

2015 | INTEGRATED ANNUAL REPORT



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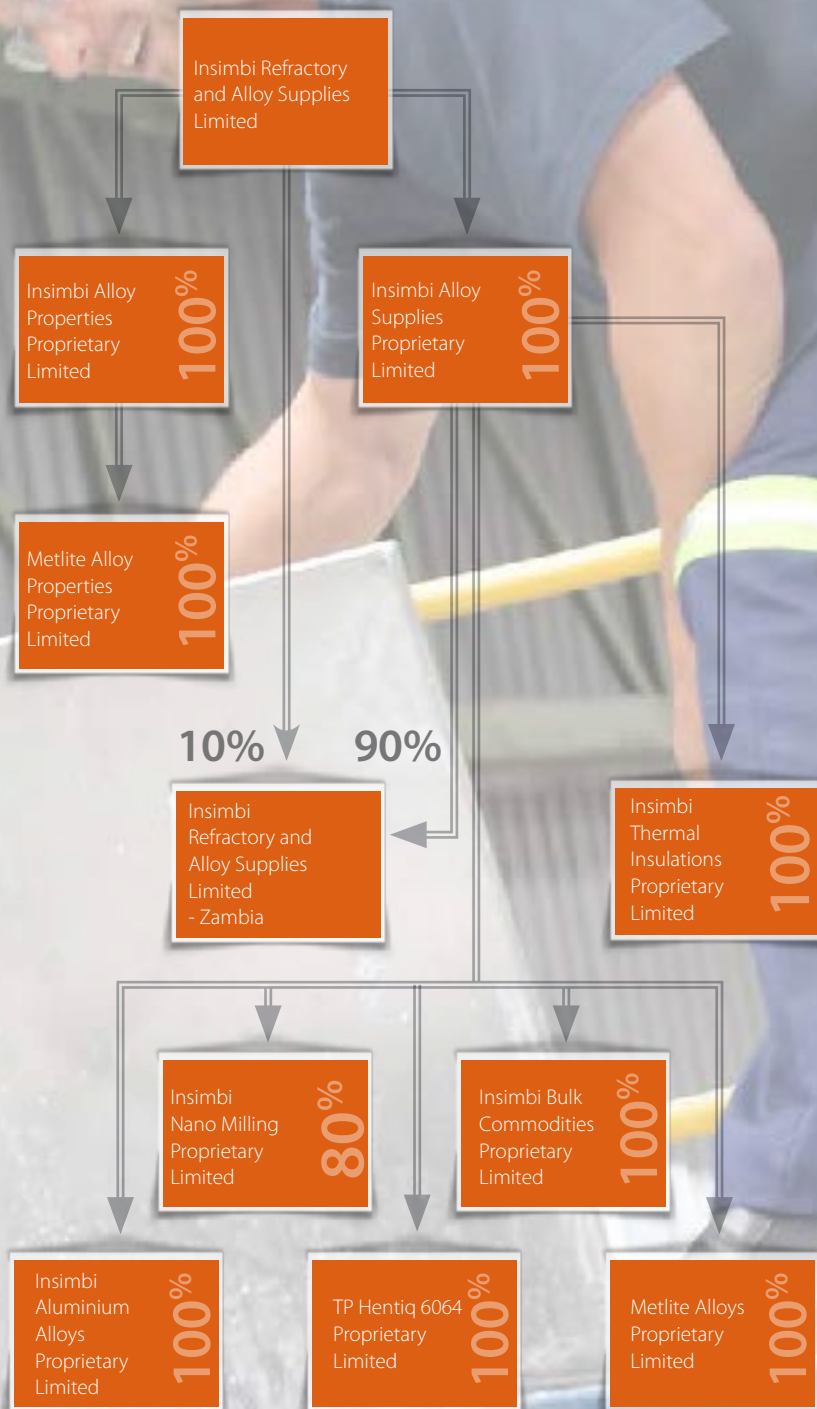
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GROUP STRUCTURE

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 eighth 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 integrated 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 2015 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 2015 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.

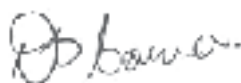
We welcome the opportunity that an integrated approach to reporting offers us to break down reporting and provide a broader explanation of our performance, underpinned by a strategic focus, connectivity of information, a future orientation and an inclusive and responsible approach to stakeholders.

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 31 of our annual financial statements, which can be found on our website at www.insimbi-alloys.co.za.

FORWARD LOOKING STATEMENTS

Certain statements in this report constitute "forward looking statements". Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performances, objectives or achievements of Insimbi and its subsidiary companies, as well as the industries in which it operates, to be materially different from future results, performances, objectives or achievements expressed or implied by these forward looking statements. The performance of the Insimbi Group is subject to the effect of changes in commodity prices, industrial actions, currency fluctuations, uncertainty around the supply of electrical power, the risks involved in mining and smelting operations and the operating procedures 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, e.g. 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 2014 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 a second ethics survey and formal feedback sessions were held with all the employees (more detail of this on pages 9 and 10). 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 2016 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.

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 2016 financial year.

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	<ul style="list-style-type: none"> Shareholders Insimbi's management Employees 	<ul style="list-style-type: none"> Positive/negative impact on <ul style="list-style-type: none"> Demand for products Rand/Dollar exchange rate Shareholders as well as stakeholders Profitability of the group economic performance 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Shareholders Insimbi's management Employees Customers Suppliers 	<ul style="list-style-type: none"> Diversification into commodities and/or the production of commodities would increase our product range and enhance our profitability 	<ul style="list-style-type: none"> The diversification strategy was approved by Exco.
Empowerment credentials	<ul style="list-style-type: none"> Shareholders Employees 	<ul style="list-style-type: none"> Low empowerment ratings could impact negatively on our sustainability in time 	<ul style="list-style-type: none"> Identify strategies to increase our empowerment ratings. Identify an empowerment partner of choice.
Safety, health and wellbeing of Insimbi's employees	<ul style="list-style-type: none"> Employees Contractors Health and safety regulator Trade unions 	<ul style="list-style-type: none"> Loss of skilled employees Loss of production impacting on profitability Negative impact on employee morale Reputational damage 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Employees Trade unions Shareholders Community Suppliers Customers 	<ul style="list-style-type: none"> Loss of product supply Increased costs due to increased demands Breakdown in business relationships – from supply and source side 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Shareholders Employees Local municipalities GDARD 	<ul style="list-style-type: none"> Delay in issuing of operational licences Decreased production and profitability 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Shareholders Management and employees Customers 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Financial institutions Suppliers Customer 	<ul style="list-style-type: none"> Liquidity: Cash tied up in stock Credit: A contracting entity defaults, resulting in a financial loss 	<ul style="list-style-type: none"> 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, financial and intellectual 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. A medical health program was implemented for employees not able to afford a medical aid whereby they will have access to basic medical care including doctors, dentists, optometrists and chronic medication. For those employees below a certain income this benefit is paid for by the company. There are 91 employees benefitting from this currently.

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. One staff member is currently busy with his Metallurgy degree during the year under review whilst another has completed his degree successfully. The company also supports a number of employees studying Computer Skills, Quality Management, Storekeeping and Stock Control Bookkeeping, Business Administration, Corporate Governance and Administration, and BSc Software Engineering. A general labourer and a cleaner were promoted to Junior Buyer and Stores Administrator respectively.

A bursar from 2014 completed his Diploma in HR Management and is currently doing his practical experience at Insimbi in the HR department.

A total of R88 716.00 was also allocated as bursaries to the children of 25 staff members to assist them financially with the cost of their children's education.

ORGANISATIONAL OVERVIEW CONTINUED

Current employee profile at Insimbi alloy supplies (February 2015)

Occupational level	Group		Gender						
	White		African		Indian		Coloured		Total
Level	Male	Female	Male	Female	Male	Female	Male	Female	
Top management senior	6		1	1					8
Management	8	2	1		1	1	1	1	15
Middle management	4	8	3				3		18
Junior management	5	21	30	7		2	9	3	77
Semi-skilled	1		36						37
Unskilled	1			6					7
Grand total	25	31	71	14	1	3	13	4	162

SOCIAL AND RELATIONSHIP 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, e.g. 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.

INTELLECTUAL CAPITAL

Insimbi's intellectual property is protected through employment contracts and confidentiality agreements and/or license agreements with external parties. These agreements establish ownership of and rights to trademarks, copyright, trade secrets, innovations and inventions resulting from any dealings with the company.

FINANCIAL INDICATORS

**up 30% to
10,88 cents**

Earnings per
share from
continuing
operations

**up 32% to
11,27 cents**

Headline earnings
per share from
continuing
operations

**up 28% to
R25,9 million**

Net profit from
continuing
operations

**down 84% to
R5,9 million**

Cash flow from
operations

**up 14% to
R40,2 million**

Operating profit
from continuing
operations

**up 10,3% to
R46,5 milion**

Earnings before
interest, tax,
depreciation and
amortisation

Total dividend
of
**4,0 cents
per share**
declared for the
year ended
28 February 2015

Cents

12
11
10
9
8
7
6
5
4
3
2
1
0

Earnings per
share (cents)

Headline
earnings per
share (cents)

Total dividend
declared

Million

55
50
45
40
35
30
25
20
15
10
5
0

Net profit from
continuing
operations

Cash flow from
operations

Operating profit
from continuing
operations

Earnings before
interest, tax,
depreciation
and
amortisation

■ 2014 ■ 2015

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 2014/15 to apply all material aspects of King III as far as appropriate. In addition the Company has adopted a combined assurance strategy and plan that provides a framework for the various assurance providers to provide assurance to the board, through the Audit and Risk, SHE, Social and Ethics Committees, that all material matters facing the

company are adequately managed and that assurance activities are integrated and coordinated in the most efficient and proficient manner.

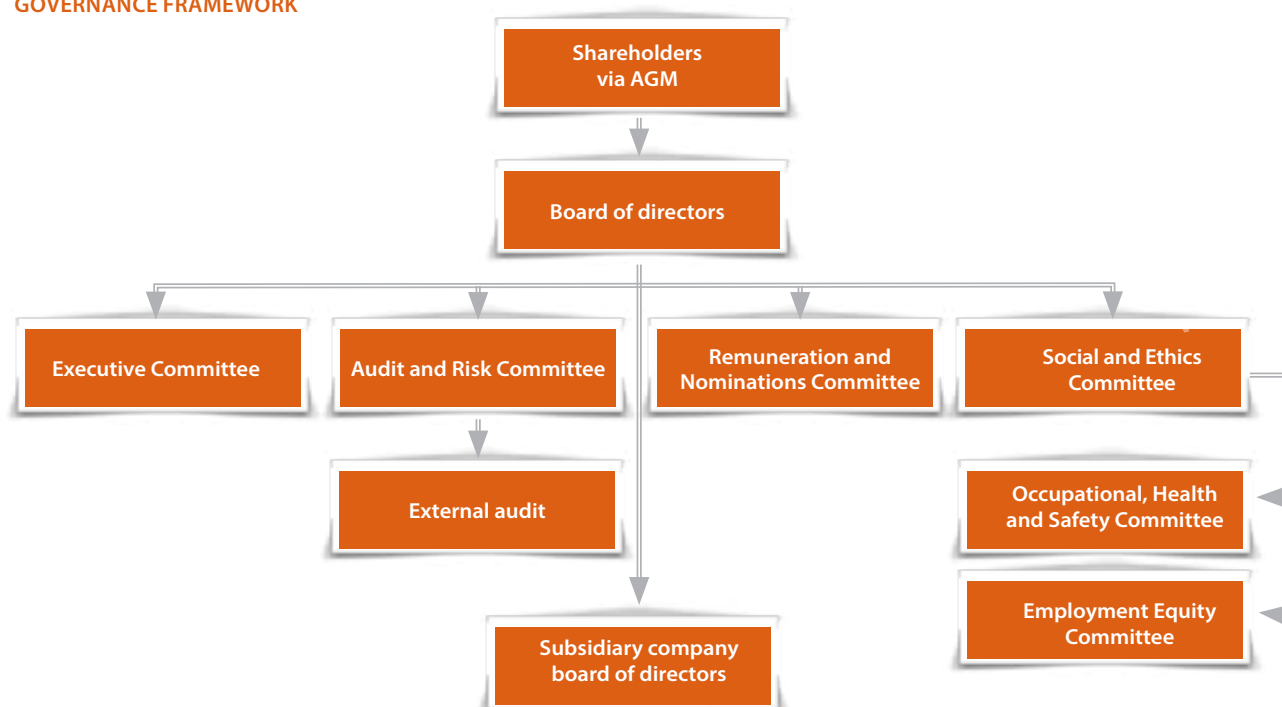
During the year under review focus had been placed on areas in which the application of the King III principles could be improved such as risk management, integrated reporting structure and processes and compliance. In support of the company's commitment to strengthen its application of the King III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

GOVERNANCE FRAMEWORK



- 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.

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 18. The Social and Ethics Committee will review and update the group's documented policies and practices to enhance and

promote ethical conduct and good corporate citizenship and the group's pledge to:

- Demonstrate integrity in everything they do;
- Promote 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.

The second ethic survey was done in March 2015. We are pleased to report not only an increase in overall employee participation in the survey, but also a pleasing increase compared to the prior year's survey. The purpose of the survey was to improve ethics within the company and to assist management to measure, monitor and accurately report on the company's ethics. Insimbi retained an A rating with the second survey but it reflects much improved results in all sphere of the company's ethics. This includes an increase in ethical behaviour, a decrease in incidences of misconduct, increased effectiveness of factors that improve ethics and reduce misconduct, and the expansion of the company's ethical boundaries to a more inclusive status. The aim is to achieve an AA rating.

Management is pleased to report back on the following:

	2015	2014
Overall ethics rating	A	A
1. Ethical behaviour is scored on a scale of 0 to 10 where 10 is the most ethical score <ul style="list-style-type: none"> • Company's overall commitment to values • Employees' commitment to values • Extent that leaders live the values • Operational inclusion of values as a guide for strategy, change and decisions • Effectiveness of key factors that improve ethics Noteworthy result: <ul style="list-style-type: none"> • Job satisfaction result was the most effective factor that promoted ethical conduct, reflecting a positive workplace culture. 	8.0 9.33 7.58 7.44 7.64	6.89 8.72 6.11 6.58 6.13
2. Unethical behaviour is on a scale of 0 to 10, where 0 is best as it represents the lowest incidence of misconduct: <ul style="list-style-type: none"> • Abuse of assets or resources • Overall results for all incidents of unethical behaviour Action to be considered <ul style="list-style-type: none"> • Discrimination and the unfair allocation of rewards could be explored to improve these results further. 	2.89 2.47	3.67 3.23

CORPORATE GOVERNANCE CONTINUED

	2015	2014
3. Ethical boundaries results: The company's overall score was +2.68 +4.8 on a scale of – 10 to +10, an increase from +0.20 in 2014. This represents the extent to which the company exercises an inclusive approach to employees and external stakeholders, and to a triple bottom line.		
• Extent to which employees feel valued	+3.04	+1.09
• Extent that values are exercised for employees	+4.00	+2.28
• Extent that values are exercised for external stakeholders	+5.59	+2.43
• Overall social and environmental responsibility score	+1.29	-2.25
Some results to be considered:		
• Increasing the extent to which employees feel valued even further.		
• Improving the company's social and environmental engagement.		

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 2015. The board was assessed on its effectiveness and composition, board dynamics, risk management, ethical leadership and corporate citizenship, remuneration of directors and succession planning. Individual directors were appraised in terms of knowledge, skills and execution of duties. The results were summarised in a report from the company secretary to the Chairman of the board.

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

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

The roles of chairman and chief executive officer are separated in line with the recommendations of King III and JSE regulations.

Appointment to the board

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

Newly appointed directors are required to attend the Directors Induction Course within two months after their appointment. The current board of directors received and attended presentations and discussion on legislative changes during the year under review. The company has a policy whereby directors and management are encouraged to stay abreast of changes in the legislative environment as well as the market place.

Board responsibilities

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

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

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

The board defines levels of materiality, reserving specific powers 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 five times during the period and has a formal schedule of matters reserved to it as recorded in the updated and approved 2014/2015 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	4	3	2	2
PJ Schutte	4	4	nm	2*	2*
F Botha	4	4	3*	2*	2*
EP Liechti	4	4	nm	nm	nm
CF Botha	4	4	nm	nm	nm
GS Mahlati	4	4	2	2	2
LY Mashologu	3	3	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 report 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

CORPORATE GOVERNANCE CONTINUED

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 27 March 2014, 19 May 2014 and 25 September 2014.

Information technology

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

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

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

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

The Audit and Risk Committee report is set out on page 24.

Pension Fund Management Committee

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

Membership and meetings

The members of the committee in the year under review were: Mr PJ Schutte, Mr F Botha and Ms K Holtzhausen representing Insimbi. Mr L Hutton, Ms N Mohamed and Ms M Samon, represented the employees. Two meetings were held during the year, the first on 27 February 2014 and the second on 17 November 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 27 March 2014 and 25 September 2014. 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 19.

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 25 June 2015 at 12h00 at the company's registered office. Details of the annual general meeting are outlined in the notice of the meeting on page 85.

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 (56)

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 (51)

Commercial 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.

Eduard Philip Liechti (53)

Sales Director

National Diploma in Metallurgical Engineering from Witwatersrand Technikon

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 to the board on 11 June 2004 and was appointed as the Chairperson of the Group Health and Safety and Environment Committee on 12 March 2014.

Colin Francis Botha (47)

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. He was appointed to the board on 11 June 2004.

NON-EXECUTIVE DIRECTORS

Dr Gilimamba Sylvester Mahlati (58)

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 (43)

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 organisations. 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 (67)

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

We entered the year ending February 2015 with a sense of optimism as economics conditions were looking considerably brighter than in previous years and we hoped for a improved trading conditions and financial results after experiencing several years of extremely difficult trading.

I was, however, concerned about the impact of the planned NUMSA strike as many of our customers' work force, are members.

PERFORMANCE

As we have come to expect, our financial year was made up of two halves, but unlike previous experience, it was the second half post interims, that saw Insimbi post quite possibly the best 6 month performance and results, since we listed in March 2008 and it is this "steady-state" performance during this period, that encourages me to be cautiously optimistic about what lies ahead for the group.

The first six months results were disappointing with sales down by 3.9% and earnings down by 25.1% on the prior year, it was a period that was, despite our initial optimism, fraught with negative sentiment which was fuelled by the NUMSA strike locally, subdued growth in emerging markets including China and the Ebola epidemic in West and Central Africa.

We entered the second half of the year with some trepidation in light of where we found ourselves, especially given the terrible news coming out of Eskom and knowing full well that the traditional industrial shut down during December and January of each year, is always a difficult period generally for our business and so it is with great satisfaction that I am able to look back on the full financial year under review and note how the strong rally in the second half of the year lifted our performance for the financial year ended 28th February 2015. As I mentioned in my introduction, the second half of the financial year is what I would expect in a "steady-state" operating environment and was achieved despite the power challenges experienced across the board in South Africa. We ended the year with a turnover of R958 million compared to previous year of R939 million. Consequently EPS and HEPS were up by 30% and 32% respectively, a very satisfactory conclusion to the year.

As always, close attention was paid to overheads and I am pleased to report that these expenses increased by only 6,5% compared to previous year. Working capital, as always, was well controlled and Insimbi again produced a cash positive result.

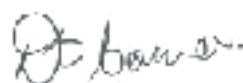
The weaker Rand has certainly assisted our customer base from both an improved export outlook as well as ensuring that competing imported products, are more expensive

OUTLOOK

Our economy is still very dependent on our major trading partners and with subdued forecast expected from the EU, China and India, the outlook for 2015/6 appears to be one of continued challenges. The sad state of affairs at our power utility is not going to make the next few years any easier either. On the positive side we have a strong and proven core business with a highly experienced management team which has withstood a number of challenging years and has proven its "mettle". This together with a number of new and exciting initiatives will, I am confident, see Insimbi go from strength to strength in the next financial year and the future beyond that.

CONCLUSION

The period under review by this integrated report, is history and our focus is firmly on the financial year ahead, I have huge confidence in the staff and the board of the Insimbi group, they have worked tirelessly and selflessly to ensure that the expectations of all our stakeholder and especially those of our shareholders, are met on all levels ie ethically, environmentally, transformationally and profitably and I would like to thank them all for their continued support.



DJ O'Connor

Independent Non-executive Chairman
27 May 2015

CHIEF EXECUTIVE OFFICER'S REVIEW

OVERVIEW OF OPERATIONS

Insimbi is reporting a solid performance for the year under review and again the year can be divided into two halves with the first half having to deal with the NUMSA strike and the second half exposed to much better trading conditions, I am very pleased to announce a much improved set of results compared to the previous financial year.

The year labour unrest had a negative impact on our overall performance, but together with the devaluation of the South African Rand and slight increase in demand in some markets, we managed to boost both our revenue and profits particularly in the second half of the financial year. Sales increased by R19 million or 2% but more pleasing is that gross profit increased by 10,7% as a result of improved margins.

After a satisfactory but slightly disappointing interim result, Insimbi performed well in the second half of the year, in a challenging and relatively flat commodity market. Increased demand in certain segments boosted the overall performance for the year under review.

I am especially encouraged by the turnaround of the secondary aluminum smelters which after a long period of operational and market challenges, are starting to make a positive contribution to the group results.

FINANCIAL OVERVIEW

Some key performance indicators for the financial year under review:

- Revenue up by R19 million
- Gross profits up by R10,8 million
- Profit before tax up by R4,5 million

Group revenue increased by a small margin of 2% – or from R939 million to R958 million. The small increase in sales value can be attributed to the negative impact of the NUMSA strike. But a surprisingly good performance during the short month of December had a positive impact on overall performance.

	2015	2014	2013	2012
	Rm	Rm	Rm	Rm
Foundry segment	729	583	521	541
Steel segment	135	258	223	216
Refractory segment	94	98	84	78
Total revenue	958	939	828	835

The group produced a gross profit of R112 million compared to the R101,1 million in the previous financial year – an increase of 10,7%. Gross margins were slightly better at 11,7%, compared to

the 10,8% of the previous year. As stated before, a weaker Rand assisted the company to improve margins and profits slightly, 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 increased by 6,5% but are still very well controlled throughout the financial year, and totaled R72,9 million, compared to R68,5 million in the previous year and I am very pleased given the increases experienced in fuel and electricity costs during the year. Staffing costs were well controlled and increased costs were 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. Cash and cash resources decreased by R18,9 million mainly due to the timing of the financial year end which fell on a Saturday and which resulted in some debtors taking advantage of this and paying their accounts only on the Monday 2 March, which resulted in an increase in debtors of R13,4 million. Stock also increased by R3,7 million and creditors decreased by R12,5 million compared to an increase of R54 million in the previous financial year.

OPERATION REVIEW

The Foundry segment experienced a much-improved year, although there were still very mixed trading conditions. The increase in revenue was attributed to the much-improved operations at the Johannesburg Aluminum smelter and increase market share in the exports department. The continual focus on the African export market is starting to achieve the anticipated results we are looking for. The Powders Division within the Foundry segment has been growing from strength to strength and is starting to contribute significantly to the future success of the segment. The Foundry segment is a reliable indicator of the economic outlook, and we are confident that the next year could see further improvement – provided no external factors e.g. industrial action dampens the market outlook.

The Steel segment had once again a very disappointing year compared to last year and the general outlook is looking subdued. It is very clear that the industry is struggling to compete against higher input costs, imports from the east and low demand. The continued depressed international steel demand is not assisting the local steel producers even with a more favorable exchange rate.

The Refractory segment had a relatively flat year but still a solid performance if one considers the depressed market conditions the cement industry has operated in. The continued slow infrastructure spend is not helping together with the increased pressure on margins from the industry to counteract input costs such as electricity and labour and introduction of a new local competitor and imports.

The two aluminium smelters were in full operation during the second half of the financial year, and although operations still need to improve they are starting to contribute positively towards the overall performance of the group. The purchasing of good quality scrap remains a challenge but our continuous efforts to source scrap at market related pricing is bearing fruit.

The Insimbi Nano-milling plant is now a Proudly South African initiative and is in full production. Producing a wide range of paint products with paint ranging from contractors to professional PVA paints in 44 colours under the upende brand. Focus is now on expanding the range of paints on offer and we are already producing roof, red oxide primer and fire retardant ranges. Some inroads have been made on the marketing side but considerable work remains to be done on this subsidiary in order to make positive contributions to the overall performance of the group.

PROSPECTS

The continued low infrastructure spend, together with the inability by ESKOM to stabilise the electricity supply, will have a negative impact not only on international investment but also on local production facilities. Already we are seeing production plants being closed and relying on imports. The 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 if Government can't supply the essentials to operate production facilities.

The current business environment will remain challenging and I believe that the 2015/2016 financial year will continue to have its challenges but also 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 global economy in a number of countries around the world is undermined by a high level of unpredictability. Chinese economy growth for 2015 is expected to slow down and together with the financial problems in the Eurozone may have a negative impact on commodity demand and pricing.

Cash flow and working capital will be under pressure due to higher imports but I believe that our management skills in controlling all of these will assist us in stocking the correct quality and quantity of products but at the same time continuously look for alternative or additional products that strategically expand our product range

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 programme 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 2015/2016 financial year.



PJ Schutte

Chief Executive Officer

27 May 2015

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 2015/16 annual work plan was approved and recommended to the board for approval at the committee meeting which was held on 26 March 2015. 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 and training committee

The employment equity committee was combined with the training committee. This newly established committee will oversee various aspects in terms of employment equity and training as mandated to it.

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 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
27 May 2015

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 DJ 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 2015 appear on pages 29 and 30.

REMUNERATION AND NOMINATIONS COMMITTEE REPORT CONTINUED

The emoluments paid to the three most senior members of management are set out on page 29 and 30

NON-EXECUTIVE REMUNERATION

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

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

The board resolved at its meeting held in February 2015 that non-executive directors' remuneration be increased for the 2016 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 87 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 during the year by the committee assisted by the company secretary. The appraisals were benchmarked against the Group's strategic requirements and the need to ensure the capacity to deliver these requirements and strengthen the diversity and sector expertise of directors. Self-assessment questionnaires were also performed by each committee during the year under review. The appraisals were positive and their recommendations are being followed through for implementation. An internal appraisal of the chairman was led by the Chief Executive Officer and discussed by the Board. The appraisal was positive.

SUCCESSION

Succession planning, taking into account the strategy of the group and future retirements from the board, was addressed. The

committee takes cognisance of the importance of institutional knowledge to the board and the need to balance this with introducing new ideas and experience. The following were appointed as directors on the subsidiary companies boards:

- D de Beer was appointed as director on the board of Insimbi Alloy Supplies Proprietary Limited; and
- S Rugbur was appointed as alternative director to D de Beer to the board of Insimbi Alloy Supplies Proprietary Limited

PERFORMANCE AND RE-ELECTION

The committee reviewed the performance of directors CF Botha, EP Liechti and DJ O'Connor who, in terms of the memorandum of incorporation, retire by rotation at the 2015 annual general meeting. The committee recommends their re-election to the board.

CONFIRMATION OF INDEPENDENCE

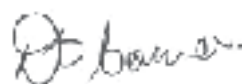
King III recommends that the independence of non-executive directors be assessed by the board on an annual basis. The board, assisted by the committee, conducted an assessment of the independence of its non-executive directors. All non-executive directors meet the criteria for independence set out in King III for the year-ended 28 February 2015.

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 25 June 2015. The members of the Audit and Risk Committee will serve for a one-year term, concluding at the 2016 annual general meeting.

APPROVAL

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



DJ O'Connor

Chairman of the
Nominations Committee
27 May 2015



Dr GS Mahlati

Chairman of the
Remuneration Committee
27 May 2015

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 ongoing sustainability targets for 2015 – 2016 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 labeling and health and safety compliance is achieved, as well as any clean-ups in the event of a spill or accident. A limited number of materials handled by Insimbi are registered as hazardous in terms of the National Road Traffic Act.

FINANCIALS

2015

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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 2016 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 31.

The annual financial statements set out on pages 32 to 80, 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 27 May 2015 and signed on its behalf by:



PJ Schutte
Johannesburg
27 May 2015



F Botha
Johannesburg
27 May 2015

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 2015, 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
27 May 2015

AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Audit and Risk Committee appointed in respect of the 2015 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 Mahlali

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

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

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 2015

Following the review of the integrated annual report 2015, the committee recommended it to the board for approval thereof.

On behalf of the committee



LY Mashologu

Independent non-executive director

27 May 2015

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 2015. The consolidated financial statement for the year-ended 28 February 2015 were authorised for issue in accordance with a resolution of the directors on 27 May 2015. 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

In negotiations before year-end an offer to purchase Portion 1 of Erf 360, Wadeville in extent 2800m² (two thousand eight hundred square meters) and remaining extent of Erf 360, Wadeville in extent 2800m² (two thousand eight hundred square meters) for a consideration of R14 million excluding VAT was submitted and accepted. The transfer is expected to be completed within the first three months of the new financial year.

4. DIVIDEND

Interim dividend number 10 of 1.5 cent per share was declared on 13 November 2014 payable on 15 December 2014 to shareholders registered on 12 December 2014. The total payout was R3 622 482 (2014: R10 936 766). A final dividend of 2,5 cents per share has been declared for the year-ended 28 February 2015.

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

6. SECRETARY

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

7. SPECIAL RESOLUTIONS

The following special resolutions were passed during the year under review:

- At the annual general meeting held on 22 August 2014, it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.
- At the general meeting held on 13 March 2015, it was resolved that the company be authorised as a specific approval, to repurchase 5,000,000 Insimbi shares which formed part of the TP Hentiq acquisition.

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. Please refer to the Shareholder analysis on page 84.

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 2015 %	Percentage holding 2014 %	Indebtedness 2015 R'000	Indebtedness 2014 R'000
Insimbi Alloy Supplies Proprietary Limited	100 ordinary shares of R1 each	100.0	100.0	(29 070)	(19 673)
Insimbi Alloy Properties Proprietary Limited	100 ordinary shares of R1 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					
Interest in subsidiaries through Insimbi Alloy Supplies Proprietary Limited					
Insimbi Aluminium Alloys Proprietary Limited	100 ordinary shares of R1 each	100.0	100.0	48 893	42 351
Insimbi Bulk Commodities Proprietary Limited	120 ordinary shares of R1 each	100.0	100.0	2	5
Insimbi Nano Milling Proprietary Limited	100 ordinary shares no par value	80.0	80.0	3 659	2 007
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	90 ordinary shares of K1 000 each	90.0	90.0	1 987	2 217
Insimbi Thermal Insulation Proprietary Limited	404 ordinary shares of R1 each	100.0	100.0	4 780	2 506
Metlite Alloys Proprietary Limited	52 ordinary shares of R1 each	100.0	100.0	(4 276)	79
TP Hentiq 6064 Proprietary Limited	10 000 ordinary shares of R0,001 each	100.0	100.0**	4 780	–
Interest in subsidiaries through Insimbi Alloy Properties Proprietary Limited					
Metlite Alloy Properties Proprietary Limited	100 ordinary shares of R1 each	100.0	100.0	–	–

* Effectively 100% holding within the group

** Restated previously 0%. Refer to note 35 of the annual financial statements

DIRECTORS' REPORT CONTINUED

12. GOING CONCERN

The directors have reviewed the group's cash flow forecast for the year to 31 May 2016 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
2015						
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 2015. The associates are family members of the directors above.

	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

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 2015.

	Salary R'000	Vehicle allowance R'000	Medical aid contri- bution R'000	Pension fund contri- bution R'000	13 th cheque R'000	Incentive bonus R'000	Total R'000
2015							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 740	148	54	–	145	–	2 087
F Botha	1 434	402	84	–	120	–	2 040
CF Botha	1 437	402	81	–	120	–	2 040
EP Liechti	1 636	173	95	–	136	–	2 040
	6 247	1 125	314	–	521	–	8 207
Non-executive							
DJ O'Connor	181	–	–	–	–	–	181
GS Mahlali	145	–	–	–	–	–	145
LY Mashologu	145	–	–	–	–	–	145
	471	–	–	–	–	–	471
Prescribed officers							
S Green	639	78	57	75	49	50	948
D de Beer	814	83	–	94	63	85	1 139
S Roberts	591	96	42	72	45	50	896
	2 044	257	99	241	157	185	2 983
Total	8 762	1 382	413	241	678	185	11 661
Paid by subsidiary**							
Executive	6 247	1 125	314	–	521	–	8 207
Non-executive	471	–	–	–	–	–	471
Prescribed officers	2 044	257	99	241	157	185	2 983
	8 762	1 382	413	241	678	185	11 661

The directors and prescribed officers received a 6% increase in March 2015

DIRECTORS' REPORT CONTINUED

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	13 th 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 Mahlali	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
	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.

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated and separate financial statements of Insimbi Refractory and Alloy Supplies Limited set out on pages 32 to 84, which comprise the statements of financial position as at 28 February 2015, and the 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 misstatement, 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 consolidated and separate 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.

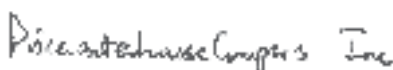
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2015, 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 2015, 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.

Director: Megan Naidoo

Registered Auditor

Sunninghill

27 May 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year-ended 28 February 2015

	Note(s)	GROUP		COMPANY	
		2015 R'000	(Restated) 2014 R'000	2015 R'000	2014 R'000
Revenue	19	958 016	938 980	–	–
Cost of sales		(846 114)	(837 891)	–	–
Gross profit		111 902	101 089	–	–
Other income	22	1 246	2 758	1 986	1 986
Operating expenses	20	(72 926)	(68 503)	(1 750)	(1 985)
Operating profit		40 222	35 344	236	1
Investment revenue	21	251	314	1	2 448
Finance costs	23	(7 026)	(6 684)	(2)	–
Profit before taxation		33 447	28 974	235	2 449
Taxation	24	(7 666)	(8 680)	(66)	–
Profit for the year		25 781	20 294	169	2 449
Profit attributable to owners of the parent		26 094	20 274	169	2 449
Non-controlling interest		(313)	20	–	–
		25 781	20 294	169	2 449
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Income tax relating to items that will not be reclassified		–	1 073	–	–
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(154)	(5)	–	–
Other comprehensive income for the year net of taxation		–	1 068	–	–
Total comprehensive income for the year		25 627	21 362	169	2 449
Total comprehensive income attributable to:					
Owners of the parent		25 940	21 342	169	2 449
Non-controlling interest		(313)	20	–	–
		25 627	21 362	169	2 449
Basic and fully diluted earnings per share from continued operations	34	10.88	8.37	–	–

The notes on pages 36 to 80 form an integral part of the annual financial statements.

STATEMENT OF FINANCIAL POSITION

as at 28 February 2015

		GROUP			COMPANY	
		2014	2013			
		2015	R'000	R'000	2015	2014
	Note(s)	R'000	(Restated)	(Restated)	R'000	R'000
Assets						
Non-current assets						
Property, plant and equipment	3	78 146	78 008	79 003	–	–
Goodwill	4	35 638	35 638	35 638	–	–
Intangible assets	5	8 414	6 516	5 103	–	–
Investment in subsidiaries	6	–	–	–	23 574	23 574
Loans to group companies	7	–	–	–	5 360	5 360
Deferred taxation	9	12 228	12 047	6 460	501	501
		134 426	132 209	126 204	29 435	29 435
Current assets						
Inventories	11	86 454	82 713	66 423	–	–
Trade and other receivables	12	132 356	118 982	93 156	110	98
Derivative financial assets		1 137	556	–	–	–
Current taxation receivable		303	2 059	2 145	125	88
Cash and cash resources	13	27 899	49 090	33 580	1	–
		248 149	253 400	195 304	236	186
Total assets		382 575	385 609	321 508	29 671	29 621
Equity and liabilities						
Equity						
Share capital	14	44 442	44 442	44 442	44 442	44 442
Treasury shares		(14 766)	(13 439)	(8 951)	–	–
Reserves		21 503	21 657	20 589	–	–
Retained earnings/(accumulated loss)		81 492	65 061	47 169	(44 680)	(35 186)
		132 671	117 721	103 249	(238)	9 256
Non-controlling interest		(1 508)	(1 195)	(899)	–	–
		131 163	116 526	102 350	(238)	9 256
Liabilities						
Non-current liabilities						
Other financial liabilities	16	14 022	15 621	20 283	–	–
Deferred taxation	9	13 592	15 792	10 896	–	–
		27 614	31 413	31 179	–	–
Current liabilities						
Preference shares		–	3 999	3 768	–	–
Loans from group companies	7	–	–	–	29 070	19 673
Other financial liabilities	16	58 095	57 239	64 839	–	–
Current taxation payable		4 677	767	255	–	–
Trade and other payables	17	160 873	173 236	119 094	717	599
Bank overdraft	13	153	2 429	23	122	93
		223 798	237 670	187 979	29 909	20 365
Total liabilities		251 412	269 083	219 158	29 909	20 365
Total equity and liabilities		382 575	385 609	321 508	29 671	29 621

The notes on pages 36 to 80 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year-ended 28 February 2015

	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Re- valutaion reserve	Retained income/ Accu- mulated loss	Non- controlling interest	Total equity
GROUP								
Balance at 28 February 2013 as previously reported	–	44 442	(4 951)	159	20 430	46 169	(228)	106 021
Effect of restatement		–	(4 000)	–	–	1 000	(671)	(3 671)
Restated balance at 28 February 2013	–	44 442	(8 951)	159	20 430	47 169	(899)	102 350
Changes in equity								
Profit for the year	–	–	–	–	–	20 340	(296)	20 044
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	17 892	(296)	14 176
Balance at 28 February 2014	–	44 442	(13 439)	154	21 503	65 061	(1 195)	116 526
Changes in equity								
Profit for the year	–	–	–	–	–	26 094	(313)	25 781
Total comprehensive income for the year	–	–	–	(154)	–	–	–	(154)
Purchase of own/treasury shares	–	–	(1 327)	–	–	–	–	(1 327)
Dividends	–	–	–	–	–	(9 663)*	–	(9 663)
Total changes	–	–	(1 327)	(154)	–	16 431	(313)	14 637
Balance at 28 February 2015	–	44 442	(14 766)	–	21 503	81 492	(1 508)	131 163
COMPANY								
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
Changes in equity								–
Profit for the year	–	–	–	–	–	169	–	169
Dividends	–	–	–	–	–	(9 663)	–	(9 663)
Total changes	–	–	–	–	–	(9 494)	–	(9 494)
Balance at 28 February 2015	–	44 442	–	–	–	(44 680)	–	(238)

* Includes 2014 financial year final dividend of 2.5 cents per share (R6 040 673) as well as the current year interim dividend of 1.5 cents per share (R3 622 483).

The notes on pages 36 to 80 form an integral part of the annual financial statements.

STATEMENT OF CASH FLOW

for the year-ended 28 February 2015

	Note(s)	GROUP		COMPANY	
		2015 R'000	2014 R'000 (Restated)	2015 R'000	2014 R'000
Cash flows from operating activities					
Cash generated from operations	26	17 288	52 567	342	1 407
Interest income		251	311	1	–
Finance costs		(7 167)	(6 684)	(2)	–
Tax paid		(4 381)	(8 424)	(103)	(88)
Net cash from operating activities		5 991	37 770	238	1 319
Cash flows from investing activities					
Purchase of property, plant and equipment		(4 682)	(8 199)	–	–
Sale of property, plant and equipment		217	2 755	–	–
Purchase of other intangible assets		(1 757)	(1 413)	–	–
Loans to group companies repaid		–	–	–	(1 412)
Proceeds from loans from group companies		–	–	9 397	–
Dividends received		–	–	–	2 448
Net cash from investing activities		(6 222)	(6 857)	9 397	1 036
Cash flows from financing activities					
Settlement of preference share liability*	35	(3 999)	–	–	–
Repurchase of treasury shares	14	(1 327)	(4 488)	–	–
Repayment of other financial liabilities		(4 042)	(12 262)	–	–
Dividends paid	28	(9 663)	(2 448)	(9 663)	(2 448)
Net cash from financing activities		(19 031)	(19 198)	(9 663)	(2 448)
Total cash movement for the year		(19 262)	11 715	(28)	(93)
Cash at the beginning of the year		46 662	33 552	(93)	–
Effect of exchange rate movement on cash balances		346	1 395	–	–
Total cash at end of the year	13	27 746	46 662	(121)	(93)

*The preference share was settled during the financial year, please refer to note 35 for more details.

The notes on pages 36 to 80 form an integral part of these financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year-ended 28 February 2015

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 affected 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. For key assumptions and sensitivity analyses, please refer to the relevant note in the annual financial statements, as well as note 32 Financial risk management. Significant judgements include:

Trade receivables, loans and receivables

The group assesses its trade receivables, loans and receivables for impairment at the end of each reporting period. For further detail please refer to note 1.7 Trade and other receivables. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgments 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 – Goodwill and note 5 – Intangible assets.

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 9 deferred tax.

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 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 assets are 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 company; and
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Capital work in progress is stated at cost which includes cost of materials and direct labour and any directly attributable costs incurred in bringing it to its present location and condition. Materials used in the construction of property, plant and equipment are stated at actual cost translated to South African Rand at the applicable exchange rate.

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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.3 Property, plant and equipment continued

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.

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.

Increases as a result of revaluation is accumulated in the revaluation surplus in equity until the asset is sold, after which the revaluation surplus is transferred to retained earnings.

Land is not depreciated. Other items of 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 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. These operating segments are the lowest level within the entity at which goodwill is monitored for internal management purposes. 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.

1.5 Intangible assets

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.
- the expenditure attributable to the asset during its development can be measured reliably.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.5 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 5.

1.6 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.

1.7 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 re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

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

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

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.7 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 (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash resources 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

1.7 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

1.8 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

1.9 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.

1.10 Inventories

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

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

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

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

1.11 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

1.12 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.

1.13 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.

1.14 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; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.14 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.

1.15 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

Sale 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.

Rendering of services

Commission income is recognised in the accounting period in which services are rendered.

1.16 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.

1.17 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.
- 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

1.18 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

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

At the end of the reporting period:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual 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 a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at average exchange rates; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

Exchange differences arising on a monetary item that forms part of a net investment in a foreign operation are recognised initially to other comprehensive income and accumulated in the translation reserve. They are recognised in profit or loss as a reclassification adjustment through to other comprehensive income on disposal of net investment.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation.

The cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

1.19 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. NEW STANDARDS AND INTERPRETATIONS

International Financial Reporting Standards and amendments effective for the first time for 28 February 2015 year-end			
Number	Effective date	Executive summary	Expected impact
Amendments to IAS 32 – 'Financial Instruments: Presentation', on financial instruments asset and liability offsetting	1 January 2014	The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.	Not applicable
Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities	1 January 2014	<p>The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics.</p> <p>Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.</p> <p>A subsequent amendment was issued on the application of the consolidation exception for investment entities and their subsidiaries. (Effective 1 January 2016 referred to below).</p>	Minimal
IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets' on recoverable amount disclosures	1 January 2014	The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.	Minimal
Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting	1 January 2014	The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.	Not applicable

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2015 year-end continued

Number	Effective date	Executive summary	Expected impact
Amendment to IAS 19, 'Employee benefits', on defined benefit plans	1 July 2014	These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.	Not applicable
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets	1 January 2016	The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Minimal
Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption	1 January 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.	Minimal
Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.	1 January 2016	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.	Not applicable
IFRS 14 – Regulatory deferral accounts	1 January 2016	The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.	Not applicable
Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative	1 January 2016	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.	Minimal

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2015 year-end continued			
Number	Effective date	Executive summary	Expected impact
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation.	1 January 2016	In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.	Not applicable
Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants	1 January 2016	In this amendment to IAS 16 the IASB has scoped in bearer plants, but not the produce on bearer plants and explained that a bearer plant not yet in the location and condition necessary to bear produce is treated as a self-constructed asset. In this amendment to IAS 41, the IASB has adjusted the definition of a bearer plant include examples of non-bearer plants and remove current examples of bearer plants from IAS 41.	Not applicable
Amendments to IAS 27, 'Separate financial statements' on equity accounting	1 January 2016	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.	Not applicable
IFRS 15 – Revenue from contracts with customers.	1 January 2017	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.	Management have not finalised the study on the impact of this change.
IFRS 9 – Financial Instruments (2009 and 2010) • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting	1 January 2018	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. 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2015 year-end continued

Number	Effective date	Executive summary	Expected impact
Amendment to IFRS 9 – 'Financial instruments', on general hedge accounting	1 January 2018	<p>The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.</p> <p>Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:</p> <ul style="list-style-type: none"> • The own credit risk requirements for financial liabilities. • Classification and measurement (C&M) requirements for financial assets. • C&M requirements for financial assets and financial liabilities. • The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). <p>The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.</p>	Not applicable
IFRIC 21, 'Levies' (effective 1 January 2014)	1 January 2014	<p>IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation could result in recognition of a liability later than today, particularly in connection with levies that are triggered by circumstances on a specific date.</p> <p>The IASB has issued IFRIC 21, 'Levies', an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.</p>	Not applicable
Amendment to IFRS 2, 'Share based payment'	Transactions occurring after 1 July 2014	The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.	Not applicable

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2015 year-end continued			
Number	Effective date	Executive summary	Expected impact
Amendment to IFRS 3, 'Business combinations'	Transactions occurring after 1 July 2014	<p>The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'.</p> <p>The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.</p> <p>Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.</p>	Minimal
Amendment to IFRS 8, 'Operating segments'	1 July 2014	<p>The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.</p> <p>The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.</p>	Minimal
Amendment to IFRS 13, 'Fair value measurement'	1 July 2014	<p>When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.</p>	Minimal
IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets'	1 July 2014	<p>Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.</p> <p>The carrying amount of the asset is restated to the revalued amount.</p> <p>The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:</p> <ul style="list-style-type: none"> • either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or • the accumulated depreciation is eliminated against the gross. 	Minimal

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2015 year-end continued

Number	Effective date	Executive summary	Expected impact
IAS 24, 'Related party disclosures'	1 July 2014	The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').	Minimal
IFRS 1, 'First-time adoption of International Financial Reporting Standards'	1 July 2014	The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.	Minimal
IFRS 13, 'Fair value measurement'	1 July 2014	The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.	Minimal
IAS 40, 'Investment property'	1 July 2014	The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.	Minimal
IFRS 3, 'Business combinations'	1 July 2014	The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.	Minimal
IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations'	1 January 2016	This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.	Not applicable

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

International Financial Reporting Standards and amendments issued but not effective for 28 February 2015 year-end continued			
Number	Effective date	Executive summary	Expected impact
IFRS 7 – Financial Instruments; Disclosures	1 January 2016	<p>Applicability of the offsetting disclosures to condensed interim financial statements.</p> <p>The amendment removes the phrase ‘and interim periods within those annual periods’ from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose ‘[...] an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period’. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity’s condensed interim financial report.</p>	Minimal
IFRS 7 – Financial Instruments; Disclosures	1 January 2016	<p>Servicing contracts – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.</p>	Minimal
IAS 19 – Employee Benefits	1 January 2016	<p>Discount rate: regional market issue – The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.</p>	Not applicable
IAS 34 – Interim Financial Reporting	1 January 2016	<p>Disclosure of information ‘elsewhere in the interim financial report’</p> <p>The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report).</p> <p>The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.</p>	Not applicable

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

3. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000	Cost or revaluation R'000	Accumulated depreciation R'000	Carrying value R'000
GROUP						
Land	18 443	–	18 443	18 443	–	18 443
Buildings	49 256	(12 118)	37 138	40 484	(1 527)	38 957
Plant and machinery	29 164	(13 264)	15 900	32 307	(15 716)	16 591
Furniture and fixtures	4 172	(3 092)	1 080	4 132	(3 437)	695
Motor vehicles	16 381	(12 735)	3 646	9 427	(6 642)	2 785
IT equipment	4 484	(3 426)	1 058	3 673	(3 136)	537
Capital – Work in progress	881	–	881	–	–	–
Total	122 781	(44 635)	78 146	108 466	(30 458)	78 008

Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Scrappings R'000	Disposals R'000	Depreciation R'000	Total R'000
GROUP						
2015						
Land	18 443	–	–	–	–	18 443
Buildings	38 957	457	–	–	(2 276)	37 138
Plant and machinery	16 591	3 260	(1 371)	(160)	(2 420)	15 900
Furniture and fixtures	695	582	–	–	(197)	1 080
Motor vehicles	2 785	1 820	–	–	(959)	3 646
IT equipment	537	981	–	–	(460)	1 058
Capital – Work in progress	–	881	–	–	–	881
	78 008	7 981	(1 371)	(160)	(6 312)	78 146
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 fixtures	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

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).

Fully depreciated assets with a cost of R36 million were still in use at year end.

Additions included assets purchased through instalment sales of R3 299 230 and cash additions of R4 682 250.

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Revaluations

Revaluation of land and buildings

The effective date of the last 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 next revaluation will be performed on 28 February 2018. The carrying amount of the land and buildings under the cost model would have been R28 194 665 (2014: R29 294 000).

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. Fair value approximates carrying value. This is a level 3 financial instrument

4. GOODWILL

In the current year, goodwill has been reclassified to a separate line item in the financial statements, to provide better disclosure.

	2015			2014		
	Cost	Accumulated	Carrying	Cost	Accumulated	Carrying
	R'000	impairment	value	R'000	impairment	value
		R'000	R'000		R'000	R'000
GROUP						
Goodwill	39 938	(4 300)	35 638	39 938	(4 300)	35 638

Reconciliation of goodwill

	Opening balance	Total
	R'000	R'000
GROUP		
2015		
Goodwill	35 638	35 638
2014		
Goodwill	35 638	35 638

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.

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 balance	Additions/	Closing balance
	R'000	(impairments)	R'000
		R'000	
Allocation of goodwill by segment			
Foundry	19 329	–	19 329
Steel	11 885	–	11 885
Refractory	4 424	–	4 424
	35 638	–	35 638

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

4. GOODWILL CONTINUED

Value in use calculations use cash flow projections based on financial budgets approved by management and cover a five year period. The estimated growth rates applied are in line with that of the industry in which the 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:

Key assumptions (%)	2015			2014		
	Foundry	Steel	Refractory	Foundry	Steel	Refractory
Gross margin – budgeted	10.70	13.20	12.70	10.20	12.10	12.20
Growth rate	3.00	3.00	3.00	3.00	3.00	3.00
Discount rate	20.00	20.00	20.00	20.10	20.10	20.10

Gross margin – budgeted gross margin as per 2015 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 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 by 1% or an increase of 1% in any of the key assumptions, will not result in any impairment to the group. The sensitivity analysis was performed at a segment level, as well as a group level, and there is sufficient headroom in all instances.

5. INTANGIBLE ASSETS

	2015			2014		
	Cost/ valuation R'000	Accumulated amortisation R'000	Carrying value R'000	Cost/ Valuation R'000	Accumulated amortisation R'000	Carrying value R'000
GROUP						
Regulatory permit	2 500	–	2 500	2 500	–	2 500
Intangible assets under development	5 914	–	5 914	4 016	–	4 016
Total	8 414	–	8 414	6 516	–	6 516

Reconciliation of intangible assets

	Opening balance R'000	Additions R'000	Borrowing cost capitalised R'000	Total R'000
GROUP				
2015				
Regulatory permit	2 500	–	–	2 500
Intangible assets under development	4 016	1 757	141	5 914
	6 516	1 757	141	8 414
2014				
Regulatory permit	2 500	–	–	2 500
Intangible assets under development	2 603	1 413	–	4 016
	5 103	1 413	–	6 516

5. INTANGIBLE ASSETS CONTINUED

Other information

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 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 in 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 recapitalization 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 are 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	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Allocation of intangible assets with indefinite lives to cash generating units				
Foundry	2 500	2 500	–	–
Steel	–	–	–	–
Refractory	–	–	–	–
	2 500	2 500	–	–
Intangible assets under development:				
Insimbi Nano Milling Proprietary Limited	5 914	4 016	–	–

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 by 2020. 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 to extremely fine submicron sizes. Once the asset is taken into use, it is expected to be amortised over a lifetime of 15 years, which is in line with others in the industry.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

5. INTANGIBLE ASSETS CONTINUED

Other information continued

The impairment test for this intangible asset identifies the recoverable amount of the cash generating unit determined based on value in use, and is tested annually.

The intangible asset under development forms part of the Foundry cash generating unit.

6. INVESTMENT IN SUBSIDIARIES

GROUP AND COMPANY

Name of company	Held by	Holding 2015 %	Holding 2014 %	Carrying amount 2015 R'000	Carrying amount 2014 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 Limited Zambia	Insimbi Refractory and Alloy Supplies Limited	10.00	10.00	–	–
Insimbi Refractory and Alloy Supplies Limited Zambia	Insimbi Alloy Supplies Proprietary Limited	90.00	90.00	–	–
Insimbi Bulk Commodities Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	100.00	100.00	–	–
Insimbi 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	100.00	–	–
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	–	–
TP Hentiq 6064 Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	100.00	100.00	–	–
				23 574	23 574

TP Hentiq 6064 Proprietary Limited is a shell company that was established solely for the purposes of setting up a transaction whereby Insimbi Refractory and Alloy Supplies would gain BEE credentials. TP Hentiq 6064 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 Proprietary Limited. Even though the legal structure thereof was approved and established at the previous financial year-end, no transactions had taken place with this entity.

	GROUP		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
7. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiaries				
Insimbi Alloy Properties Proprietary Limited	–	–	5 360	5 360
The loan is repayable when the subsidiary company achieves positive cash flows. Positive cash flows will occur as a result of future increases in rental income in excess of the operating costs incurred, after tax.				
Fellow subsidiaries				
Insimbi Alloy Supplies Proprietary Limited	–	–	(29 070)	(19 673)
These loans are unsecured, interest free and have no fixed terms of repayment				
Non-current assets	–	–	5 360	5 360
Non-current liabilities	–	–	(29 070)	(19 673)
	–	–	(23 710)	(14 313)
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.				

8. FINANCIAL ASSETS BY CATEGORY

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

	Loans and receivables	Fair value through profit or loss – designated	Total
GROUP			
2015			
Derivative assets	–	1 137	1 137
Trade and other receivables*	131 916	–	131 916
Cash and cash equivalents	27 899	–	27 899
	159 815	1 137	160 952
2014			
Derivative assets	–	556	556
Trade and other receivables*	118 020	–	118 020
Cash and cash equivalents	49 090	–	49 090
	167 110	556	167 666

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

8. FINANCIAL ASSETS BY CATEGORY CONTINUED

	Loans and receivables	Total
COMPANY		
2015		
Loans to group companies	5 360	5 360
2014		
Loans to group companies	5 360	5 360

The derivative instruments are held at fair value and has a significant input 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. There has been no change in valuation techniques from the prior year.

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

9. DEFERRED TAXATION

Deferred tax liability

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Accelerated tax depreciation	(1 467)	(88)	–	–
Fair value gains	(9 362)	(9 362)	–	–
Other	(2 764)	(6 342)	–	–
Total deferred tax liability	(13 592)	(15 792)	–	–
Deferred tax assets				
Tax losses available for offset against future taxable income	10 005	11 561	501	501
Other	2 223	486	–	–
	12 228	12 047	501	501
The gross movement on the deferred tax income account is as follows:				
Opening balance	(3 745)	(4 436)	501	490
(Credited)/charged to the income statement	2 381	(382)	–	11
(Credited) to other comprehensive income	–	1 073	–	–
Closing balances	(1 364)	(3 745)	501	501

9. DEFERRED TAXATION CONTINUED

	Tax losses available for set-off	Other	Total assets
GROUP			
The movement in deferred tax assets during the year is as follows:			
At 1 March 2012	5 738	1 167	6 905
(Credited)/charged to the income statement	236	(681)	(445)
(Credited)/charged to other comprehensive income		–	–
At 1 March 2013	5 974	486	6 460
(Credited)/charged to the income statement	5 587		5 587
(Credited)/charged to other comprehensive income			–
at 28 February 2014	11 561	486	12 047
(Credited)/charged to the income statement	(1 556)	1 737	181
(Credited)/charged to other comprehensive income			–
at 28 February 2015	10 005	2 223	12 228

	Accelerated tax depreciation	Fair value gains	Other	Total liabilities
GROUP				
The movement in deferred tax liabilities during the year is as follows:				
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 1 March 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)
(Credited)/charged to the income statement	(1 379)	–	3 578	2 200
(Credited)/charged to other comprehensive income				–
at 28 February 2015	(1 467)	(9 362)	(2 764)	(13 592)

	Tax losses available for set-off	Other	Total assets
COMPANY			
The movement in deferred tax assets and liabilities during the year is as follows:			
At 1 March 2013	501	–	501
(Credited)/charged to the income statement	–		–
(Credited)/charged to other comprehensive income	–	–	–
at 28 February 2014	501	–	501
(Credited)/charged to the income statement	–	–	–
(Credited)/charged to other comprehensive income	–	–	–
at 28 February 2015	501	–	501

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

9. DEFERRED TAXATION CONTINUED

Recognition of deferred tax asset The deferred tax asset arises predominately from estimated tax losses generated by the aluminium businesses in Benoni and Cape Town. This asset will be utilised against future taxable income that management expects the company to start generating. The group has estimated losses of R22 742 552 (2014: R23 304 637) that can be carried forward against future taxable income. In the current year Insimbi Aluminium Alloys Proprietary Limited has started to generate a taxable profit, which has resulted in the decrease of this balance.

10. 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 795 213 (2014: R2 455 300).

	GROUP		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
11. INVENTORIES				
Raw materials, components	72 115	77 383	–	–
Finished goods	4 712	1 445	–	–
Goods in transit	10 518	4 895	–	–
	87 345	83 723	–	–
Inventories (write-downs)*	(891)	(1 010)	–	–
	86 454	82 713	–	–
* 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.				
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	131 883	117 676	–	–
Provision for impairment	(1 282)	(880)	–	–
Prepayments	160	362	–	–
Deposits	528	680	–	–
VAT	280	600	110	98
Sundry debtors	787	544	–	–
	132 356	118 982	110	98

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 receivable mentioned above. The group does not hold any collateral as security.

Management has assessed the fair value of the group's trade receivables, in which it has equated to the carrying amount thereof.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
13. CASH AND CASH RESOURCES				
Cash and cash equivalents consist of:				
Cash on hand	81	85	–	–
Bank balances	27 818	49 006	1	–
Bank overdraft	(153)	(2 429)	(122)	(93)
	27 746	46 662	(121)	(93)
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	23 590	21 453	23 590	21 453
Issue of shares – ordinary shares	42 862	44 999	42 862	44 999
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	(14 766)	(13 439)	–	–
	29 676	31 003	44 442	44 442
Shares repurchased by a subsidiary and held in treasury amounted to R14 766 438 (2014: R13 439 041) at year end which are disclosed as a reduction of equity in the statement of changes in equity.				
15. REVALUATION RESERVE				
In 2013 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)	(6 872)	–	–
	21 503	21 503	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

16. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Held at amortised cost				
Nedbank mortgage bond	2 462	3 100	–	–
Nedbank Limited – Multi Option Facility	52 921	53 331	–	–
Nedbank – mortgage bond – Teakwood	11 681	12 639	–	–
Instalment sales	5 053	3 790	–	–
	72 117	72 860	–	–
The fair value of all borrowings approximates the carrying value of the borrowings, and the impact of discounting is not significant.				
Current liabilities				
Nedbank mortgage bond	600	600	–	–
Nedbank Limited – Multi Option Facility	52 921	51 869	–	–
Nedbank – mortgage bond – Teakwood	2 056	2 055	–	–
Instalment sales	2 518	2 715	–	–
	58 095	57 239	–	–
Non-current liabilities				
Nedbank mortgage bond	1 862	2 500	–	–
Nedbank Limited – Multi Option Facility	–	1 461	–	–
Nedbank – mortgage bond – Teakwood	9 625	10 584	–	–
Instalment sales	2 535	1 076	–	–
	14 022	15 621	–	–

Nedbank Limited – mortgage bond

Interest rate – prime less 0.5%. The monthly capital repayment is R50 000 (2014: R50 000). The loan is secured by the property acquired in Atlantis, Western Cape. The interest rate at year end was 8.75% (2014: 8.5%). The last repayment falls due on 30 April 2019.

Instalment sale agreements

Interest rate – prime linked at 9.25% (2014: 9%). The agreements are secured by motor vehicles and plant and equipment with a net book value of R4 466 675 (2014: R1 261 358) and repayable in monthly instalments of R220 525 (2014: R118 498).

	2015 R'000	2014 R'000
Gross instalment sale agreement – minimum payments:		
No later than 1 year	2 517	2 715
Later than 1 year and no later than 5 years	2 513	1 071
Later than 5 years	23	4
Future finance charges on instalment sale agreement	(579)	(710)
Present value of instalment sale agreement	4 474	3 080

Nedbank Mortgage Bond – Teakwood

Interest rate – prime linked. The capital repayment is R171 279 (2014: R170 130) per month. The loan is secured by the property acquired in Teakwood Road, Jacobs, KZN. The interest rate at year end was 9.25% (2014: 9%). The last repayment falls due on 1 March 2023.

16. OTHER FINANCIAL LIABILITIES CONTINUED

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 R65 000 000 (2014: R55 000 000), after taking any overdraft into account. As the overdraft increases/decreases, the balance of the overnight loan will also change so that the total of the two equals R65 000 000. 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% (2014: 7,5%). The interest rate on the overdraft facility is 9,25% (2014: 9%).

Security

All the facilities are secured by a general notarial bond of R70 million (2014: R70 million) over inventories, plant and equipment, a mortgage bond for R6 million (2014: R6 million) over the property in Atlantis, Western Cape and a mortgage bond for R13,5 million (2014: R13,5 million) over the property 174 Teakwood Road, Jacobs, Durban. In negotiations in March 2015, 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 Rick Services has been endorsed in favour of Nedbank Limited's interest in regard to the general notarial covering bond of R70 million (2014: R70 million).

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

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
The carrying amount of assets pledged as security is detailed as follows:				
Property, plant and equipment	78 146	78 008	–	–
Inventories	86 454	82 713	–	–
Trade receivables	132 356	118 982	–	–
	296 956	279 703	–	–

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 R77 million from its total facilities of R105 million (2014: R125,8 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Trade payables	153 195	164 319	(1)	1
VAT	2 065	3 277	–	–
Audit fees	1 047	932	167	–
Other accrued expenses	4 566	4 708	551	599
	160 873	173 236	717	600

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		Total
	R'000		R'000
GROUP			
2015			
Nedbank mortgage bond	2 462		2 462
Nedbank Limited – Multi Option Facility	52 921		52 921
Nedbank – mortgage bond – Teakwood	11 681		11 681
Instalment sales	5 053		5 053
Trade and other payables*	153 195		153 195
Bank overdraft	153		153
	225 465		225 465
2014			
Preference shares	3 999		3 999
Nedbank mortgage bond	3 100		3 100
Nedbank Limited – Multi Option Facility	53 331		53 331
Nedbank – mortgage bond – Teakwood	12 639		12 639
Instalment sales	3 790		3 790
Trade and other payables*	164 319		164 319
Bank overdraft	2 429		2 429
	243 607		243 607
COMPANY			
2015			
Loans from group companies	29 070		29 070
Bank overdraft	122		122
	29 192		29 192
2014			
Loans from group companies	19 673		19 673
Bank overdraft	93		93
	19 766		19 766

* Trade and other payables excludes VAT and accruals.

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

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
19. REVENUE				
Sale of goods	954 285	935 123	–	–
Rendering of services	3 731	3 857	–	–
	958 016	938 980	–	–
20. EXPENDITURE BY NATURE				
20.1 Cost of sales				
Cost of inventories expensed during the year*	846 114	837 891	–	–
20.2 Operating and administration expenses				
Advertising	305	286	–	–
Auditors remuneration	1 020	859	167	141
Bad debts	783	809	–	–
Bank charges	376	410	1	1
Computer expenses	529	318	–	–
Depreciation and amortisation	6 312	6 846	–	–
Donations	196	202	–	–
Employee costs	45 986	42 918	478	–
Insurance	672	652	–	–
Lease rentals on operating leases	643	629	–	–
Legal expenses	1 991	3 138	954	1 693
Loss on disposal of fixed assets	1 314	–	–	–
Motor vehicle expenses	419	573	–	–
Other expenses	1 423	972	–	–
Petrol and oil	1 188	1 227	–	–
Postage	48	49	–	–
Printing and stationery	763	681	150	150
Repairs and maintenance	1 772	1 451	–	–
Security	972	1 006	–	–
Subscriptions	106	108	–	–
Telephone and fax	855	1 143	–	–
Travel – local	1 590	1 327	–	–
Travel – overseas	639	480	–	–
Utilities	3 024	2 419	–	–
	72 926	68 503	1 750	1 985
20.3 Employee costs				
Salaries	33 005	32 427	359	–
Motor vehicle allowances	2 259	2 220	–	–
Medical aid contributions	1 494	1 494	109	–
Pension fund contributions	2 795	2 455	–	–
Bonus and 13 th cheque	4 789	3 404	–	–
Staff welfare	1 644	918	10	–
	45 986	42 918	478	–

* Includes all costs to bring inventory to the location and condition ready for sale.

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for the year-ended 28 February 2015

	GROUP		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
21. INVESTMENT INCOME				
Dividend revenue				
Subsidiaries – local	–	–	–	2 448
Interest revenue				
Bank	251	314	1	–
	251	314	1	2 448
22. OTHER INCOME				
Profit on fair valuation of FEC's	580	–	–	–
Profit on sale of assets and liabilities	–	407	–	–
Profit on exchange differences	336	1 707	–	–
Administration and management fees received	–	–	1 986	1 986
Rental income	330	644	–	–
	1 246	2 758	1 986	1 986
23. FINANCE COSTS				
Bank	7 026	6 684	2	–
24. TAXATION				
Major components of the tax expense				
Current				
Local income tax – current period	8 280	9 022	66	–
Adjustment in respect of prior years	1 767	–	–	–
	10 047	9 022	66	–
Deferred				
Originating and reversing temporary differences	(2 381)	(342)	–	–
Income tax expense	7 666	8 680	66	–
	%	%	%	%
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
Disallowable charges	1.41	–	–	(28.00)
Tax loss used	(1.35)	–	–	–
Current years losses in subsidiaries	0.14	1.94	–	–
Adjustment due to refund received	(5.28)	–	–	–
	22.92	29.94	28.00	–

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
25. AUDITORS' REMUNERATION				
Fees	1 020	860	167	141
26. CASH GENERATED FROM OPERATIONS				
Profit before taxation	33 447	28 990	235	2 449
Adjustments for:				
Depreciation	6 312	6 846	–	–
Loss/(profit) on disposal or scrapping of property, plant and equipment	1 314	(407)	–	–
Fair value on foreign exchange contracts	(580)	(488)	–	–
Interest received	(251)	(311)	(1)	–
Dividends received	–	–	–	(2 448)
Finance costs	7 167	6 684	2	–
Movement in foreign currency translation reserve	(154)	5	–	–
Foreign exchange gain on cash	(346)	(1 395)	–	–
Other non-cash items	(203)	(349)	–	–
Changes in working capital:				
Inventories	(3 741)	(16 290)	–	–
Trade and other receivables	(13 374)	(25 826)	(12)	1 155
Trade and other payables	(12 363)	54 132	118	251
	17 228	52 567	342	1 407
27. TAX PAID				
Balance at beginning of the year	1 292	1 890	88	–
Current tax for the year recognised in profit or loss	(7 666)	(9 022)	(66)	–
Deferred tax movement	2 381	–	–	–
Balance at end of the year	4 374	(1 292)	(125)	(88)
	(4 381)	(8 424)	(103)	(88)
28. DIVIDENDS PAID				
Dividends	(9 663)	(2 448)	(9 663)	(2 448)

Dividends are from capital profits. A final dividend of 2.5 cents per share for the 2014 financial year was declared on 25 May 2014, and an interim dividend of 1.5 cents per share for the 2015 financial year was declared on 15 December 2014.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

	GROUP		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
29. COMMITMENTS				
Authorised capital expenditure				
Not yet contracted for and authorised by directors	15 115	9 000	–	–
This committed expenditure relates to property 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	761	643	–	–
– in second to fifth year inclusive	1 522	1 930	–	–
	2 283	2 573	–	–
Finance leases – as lessee				
Minimum lease payments due				
– within one year	2 518	2 714		
– in second to fifth year inclusive	2 535	1 076		
	5 053	3 790		
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				
All guarantees are performance guarantees held for Insimbi Alloy Supplies Proprietary Limited on behalf of various government beneficiaries.	605	954	–	–

31. RELATED PARTIES

Relationships

Ultimate holding company

Insimbi Refractory and Alloy Supplies Limited

Subsidiaries

Refer to note 6

Members of key management

Directors of the group as per the Director's Report meet the definition of key management personnel.

	GROUP		COMPANY	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Related party balances				
<i>Loan accounts – Owing (to)/by related parties</i>				
Insimbi Alloy Properties Proprietary Limited – 100% subsidiary	–	–	5 360	5 360
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	–	–	(29 070)	(19 673)
<i>Administration fees paid to related parties</i>				
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	–	–	(1 986)	(1 986)
<i>Dividends paid to (received from)</i>				
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	–	(2 448)	–	–
<i>Related party transactions</i>				
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 7 and 16, cash and cash equivalents disclosed in note 13, 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.

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 70% as per the covenants contained within the facility agreement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

32. RISK MANAGEMENT CONTINUED

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.

		GROUP	
	Notes	2015 R'000	2014 R'000
Capital risk management continued			
Total borrowings			
Preference shares		–	3 999
Total borrowings	16	72 117	72 860
		72 117	76 859
Less: Cash and cash equivalents	13	27 746	46 661
Net debt		44 371	30 198
Total equity		131 163	116 526
Gearing ratio		34%	26%

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 program 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 principle financial instruments used by the group, from which financial risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents;
- Forward exchange assets;
- Loan receivables;
- Long-term borrowings;
- Variable rate instalment liabilities; and
- Trade and certain payables.

32. RISK MANAGEMENT CONTINUED

Procedures for mitigating risk include:

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

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

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

Procedures for avoiding excessive concentration of risk:

Procedures for avoiding excessive concentration of risk include:

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

Liquidity risk

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

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities and group's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they fall due.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored, and the group maintains agreed facilities with reputable financial institutions. There have been no defaults or breaches on long-term loans, instalment sale liabilities and trade payables during the course of the financial year. Furthermore, security has been provided for long-term loans and instalment sale liabilities.

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

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
At 28 February 2015			
Borrowings	58 095	4 959	9 063
Trade and other payables*	153 195	–	–
At 28 February 2014			
Preference shares	3 999	–	–
Borrowings	57 239	7 807	7 814
Trade and other payables*	164 319	–	–

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

32. RISK MANAGEMENT CONTINUED

Group continued

At year end the group had R28 million (2014: R56,8 million) available in the form of unutilised facilities. This amount can be utilised to settle trade payables should customers not settle their debts. This facility can also be utilised for future expansion of the business.

Management of liquidity risk in regard to financial liabilities:

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

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

Certain interest rates at year end were linked to the prime overdraft rates. The prime overdraft rate at year end was 9,25% (2014: 9%).

Sensitivity analysis

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

At February 28, 2015, 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 157 247 (2014: R1 049 000) 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 management's best estimate of reasonably possible changes in interest rates.

Credit risk

Credit risk is managed on a group basis.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits for trade receivable are set based on internal 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 on minimising the group's exposure to bad debt. Cash and cash equivalents are based on extended ratings, and are currently held with banks with an A-3 credit rating.

32. RISK MANAGEMENT CONTINUED

Credit risk continued

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

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

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

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	R'000	R'000	R'000	R'000
Reconciliation of movement of the provision for impairment of trade and other receivables for individually assessed trade debtors				
Balance brought forward	(880)	(747)	–	–
Increase in provision	(892)	(133)	–	–
Decrease in provision	490	–	–	–
	(1 282)	(880)	–	–

Trade receivables past due but not yet impaired

	Fully performing	Past due and not impaired	Impaired and provided for	Total
	R'000	R'000	R'000	R'000
GROUP	–	–	–	–
2015	–	–	–	–
Trade receivables	–	–	–	–
– Local	119 364	3 668	1 282	124 314
– Foreign	6 877	692	–	7 569
	126 241	4 360	1 282	131 883
2014	–	–	–	–
Trade receivables	–	–	–	–
– Local	105 549	5 082	880	111 511
– Foreign	6 165	–	–	6 165
	111 714	5 082	880	117 676

Included in the trade receivables balance, is a balance of R5,6 million that is past due, by has not been impaired. Of this R5,6 million, R3,4 million was 60 days past due and R2,2 million was 90 days past due.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

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, maximizing 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				
2015				
Foreign trade payables	(103)	103	(825)	825
Foreign trade receivables	249	(249)	–	
Foreign bank	313	(313)	12	(12)
2014				
Foreign trade payables	(426)	426	(798)	798
Foreign trade receivables	51	(51)	6	(6)
Foreign bank	3 247	(3 247)	1 379	(1 379)

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 2015 were R31 477 669 (2014: R28 054 783) and are expected to mature within the next 12 months.

33. EVENTS AFTER THE REPORTING PERIOD

Change in bankers

As of 1 March 2015 all the companies in the Insimbi Group have moved over all banking and financing facilities from Nedbank Limited Corporate division to First National Bank Limited.

Purchase of stand 360 Crocker Road

In negotiations before year-end an offer to purchase was submitted and accepted for the purchase of stand 360 Crocker road, Wadeville, Germiston. The transfer is expected to be completed within the first three months of the new financial year.

34. EARNINGS AND HEADLINE 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	
	2015	2014
	R	R
Basic earnings/(loss) per share		
From continuing operations (cents per share)	10.88	8.37
From discontinued operations (cents per share)	0.00	0.00
	10.88	8.37
	R'000	R'000
Basic earnings per share was based on earnings of R25.662 million (2014: R20,294 million) and a weighted average number of shares of 237 017 523 (2014: 242 200 000).		
Reconciliation of profit or loss for the year to basic earnings (R'000)		
Profit for the year attributable to equity holders (continuing operations)	25 781	20 294
Profit for the year attributable to equity holders (discontinued operations)	–	–
	25 781	20 294
Reconciliation of weighted average number of shares ('000)		
Number of shares in issue at the end of the year	260 000	260 000
Less: Treasury shares held in a subsidiary at the end of the period	(22 982)	(17 800)
	237 018	242 200

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.

	GROUP	
	2015	2014
	R	R
Headline earnings per share (cents) continuing	11.27	8.55
	11.27	8.55

	2015		2014	
	Gross	Nett	Gross	Nett
	R'000	R'000	R'000	R'000
Reconciliation between earnings and headline earnings				
Basic earnings		25 781		20 294
Adjusted for:				
Loss on sale / scrapping of assets	1 307	941	565	407
Impairment on goodwill			–	–
Revaluation of property				
Headline earnings		26 722		20 701

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

35. RESTATEMENT OF COMPARATIVES

During 2009 the directors entered into a deal so that Insimbi Refractory and Alloys Supplies Limited would gain BEE credentials (refer SENS dated 5 February 2009). This was completed by TP Hentiq 6040 Proprietary Limited acquiring shares in IRAS from the shareholders (who are also directors) F Botha, PJ Schutte, EP Liechti and CF Botha and DJ O'Connor.

TP Hentiq 6040 Proprietary Limited is a shell company that was established solely for the purposes of setting up this transaction. Insimbi Refractory and Alloys Supplies Limited should have consolidated TP Hentiq 6040 Proprietary Limited in 2009 under SIC 12 and IFRS 10 however the results were never consolidated into the group results.

The financial statements for the period ended 28 February 2014 has been restated to correctly reflect the financial impact of this transaction, as well as to consolidate the assets and liabilities of TP Hentiq 6040 Proprietary Limited.

	Results for the year ended 28 February 2014 as previously reported R'000	Consolidation of the TP Hentiq 6064 Proprietary Limited results R'000	Restated audited results for the year ended 28 February 2014 R'000
Impact on consolidated statement of financial position			
Cash and cash resources	48 985	105	49 090
Treasury shares	9 439	4 000	13 439
Accumulated profit	64 011	1 050	65 061
Non-controlling interest	208	987	1 195
Trade and other payables	173 193	43	173 236
Redeemable preference shares*	–	3 999	3 999
Impact on consolidated statement of other comprehensive income			
Operating expenses	68 484	19	68 503
Investment revenue	311	3	314
Impact on earnings per share and headline earnings per share			
Basic earnings (R'000)	20 310	(16)	20 294
Weighted average number of shares ('000)	247 200	(5 000)	242 200
Basic earnings per share	8.21	0.16	8.37
Headline earnings (R'000)	20 717	–	20 717
Weighted average number of shares ('000)	247 200	(5 000)	242 200
Headline earnings per share	8.38	0.17	8.55

*The redeemable preference shares existed as a liability of TP Hentiq 6040 Proprietary Limited at 28 February 2014, and has therefore been consolidated into the group results, and has been settled in the current financial year.

36. 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 2015.

	Salary R'000	Vehicle allowance R'000	Medical aid contri- bution R'000	Pension fund contri- bution R'000	13 th cheque R'000	Incentive bonus R'000	Total R'000
2015							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 740	148	54	–	145	–	2 087
F Botha	1 434	402	84	–	120	–	2 040
CF Botha	1 437	402	81	–	120	–	2 040
EP Liehti	1 636	173	95	–	136	–	2 040
	6 247	1 125	314	–	521	–	8 207
Non-executive							
DJ O'Connor	181	–	–	–	–	–	181
GS Mahlati	145	–	–	–	–	–	145
LY Mashologu	145	–	–	–	–	–	145
	471	–	–	–	–	–	471
Prescribed officers							
S Green	639	78	57	75	49	50	948
D de Beer	814	83	–	94	63	85	1 139
S Roberts	591	96	42	72	45	50	896
	2 044	257	99	241	157	185	2 983
Total	8 762	1 382	413	241	678	185	11 661
Paid by subsidiary**							
Executive	6 247	1 125	314	–	521	–	8 207
Non-executive	471	–	–	–	–	–	471
Prescribed officers	2 044	257	99	241	157	185	2 983
	8 762	1 382	413	241	678	185	11 661

The directors and prescribed officers received a 6% increase in March 2015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year-ended 28 February 2015

36. DIRECTORS REMUNERATION AND BENEFITS CONTINUED

	Salary R'000	Vehicle allowance R'000	Medical aid contri- bution R'000	Pension fund contri- bution R'000	13 th 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
	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.



SEGMENTAL REPORT

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

Management considered a combination of factors, including geographical, product types 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 management executive committee assesses the performance of the operating segments based on sales, gross profit margin, as well as EBITDA.

The main industries serviced by the Insimbi group, are the Foundry, Steel and Refractory industries. The segments have been aggregated as such, as they operate in the same economic environment, the products are similar and are governed by the same principles in terms of pricing and management structures. The operations in each of the group's reportable segments are as follows:

Foundry – Consists of the divisions which services the foundry and non-ferrous industry, both automotive and heavy, aluminium industry (mainly deoxidation market) and the powder coating industry.

Refractory – Consist of the divisions that service the steel and cement industry's refractory requirements as well the supply of industrial heat resistant textiles.

Steel – This segment supply both steel and polypropylene fibres, services the welding and optical industries and supplies in the steel industries raw material requirements.

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
2015				
Revenue				
Sale of goods	729 128	134 952	90 204	954 284
Commission	77	–	3 655	3 731
	729 205	134 952	93 859	958 016
Cost of sales	644 132	115 677	86 305	846 114
Gross profit	85 072	19 275	7 554	111 902
Other income	1 246	–	–	1 246
Profit before operating and administration expenses	86 318	19 275	7 554	113 148
Operating and administration expenses	–	–	–	
Communication	1 085	56	65	1 207
Employee cost	40 244	2 166	3 497	45 908
Motor vehicle expenses	1 117	251	238	1 607
Other expenses	11 492	6 132	259	17 883
Occupancy	6 321	–	–	6 321
	60 259	8 605	4 059	72 926
Operating profit before finance income from continuing operations	26 059	10 670	3 495	40 222

	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
Employee cost	36 694	2 250	3 974	42 918
Motor vehicle expenses	1 290	294	216	1 800
Other expenses *	15 373	2 493	209	18 075
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

* Disclosure has been changed from prior year to facilitate more sensible disclosure. Depreciation and professional fees have now been included in this line item.

SHAREHOLDER ANALYSIS

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	126	36,20	223 814	0,09
5 001 – 50 000 shares	129	37,07	2 486 610	0,96
50 001 – 100 000 shares	15	4,31	1 104 889	0,42
100 001 – 250 000 shares	37	10,63	5 862 644	2,25
250 001 – 500 000 shares	20	5,75	6 694 599	2,57
500 001 – 1 000 000 shares	8	2,30	6 637 000	2,55
1 000 001 shares and over	13	3,74	236 990 444	91,16
Totals	348	100,00	260 000 000	100,00
Distribution of shareholders				
Banks/brokers	6	1,72	6 802 220	2,62
Close corporations	5	1,44	985 894	0,38
Individuals	291	83,62	200 047 088	76,94
Investment companies	3	0,86	6 796 004	2,61
Other corporations	7	2,01	201 635	0,08
Private companies	14	4,02	12 109 509	4,66
Public company	1	0,29	265 000	0,10
Treasury shares	1	0,29	18 589 748	7,15
Trusts	20	5,75	14 202 902	5,46
Totals	348	100,00	260 000 000	100,00
Public/non-public shareholders				
Non-public shareholders	10	2,87	211 951 548	81,52
Directors and associates of the company	9	2,59	193 361 800	74,37
Treasury shares	1	0,29	18 589 748	7,15
Public shareholders	338	97,13	48 048 452	18,48
Totals	348	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

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 2015 Integrated Annual Report, 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 Thursday, 25 June 2015 at 12h00.

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, 19 June 2015 with the last day to trade in the shares of the company on the JSE Limited being Friday, 11 June 2015.

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 2015, 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 2015."

2. Ordinary resolution number 2

The appointment of auditor of the company for the ensuing year ending 28 February 2016

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 CF Botha, Mr EP Liehti and Mr DJ O'Connor 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 CF Botha

"Resolved that Mr CF 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 Mr EP Liehti

"Resolved that Mr EP Liehti 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 Mr DJ O'Connor

"Resolved that Mr DJ O'Connor be re-elected and appointed as director of the company."

CV on page 14 of the annual report.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

ORDINARY RESOLUTIONS CONTINUED

4. Ordinary resolution number 4

Appointment of Audit and Risk Committee members for the year ending 28 February 2016.

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 nonexecutive chairperson of the board of directors) be appointed as the company's Audit and Risk Committee members for the year-ending 28 February 2016."

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 2015

King III recommends that the remuneration philosophy of the company be submitted to shareholders for consideration as a non-binding advisory vote, the company's remuneration philosophy and policy (excluding the remuneration of non-executive directors and members of committees of the board for their services as directors and members of such committees) as set out on pages 19 to 20 of the integrated annual report 2015, 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 2016

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 R191 387

Non-executive directors at R153 820

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 2016.

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 84;
- Directors' interests in ordinary shares – page 28; and
- Share capital of the company – page 63.

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 2015 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

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 25 June 2015 at 12h00, and wish to be represented there at, you must complete and return the attached form of proxy in accordance with the instructions contained there in 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 12h00 on 23 June 2015.

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 there at 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 there at, 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 12h00 on 23 June 2015.

By order of the board



K Holtzhausen

Company Secretary

27 May 2015

SHAREHOLDERS' DIARY

Publication of annual reports (mailed to shareholders registered as at 22 May 2015)	27 May 2015
Last day to trade in order to be eligible to participate and vote at the AGM	11 June 2015
Record date for voting purposes	19 June 2015
Proxy date and time	23 June 2015 at 12h00
Annual general meeting	25 June 2015 at 12h00

REPORTS AND FINANCIAL STATEMENTS

Annual results announcement (on or about)	27 May 2015
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 Mahlali
DJ O'Connor
LY Mashologu

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 2015

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 25 June 2015 at 12h00, ("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 12h00 on Tuesday, 23 June 2015, being 48 (forty-eight) hours before the general meeting to be held at 12h00 on Thursday, 25 June 2015; 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.

To pass ordinary resolutions	Number of votes on a poll (one vote per ordinary share)		
	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 CF Botha			
3.2 EP Liechti			
3.3 DJ O'Connor			
4. Appointment of Audit and Risk Committee members			
4.1 LY Mashologu			
4.2 GS Mahlali			
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 non-executive directors' fees for 2016 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 _____ 2015

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 12h00 on Tuesday, 23 June 2015, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 12h00 on Thursday, 25 June 2015.
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.



