362)**	**(6 342)**	**(15 792)**

8. DEFERRED TAXATION CONTINUED

	Tax losses available for set-off R'000	Other R'000	Total R'000
GROUP			
Deferred tax assets			
At 1 March 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
(Credited)/charged to the income statement	**5 587**		**5 587**
At 28 February 2014	**11 561**	**486**	**12 047**
COMPANY			
The movement in deferred tax assets and liabilities during the year is as follows:			
Deferred tax asset			
At 1 March 2012	490	–	490
(Credited)/charged to the income statement	11	–	11
At 28 February 2013	501	–	501
(Credited)/charged to the income statement	**–**	**–**	**–**
At 28 February 2014	**501**	**–**	**501**

Recognition of deferred tax asset

The deferred tax asset arises predominately from estimated tax losses generated by the aluminium business in Benoni. This asset will be utilised against future taxable income that management expects the company to start generating, mainly as a result of the commissioning of the aluminium plant during 2012 and the resulting sales from this facility due to the building up capacity and building up revenue. The group has estimated losses of R23 304 637 (2013: R19 110 035).

9. 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 455 300 (2013: R2 527 884).

10. INVENTORIES

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Raw materials and components	**77 383**	56 091		
Finished goods	**1 445**	2 881	**–**	–
Goods in transit	**4 895**	8 563	**–**	–
	83 723	67 465	**–**	–
Inventories (write-downs)*	**(1 010)**	(1 042)	**–**	–
	82 713	66 423	**–**	–

** Relates to raw materials and components*

The total inventory write down for the year was included in the cost of sales in other comprehensive income.

The inventory balances do not include any spare parts.

11. TRADE AND OTHER RECEIVABLES

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Trade receivables	**117 676**	91 730	**–**	–
Provision for impairment	**(880)**	(747)	**–**	–
Prepayments	**362**	1 335	**–**	1 143
Deposits	**680**	397	**–**	–
VAT	**600**	413	**98**	110
Sundry debtors	**544**	28	**–**	–
	118 982	93 156	**98**	1 253

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.

The group does not hold any collateral as security.

12. CASH AND CASH RESOURCES

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Cash and cash equivalents consists of:				
Cash on hand	**85**	86	**–**	–
Bank balances	**48 900**	33 383	**–**	–
Bank overdraft	**(2 429)**	(23)	**(93)**	–
	46 556	33 446	**(93)**	–
Current assets	**48 985**	33 469	**–**	–
Current liabilities	**(2 429)**	(23)	**(93)**	–
	46 556	33 446	**(93)**	–

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
13. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE				
The group has decided to discontinue the operations of Insimbi Thermal Insulations Proprietary Limited with effect 28 February 2014.				
The decision was made by the board of directors to discontinue these operations due the lack of return on investment.				
Operating cash flow	**–**	356	**–**	–
Investing cash flow	**–**	(16)	**–**	–
Financing cash flow	**–**	536	**–**	–
Total cash flow	**–**	(196)	**–**	–
Profit and loss				
Revenue	**–**	11 203	**–**	–
Cost of sales	**–**	(8 520)	**–**	–
Other income	**–**	(180)	**–**	–
Expenses	**–**	(3 375)	**–**	–
Investment revenue	**–**	10	**–**	–
Finance costs	**–**	(7)	**–**	–
Net (loss)/profit before taxation	**–**	(869)	**–**	–
Taxation	**–**	(339)	**–**	–
Net (loss)/profit after taxation	**–**	(1 208)	**–**	–
	–	(1 208)	**–**	–
14. SHARE CAPITAL				
Authorised				
12 000 000 000 ordinary shares of 0,000025 each	**3**	3	**3**	3
Reconciliation of number of shares issued ('000)				
Treasury shares/held by subsidiaries	**16 453**	8 743	**16 453**	8 743
Issue of shares – ordinary shares	**49 999**	57 709	**49 999**	57 709
Issue of shares to directors – ordinary shares	**193 548**	193 548	**193 548**	193 548
	260 000	260 000	**260 000**	260 000
Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.				
Issued (R'000)				
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	**(9 439)**	(4 951)	**–**	–
	35 003	39 491	**44 442**	44 442

Shares repurchased by a subsidiary and held in treasury amounted to R9 439 000 (2013: R4 951 000) at year-end which are disclosed as a reduction of equity in the statement of changes in equity.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
15. REVALUATION RESERVE				
During the prior 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 and the effect was as follows:				
Surplus on revaluation of land and buildings	**28 375**	28 375	**–**	–
Deferred taxation	**(6 872)**	(7 945)	**–**	–
	21 503	20 430	**–**	–
16. OTHER FINANCIAL LIABILITIES				
At fair value through profit or loss				
Derivative	**–**	19	**–**	–
Held at amortised cost				
Nedbank mortgage bond	**3 100**	3 700	**–**	-
Nedbank Limited – senior debt loan	**–**	11 922	**–**	–
Nedbank Limited – multi-option facility	**53 331**	52 359	**–**	–
Nedbank Limited – mortgage bond (Teakwood)	**12 639**	13 500	**–**	–
Terms and conditions				
Nedbank instalment sale	**3 790**	3 641	**–**	–
	72 860	85 122	**–**	–
	72 860	85 141	**–**	–
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	**15 621**	20 283	**–**	–
Current liabilities				
Fair value through profit or loss	**–**	19	**–**	–
At amortised cost	**57 239**	64 839	**–**	–
	57 239	64 858	**–**	–
	72 860	85 141	**–**	–

Nedbank Limited – mortgage bond

Interest rate – prime less 0.5%. The monthly capital repayment is R50 000 (2013: R50 000). The loan is secured by the property acquired in Atlantis, Western Cape. The interest rate at year-end was 8.5% (2013: 8%). 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 (2013: R1 367 467) which includes capital and interest. The last repayment was made on 29 November 2013.

16. OTHER FINANCIAL LIABILITIES CONTINUED

Nedbank Limited – instalment sale agreements

Interest rate – prime linked at 9% (2013: 8.5%). The agreements are secured by motor vehicles and plant and equipment with a net book value of R1 261 358 (2013: R1 819 997) and repayable in monthly instalments of R118 498 (2013: R105 539).

Nedbank mortgage bond No. 2

Interest rate – prime linked at 9%. The capital repayment is R170 130 (2013: R167 570) per month. The loan is secured by the property acquired in Teakwood Road, Jacobs, Durban, Kwa-Zulu Natal. The interest rate at year-end was 9% (2013: 8.5%). 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 (2013: 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% (2013: 7%). The overdraft facility is R10 million (2013: R10 million). The interest rate on the overdraft facility is linked to prime at 9% (2013: 8.5%). In negotiations after year-end, Nedbank has approved an increase of the multi-option facility to R65 million.

Security

All the facilities are secured by a general notarial bond of R70 million (2013: R70 million) over inventories, plant and equipment, a mortgage bond for R15 million (2013: R15 million) over Stand 359, Crocker Road, Wadeville and a mortgage bond for R6 million (2013: R6 million) over the property in Atlantis, Western Cape and a mortgage bond for R13,5 million (2013: R13,5 million) over the property 174 Teakwood Road, Jacobs, Durban. In negotiations after year-end, Nedbank has agreed to release the R15 million mortgage bond over Stand 359, Crocker Road, Wadeville.

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 (2013: R70 million).

Insimbi Alloy Supplies Limited 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 Proprietary Limited and Metlite Alloys Proprietary Limited have signed a cross deed of suretyship whereby each company bound themselves jointly and severally as surety and co-principal debtor to Nedbank Limited.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
The carrying amount of assets pledged as security is detailed as follows:				
Property, plant and equipment	**78 008**	79 003	**–**	–
Inventories	**82 713**	66 423	**–**	–
Trade receivables	**117 360**	90 983	**–**	–
	278 801	236 409	**–**	–

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.

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 R69 million from its total facilities of R102,8 million (2013: R125,8 million).

17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Trade payables	**164 276**	105 713	**–**	–
VAT	**3 277**	7 013	**–**	–
Audit fees	**932**	986	**–**	86
Other accrued expenses	**4 708**	5 349	**599**	262
	173 193	119 061	**599**	348

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.

18. 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	Total R'000
GROUP		
2014		
Nedbank Limited – multi-option facility	**53 331**	**53 331**
Nedbank Limited – senior debt	**–**	**–**
Nedbank Limited – mortgage loan	**3 100**	**3 100**
Nedbank Limited – instalment sale	**3 790**	**3 790**
Nedbank Limited – mortgage loan No. 2	**12 639**	**12 639**
Trade and other payables	**164 276**	**164 276**
Bank overdraft	**2 429**	**2 429**
	239 565	**239 565**

** Trade and other payables excludes VAT, accruals and audit fees.*

	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	105 713	–	105 713
Foreign exchange contracts	–	19	19
Bank overdraft	23	–	23
	190 858	19	190 877

18. FINANCIAL LIABILITIES BY CATEGORY CONTINUED

	Financial liabilities at amortised cost R'000	Total R'000
COMPANY		
2014		
Net loans from group companies	**19 673**	**19 673**
Bank overdraft	**93**	**93**
	19 766	**19 766**
COMPANY		
2013		
Net loans from group companies	21 587	21 587

Management has assessed the fair value of the group's financial liabilities which it has equated to the cost of financial liabilities.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
19. REVENUE				
Sale of goods	**935 123**	825 154	**–**	–
Rendering of services	**3 857**	3 161	**–**	–
	938 980	828 315	**–**	–
20. EXPENDITURE BY NATURE				
20.1 Cost of sales				
Cost of inventories expensed during the year	**837 891**	744 741	**–**	–
20.2 Operating expenses				
Advertising	**286**	328	**–**	–
Auditors' remuneration	**859**	887	**141**	135
Bad debts	**809**	708	**–**	–
Bank charges	**410**	342	**1**	1
Computer expenses	**318**	296	**–**	–
Consulting and professional fees	–	25	**–**	–
Depreciation and amortisation	**6 846**	5 377	**–**	–
Donations	**202**	193	**–**	5
Employee costs	**42 918**	40 466	**–**	–
Insurance	**652**	608	**–**	–
Lease rentals on operating leases	**629**	2 089	**–**	–
Legal expenses	**3 138**	3 191	**1 693**	752
Loss on exchange differences	**337**	396	**–**	–
Motor vehicle expenses	**573**	532	**–**	–
Other expenses	**616**	2 929	**–**	440
Petrol and oil	**1 227**	1 105	**–**	–
Postage	**49**	31	**–**	–

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
20. EXPENDITURE BY NATURE				
20.2 Operating and administration expenses continued				
Printing and stationery	**681**	696	**150**	205
Repairs and maintenance	**1 451**	1 428	**–**	–
Security	**1 006**	952	**–**	–
Staff welfare	**–**	59	**–**	–
Subscriptions	**108**	96	**–**	–
Telephone and fax	**1 143**	1 123	**–**	–
Training	**–**	3	**–**	–
Travel – local	**1 327**	1 176	**–**	–
Travel – overseas	**480**	622	**–**	–
Utilities	**2 419**	1 485	**–**	–
	68 484	67 143	**1 985**	1 538
20.3 Employee costs				
Salaries	**32 427**	33 925	**–**	–
Motor vehicle allowances	**2 220**	1 492	**–**	–
Medical aid contributions	**1 494**	1 030	**–**	–
Pension fund contributions	**2 455**	2 384	**–**	–
Bonus and 13th cheque	**3 404**	1 622	**–**	–
Staff welfare	**918**	13	**–**	–
	42 918	40 466	**–**	–
21. OTHER INCOME				
Management fees	–	–	**1 986**	1 500
Foreign exchange gain	**1 707**	2 023	**–**	–
Rent received	**644**	579	**–**	–
Profit on disposal of assets	**407**	361	**–**	–
	2 758	2 963	**1 986**	1 500
22. INVESTMENT INCOME				
Dividend revenue				
Subsidiaries – local	**–**	–	**2 448**	7 586
Interest revenue				
Bank	**311**	235	–	–
	311	235	**2 448**	7 586
23. FINANCE COSTS				
Bank	**6 684**	6 655	**–**	1

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
24. TAXATION				
Major components of the tax expense				
Current				
Local income tax – current period	**9 022**	4 865	**–**	373
– recognised in current tax for prior periods	**–**	(395)	**–**	–
	9 022	4 470	**–**	373
Deferred				
Originating and reversing temporary differences	**(342)**	(405)	**–**	(11)
	8 680	4 065	**–**	362
	%	%	**%**	%
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	**–**	–	**(28,00)**	(23,20)
Current years losses in subsidiaries	**1,94**	4,95	**–**	–
Prior year adjustments to tax liability	**–**	(1,62)	**–**	–
	29,94	31,33	**–**	4,80

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
25. AUDITORS' REMUNERATION				
Fees	**859**	887	**141**	135
26. CASH GENERATED FROM OPERATIONS				
Profit before tax	**28 990**	12 105	**2 449**	7 547
Adjustments for:				
Depreciation	**6 846**	5 377	**–**	–
Profit on sale of assets	**(407)**	(361)	**–**	–
Fair value on foreign exchange contracts	**(488)**	(1 676)	**–**	–
Dividends received	**–**	–	**(2 448)**	(7 586)
Interest received	**(311)**	(245)	**–**	–
Finance costs	**6 684**	6 662	**–**	1
Impairment loss	**–**	300	**–**	–
Movement in foreign currency translation reserve	**5**	–	**–**	–
Foreign exchange gain on cash	**(1 395)**	–	**–**	–
Other non-cash	**(349)**			
Changes in working capital:				
Inventories	**(16 290)**	6 330	**–**	–
Trade and other receivables	**(25 826)**	27 708	**1 155**	278
Trade and other payables	**54 132**	(17 682)	**251**	263
	52 567	38 518	**1 407**	503

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
27. TAX PAID				
Balance at the beginning of the year	**1 890**	(344)	**–**	373
Current tax for the year recognised in profit or loss	**(9 022)**	(4 470)	**–**	(373)
Balance at the end of the year	**(1 292)**	(1 890)	**(88)**	–
	(8 424)	(6 704)	**(88)**	–
28. DIVIDENDS PAID				
Dividends	**(2 448)**	(7 586)	**(2 448)**	(7 586)
29. COMMITMENTS				
Authorised capital expenditure				
Not yet contracted for and authorised by directors	**9 000**	2 500	**–**	–
This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained profits, existing cash resources, funds internally generated, etc.				
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	**643**	643	**–**	–
– in second to fifth year inclusive	**1 930**	2 573	**–**	–
	2 573	3 216	**–**	–
Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.				
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.				
30. CONTINGENCIES				
Guarantees				
All guarantees are performance guarantees held for Insimbi Alloy Supplies Proprietary Limited on behalf of various government beneficiaries.	**954**	954	**–**	–

31. RELATED PARTIES

Relationships

Ultimate holding company	Insimbi Refractory and Alloy Supplies Limited
Subsidiaries	Refer to note 5
Members of key management	Directors of the group as per the directors' report meet the definition of key management personnel.

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	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	**–**	–	**(19 673)**	(21 085)
Administration fees paid to related parties				
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**–**	7 621	**1 986**	1 500
Dividends paid to (received from)				
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**(2 448)**	(7 586)	**–**	–

Related party transactions

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

32. 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 shareholder 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 6 and 16, cash and cash equivalents disclosed in note 12, 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 shareholder, return capital to shareholder, 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.

The gearing ratio was as follows and has decreased due to the repayment of debt in the current year and improved performance of the group.

	GROUP		COMPANY	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
Gearing ratio*	**22**	49	**–**	–

32. RISK MANAGEMENT CONTINUED

Capital risk management continued

* Calculated as follows:

	2014 R'000	2013 R'000
Total borrowings	**72 871**	85 164
Less: Cash and cash equivalents	**(46 556)**	(33 469)
Net debt	**26 315**	51 695
Total equity	**120 463**	106 021
Gearing ratio	**22%**	49%

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.

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 of directors. Management identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board of directors 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 have different economic characteristics and market conditions.

Principle 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.

32. RISK MANAGEMENT CONTINUED

Financial risk management continued

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

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

Procedures for avoiding excessive concentration of risk

Procedures for avoiding excessive concentration of risk include:

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

Liquidity risk

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 the group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they fall due.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored, and the group maintains agreed facilities with reputable financial institutions. There have been no defaults or breaches on long-term loans, installment sale liabilities and trade payables during the course of the financial year. Furthermore, security has been provided for long-term loans and installment 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 2014			
Borrowings	**57 239**	**7 807**	**7 814**
Trade and other payables*	**164 276**	**–**	**–**
Group			
At 28 February 2013			
Borrowings	68 611	15 203	8 872
Trade and other payables*	105 713	–	–

** Trade and other payables excludes VAT, accruals and audit fees*

At year-end the group had R56,8 million (2013: R40,7 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.

32. RISK MANAGEMENT CONTINUED

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

Certain interest rates at year-end were linked to the prime overdraft rates. The prime overdraft rate at year-end was 9% (2013: 8,5%).

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 below, in market interest rates on financial liabilities from the applicable rate as at year-end, for each class of financial instrument with all other variables remaining constant. It has been established by management that interest rate fluctuations on cash denominated in British Pounds and Euro are immaterial. The calculations were determined with reference to the outstanding financial liability and financial asset balances. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in interest rates.

At 28 February 2014, 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 049 000 (2013: R1 480 000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

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

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The select entity 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.

32. RISK MANAGEMENT CONTINUED

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

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

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

	GROUP		COMPANY	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000
Reconciliation of movement of the provision for impairment of trade and other receivables for idividually assessed trade debtors				
Balance brought forward	**(747)**	(20)	**–**	–
Increase in provision	**(133)**	(727)	**–**	–
	(880)	(747)	**–**	–

	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				
2014				
– local	**104 669**	**5 082**	**880**	**110 631**
– foreign	**6 165**	**–**	**–**	**6 165**
Total	**110 834**	**5 082**	**880**	**116 796**
GROUP				
2013				
Trade receivables				
– local	85 945	1 239	650	87 834
– foreign	2 236	913	–	3 149
Total	88 181	2 152	650	90 983

Included in the trade receivables balance, is a balance of R5 million that is past due, by has not been impaired. Of this R5 million, R2,7 million was 60 days past due and R2,3 million was 90 days past due.

32. RISK MANAGEMENT CONTINUED

Foreign exchange risk

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

Management has set up a policy that requires group companies to manage their foreign exchange risk against their functional currency. All group companies are required to hedge their foreign commitments in excess of their foreign currency export proceeds, maximising the effect of their internal hedge. This function is handled at group financial director level.

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.

	After tax effect on profit and loss arising from US Dollar		After tax effect on profit and loss arising from Euro	
	5% increase R'000	5% decrease R'000	5% increase R'000	5% decrease R'000
GROUP				
2014				
Foreign trade payables	**(426)**	**426**	**(798)**	**798**
Foreign trade receivables	**51**	**(51)**	**6**	**(6)**
Foreign bank	**419**	**(419)**	**129**	**(129)**
GROUP				
2013				
Foreign trade payables	(94)	316	(102)	142
Foreign trade receivables	113	(136)	27	(37)
Foreign bank	906	(267)	3	(3)

Sensitivity analysis – forward exchange contracts

Fair value risk arises on the mark to market of forward exchange contracts. The 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 illustration 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 2014 were R28 054 783 (2013: R27 738 441) and are expected to mature within the next 12 months.

33. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year-end Nedbank has approved an increase of the multi-option facility to R65 million. The company has not drawn down on this additional funding. Furthermore Nedbank has released the R15 million mortgage bond over Stand 359, Crocker Road, Wadeville.

34. 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	
	2014	2013	**2014**	2013
	R	R	**R**	R
Basic earnings per share				
From continuing operations (cents per share)	**8,21**	3,61	**–**	–
From discontinued operations (cents per share)	**0,00**	(0,48)	**–**	–
	8,21	3,12	**–**	–
Basic earnings per share was based on earnings of R20 310 000 (2013: R7 929 000) and a weighted average number of shares of 247 200 000 (2013: 253 110 000).				
Reconciliation of profit or loss for the year to basic earnings				
Profit or (loss) for the year attributable to equity holders of the parent (continuing operations) (R'000)	**20 310**	9 137	**–**	–
Profit or (loss) for the year attributable to equity holders of the parent (discontinued operations) (R'000)	**–**	(1 208)	**–**	–
	20 310	7 929	**–**	–
Reconciliation of weighted average number of shares				
Number of shares in issue at the end of the year ('000)	**260 000**	260 000	**–**	–
Less: Treasury shares held in a subsidiary ('000)	**(12 800)**	(6 890)	**–**	–
	247 200	253 110	**–**	–
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 per share (cents) continuing	**8,38**	3,15	**–**	–
	8,38	3,15	**–**	–
Reconciliation between earnings and headline earnings				
Basic earnings	**20 310**	7 929		
Adjusted for:				
Profit/(loss) on sale of assets	**407**	(260)		
Impairment on goodwill	**–**	300		
Headline earnings	**20 717**	7 969		

35. 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 2014.

	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
2014							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 639	148	46	–	137	–	1 970
F Botha	1 333	402	78	–	111	–	1 924
CF Botha	1 519	209	69	–	127	–	1 924
EP Liechti	1 535	173	88	–	128	–	1 924
GE Ferns*	1 230	144	86	–	102	–	1 562
	7 256	1 076	367	–	605	–	9 304
Non-executive							
DJ O'Connor	163	–	–	–	–	–	163
GS Mahlati	137	–	–	–	–	–	137
LY Mashologu	137	–	–	–	–	–	137
	437	–	–	–	–	–	437
Prescribed officers							
H Vermaak	557	41	–	68	46	–	712
D de Beer	676	83	–	85	56	–	900
S Roberts	510	96	39	68	43	–	756
	1 743	220	39	221	145	–	2 368
Total	9 436	1 296	406	221	750	–	12 109
Paid by subsidiary**							
Executive	7 256	1 076	367	–	605	–	9 304
Non-executive	437	–	–	–		–	437
Prescribed officers	1 743	220	39	221	145	–	2 368
Total	9 436	1 296	406	221	750	–	12 109

** Resigned effective 31 March 2014*

*** The executive directors and chairperson were reimbursed via a management agreement, the structure was amended with effect from 1 March 2013 when these individuals were transferred to the payroll of Insimbi Alloy Supplies.*

The directors and prescribed officers received a 6% increase in March 2014.

35. DIRECTORS' REMUNERATION AND BENEFITS CONTINUED

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year-ended 28 February 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
	2 687	436	102	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	153	–	–	–	–	–	153
	6 295	1 007	314	79	520	10	8 225
Total	8 982	1 443	416	400	736	55	12 032

** Resigned effective 8 October 2012*

*** Resigned effective 21 December 2012*

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

SEGMENTAL REPORT

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.

	Foundry R'000	Steel R'000	Refractory R'000	Total R'000
2014				
Revenue				
Sale of goods	583 229	257 765	94 129	935 123
Commission	69	–	3 788	3 857
	583 298	257 765	97 917	938 980
Cost of sales	(511 473)	(237 671)	(88 747)	(837 891)
Gross profit	71 825	20 094	9 170	101 089
Other income	2 758	–	–	2 758
Profit before operating and administration expenses	74 583	20 094	9 170	103 847
Operating and administration expenses				
Communication	(1 096)	(65)	(31)	(1 192)
Consulting and professional fees	–	–	–	–
Depreciation and amortisation	(4 535)	(2 311)	–	(6 846)
Employee cost	(36 694)	(2 250)	(3 974)	(42 918)
Motor vehicle expenses	(1 290)	(294)	(216)	(1 800)
Other expenses	(10 838)	(182)	(209)	(11 229)
Occupancy	(4 496)	(3)	–	(4 499)
	(58 949)	(5 105)	(4 430)	(68 484)
Operating profit before finance income from continuing operations	15 634	14 989	4 740	35 363

	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

SHAREHOLDER ANALYSIS

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	116	31,27	233 481	0,09
5 001 – 50 000 shares	151	40,70	2 772 717	1,07
50 001 – 100 000 shares	18	4,85	1 272 279	0,49
100 001 – 250 000 shares	44	11,86	6 813 576	2,62
250 001 – 500 000 shares	20	5,39	6 585 615	2,53
500 001 – 1 000 000 shares	7	1,89	5 655 279	2,18
1 000 001 shares and over	15	4,04	236 667 053	91,02
Totals	**371**	**100,00**	**260 000 000**	**100,00**
Distribution of shareholders				
Banks/brokers	7	1,89	5 607 909	2,15
Close corporations	4	1,08	621 667	0,24
Individuals	315	84,90	204 629 728	78,70
Investment companies	3	0,81	6 310 800	2,43
Nominees and trusts	22	5,93	14 425 677	5,55
Other corporations	6	1,62	201 535	0,08
Private companies	12	3,23	11 484 741	4,42
Public company	1	0,27	265 000	0,10
Treasury shares	1	0,27	16 452 943	6,33
Totals	**371**	**100,00**	**260 000 000**	**100,00**
Public/non-public shareholders				
Non-public shareholders	11	2,96	210 002 243	80,77
Directors and associates of the company	10	2,70	193 549 300	74,44
Treasury shares	1	0,26	16 452 943	6,33
Public shareholders	360	97,04	49 997 757	19,23
Totals	**371**	**100,00**	**260 000 000**	**100,00**
Beneficial shareholders holding 5% or more				
PJ Schutte			45 509 500	17,50
F Botha			45 383 300	17,46
EP Liechti			45 297 000	17,42
CF Botha			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 2014, 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 seventh annual general meeting of Insimbi Refractory and Alloy Supplies Limited will be held at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Friday, 22 August 2014 at 10h00.

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 seventh annual general meeting of the company, the record date is hereby set at close of business on Friday, 15 August 2014 with the last day to trade in the shares of the company on the JSE Limited being Friday, 8 August 2014.

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 2014, 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 2014."

2. **Ordinary resolution number 2**
   The appointment of auditor of the company for the ensuing year ending 28 February 2015
   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, PricewaterhouseCoopers Inc. as the auditors of the company, and 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:
   Mr F Botha, Dr GS Mahlati and Ms LY Mashologu 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 F Botha
   "Resolved that Mr F Botha be re-elected and appointed as director of the company."
   CV on page 14 of the annual report.
   3.2. Re-election and appointment of Dr GS Mahlati
   "Resolved that DR GS Mahlati be re-elected and appointed as director of the company."
   CV on page 14 of the annual report.
   3.3 Re-election and appointment of Ms LY Mashologu
   "Resolved that Ms LY Mashologu be re-elected and appointed as director of the company."
   CV on page 14 of the annual report.

ORDINARY RESOLUTIONS CONTINUED

4. **Ordinary resolution number 4**

   Appointment of Audit and Risk Committee members for the year ending 28 February 2015.

   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 2015."

   4.1. Re-appointment of Ms LY Mashologu as Chairperson

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

   4.2. 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."

   4.3. 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."

5. **Ordinary resolution number 5**

   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.

6. **Ordinary resolution number 6**

   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.

7. **Ordinary resolution number 7**

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

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

   "Resolved that the directors of the company be and are hereby authorised by way of a general authority to issue all or any of the authorised but unissued shares in the capital of the company, including options/convertible shares, as and when they in their discretion deem fit, subject to the 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."

ORDINARY RESOLUTIONS CONTINUED

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.

8. Ordinary resolution number 8

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 2014

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 21 to 22 of the integrated annual report 2014, 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

Non-executive directors' fees for the year ending 28 February 2015

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 non-executive 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 is hereby approved until such time as rescinded or amended by shareholders by way of a special resolution:

Chairman at R172 753

Non-executive directors at R145 113

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 2015.

SPECIAL RESOLUTIONS CONTINUED

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 MOI;
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 sponsor 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;

SPECIAL RESOLUTIONS CONTINUED

2. Special resolution number 2 continued

Additional requirements imposed by the JSE Listings Requirements continued

(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 14;
- Major shareholders – page 81;
- Directors' interests in ordinary shares – page 30; and
- Share capital of the company – page 62.

Litigation statement

The directors, whose names appear on page 14 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 14 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 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 2014 and up to the date of this notice.

3. 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

SPECIAL RESOLUTIONS CONTINUED

3. Special resolution number 3 continued:

Financial assistance continued

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 22 August 2014 at 10h00, 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 10h00 on 20 August 2014.

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 10h00 on 20 August 2014.

By order of the board

K Holtzhausen
Company Secretary
23 May 2014

SHAREHOLDERS' DIARY

Publication of annual reports (mailed to shareholders registered as at 23 May 2014)	30 May 2014
Last day to trade in order to be eligible to participate and vote at the AGM	8 August 2014
Record date for voting purposes	15 August 2014
Proxy date and time	20 August 2014 at 10h00
Annual general meeting	22 August 2014 at 10h00

REPORTS AND FINANCIAL STATEMENTS

Annual results announcement (on or about)	30 May 2014
Financial year-end	Last day of February

Notes:

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

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

ADMINISTRATION

DIRECTORS	PJ Schutte F Botha CF Botha EP Liechti GS Mahlati DJ O'Connor LY Mashologu GE Ferns
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
BANKERS	Nedbank Limited (Registration number 1951/00009/06)
AUDITORS	PricewaterhouseCoopers Inc. Registered Auditors
COMPANY SECRETARY	K Holtzhausen
COMPANY REGISTRATION NUMBER	2002/029821/06
TAX REFERENCE NUMBER	9078/488/15/3
PUBLISHED	27 May 2014

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 22 August 2014 at 10h00, ("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 sub-register 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 10h00 on Wednesday, 20 August 2014, being 48 (forty- eight) hours before the general meeting to be held at 10h00 on Friday, 22 August 2014; 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 F Botha			
3.2 GS Mahlati			
3.3 LY Mashologu			
4. Appointment of Audit and Risk Committee members			
4.1 LY Mashologu			
4.2 GS Mahlati			
4.3 DJ O'Connor			
5. Indemnification of directors			
6. General authority over unissued shares			
7. General authority to issue shares/convertible securities or options for cash			
8. Directors' or the 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 2015 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 ____________ 2014

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 10h00 on Wednesday, 20 August 2014, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 10h00 on Friday, 22 August 2014.
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 sub-register voting on instructions from beneficial owners of shares registered in the company's sub-register, are requested that they identify the beneficial owner in the sub-register 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.

rifedesigns14009

www.insimbi-alloys.co.za