Integrated Annual Report

2016

INSIMBI

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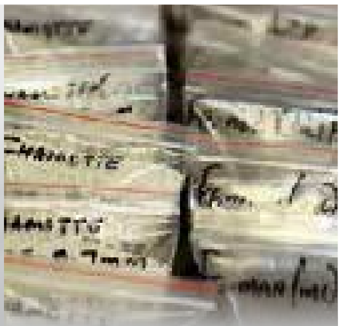
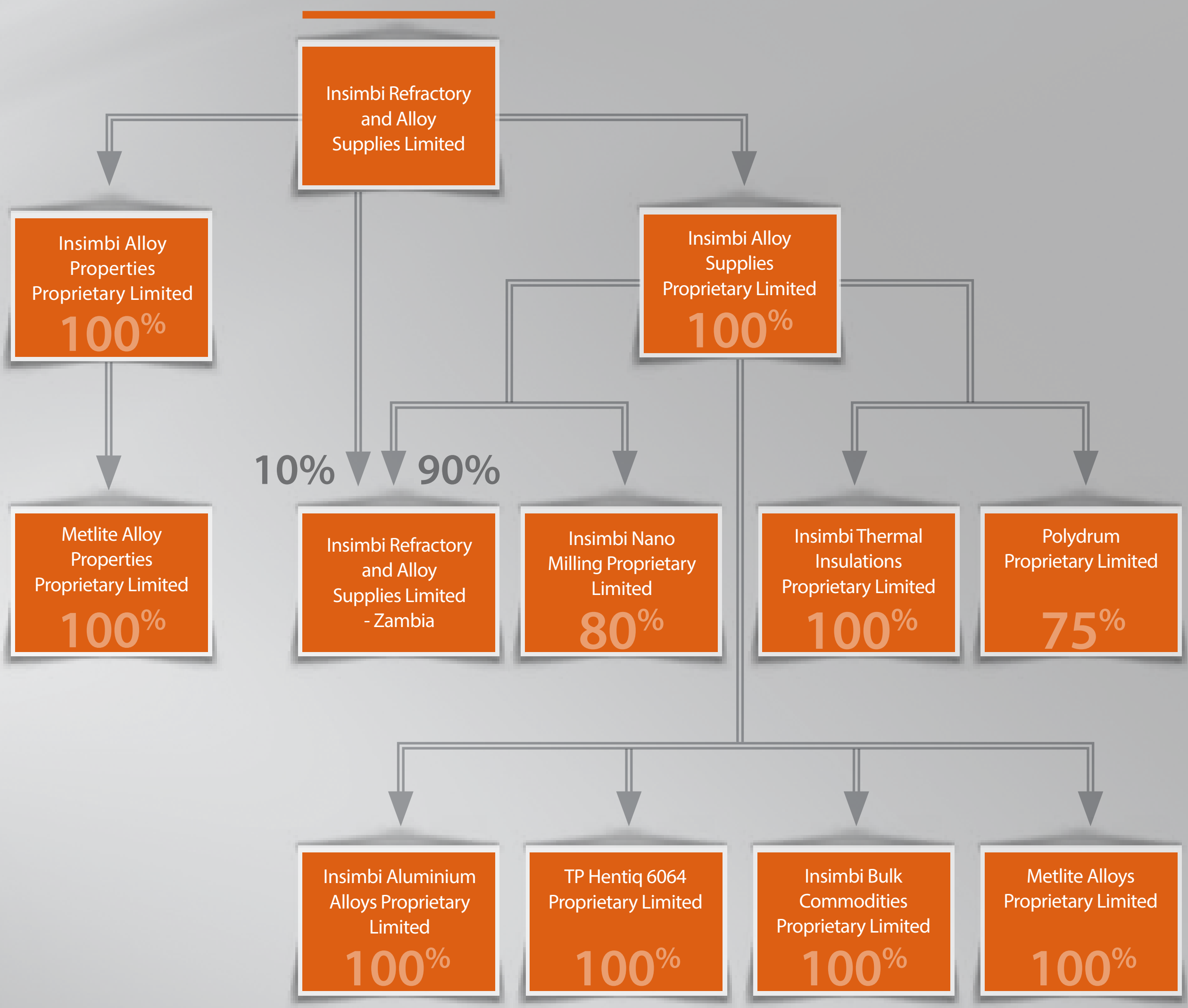


GROUP STRUCTURE



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 the integrated annual report for Insimbi Refractory and Alloy Supplies Limited ("Insimbi" or "the company").

The report is inclusive of all companies within the Insimbi group for the year ended 29 February 2016.

There has been a significant change in our size, structure and product range during the year under review with the acquisition of 75% of Polydrum Proprietary Limited.

In order to avoid repeating ourselves this year, we wish to use the 2016 Integrated Annual Report to indicate how our strategy has evolved to meet the ongoing challenges and opportunities experienced in the dynamic trading and resources market.

Insimbi welcomes the opportunity that an integrated approach to reporting allows us to break down the reporting approach by providing a broader explanation of our performance.

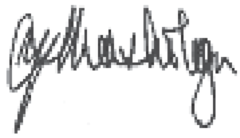
The Company depends on a variety of resources and relationships for our success and the extent to which we are reliant on them has an important impact on the availability of the resources at our disposal and the relationships that support our long-term viability.

PricewaterhouseCoopers Inc. acts as our independent external auditor and will audit our annual financial statements. In compliance with International Financial Reporting Standards ("IFRS"), an independent auditors' report on the financial statements contained in this report appears on page 33 of our annual financial statements, which can be found on our website at www.insimbi-alloys.co.za.

FORWARD LOOKING STATEMENTS

Certain statements in this report constitute "forward looking statements". These involve known and unknown risks, uncertainties and other factors that may cause the actual results to be materially different from future results.

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.



LY Okeyo
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 four 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.

Plastics: This new segment specialises in the blowmoulding of plastic containers for the chemical, agricultural and food industries and which has numerous synergies with Insimbi's existing customer portfolio.

STAKEHOLDER RELATIONSHIPS

Our progress on sustainability commitments

In our 2015 Annual Report, we committed to several targets with regard to integrating sustainability into our business strategy.

Our progress report for 2015 is as follows:

- Our targets for formal engagement forums for each stakeholder grouping have not been met 100%; however with the formation of the two Employee Share Option Schemes ("ESOP"), management expressed their commitment towards, transformation, succession planning and staff retention.
- 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 was to align our transformation strategy with the revised codes. The board of directors has considered various projects to comply with the revised codes which, if successful will have a positive impact on the group BEE status for the year ending 2017. We are aware that these projects take time and constant monitoring in achieving our sustainability commitments, and our previous targets have therefore been extended into the 2017 financial year.

MATERIAL ISSUES

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

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

Issue	Stakeholders that could be impacted by or have an impact on this issue	Possible impact	Our mitigating actions/opportunities this issue creates for the business and our response
Global economic environment	• Shareholders • Insimbi's management • Employees	• Positive/negative impact on – Demand for products – Rand/Dollar exchange rate – Shareholders as well as stakeholders – Profitability of the group economic performance	• While we cannot influence the Rand/Dollar exchange rate or the global economy and market demand dictates the price of our products, Insimbi can take action to contain costs and remain as competitive as possible. • We are always identifying ways to reduce our costs across the board.
Diversification	• Shareholders • Insimbi's management • Employees • Customers • Suppliers	• Diversification into commodities and/or the production of commodities would increase our product range and enhance our profitability	• The diversification strategy was approved by Exco.
Empowerment credentials	• Shareholders • Employees	• Low empowerment ratings could impact negatively on our sustainability in time	• Identify strategies to increase our empowerment ratings. • Identify an empowerment partner of choice.
Safety, health and wellbeing of Insimbi's employees	• Employees • Contractors • Health and safety regulator • Trade unions	• Loss of skilled employees • Loss of production impacting on profitability • Negative impact on employee morale • Reputational damage	• The Occupational, Health and Safety Committee provide training to create a culture where every employee takes responsibility for their safety and that of their fellow employees.
Industrial action in the mining industry	• Employees • Trade unions • Shareholders • Community • Suppliers • Customers	• Loss of product supply • Increased costs due to increased demands • Breakdown in business relationships – from supply and source side	• Insimbi has no influence in the mining sector, very dependent on the supply chain, we strive to secure sustainable relationships with our suppliers and customers.
Environment	• Shareholders • Employees • Local municipalities • GDARD	• Delay in issuing of operational licences • Decreased production and profitability	• Insimbi continues to engage with the local and provincial authorities to ensure compliance with all current legislation to ensure sustainable production, i.e. chrome drying plant. • Annual renewal of environmental licences to ensure continued operations.
Energy price and the availability thereof	• Shareholders • Management and employees • Customers	• Loss of sales if increased costs make our product prices uncompetitive • Loss of source because of power not being available • Unable to grow the market share	• Insimbi has no influence on the energy supply, generators have been installed in all the plants to continue production in times of power failures.
Local economic environment	• Financial institutions • Suppliers • Customer	• Liquidity: Cash tied up in stock • Credit: A contracting entity defaults, resulting in a financial loss	• Insimbi manages the liquidity position of the group to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. • We monitor customers, obtain external credit ratings and reports and in certain instances have credit.

CAPITALS MODEL

A brief outline of the capitals model (natural, human, social, manufactured, financial and intellectual capital) is included below. Insimbi has to determine its impact on the sustainability of 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.

The medical health programme that was implemented in 2015 was extended to all employees including Polydrum and Metlite and the total number of employees enjoying the benefit has increased from 91 to 109.

Training and development

Insimbi offered financial assistance to staff members to further their career and personal development plans during the 2015 and 2016 academic year. The various studies include degrees, diplomas and certificates in Accounting Science, Quality Control, Stock Control, Bookkeeping, Marketing, Governance and Administration, Metallurgical Engineering, MBA and Software Engineering., Four staff members were promoted following successful development to the positions of Quality Assurance Manager, HR Officer, Stores Supervisor and QA Assistant.

A total of R96 763.00 was allocated as bursaries to the children of 16 staff members to assist them financially with the cost of their children's education.

Current employee profile at the Insimbi group of Companies (February 2016)

Occupational level	Group	Gender							
	White		African		Indian		Coloured		Total
Level	Male	Female	Male	Female	Male	Female	Male	Female	
Top management senior	6		1	2	1		1		11
Management	9	4	1			1		1	16
Middle management	8	13	9			1	4		35
Junior management	5	16	24	11		3	4	3	66
Semi-skilled			37				5		42
Unskilled			4	7					11
Grand total	**28**	**33**	**76**	**20**	**1**	**5**	**14**	**3**	**181**

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 licence 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.

up 14.3% to 12.43 cents

Earnings per share from continuing operations

up 10.2% to 12.42 cents

Headline earnings per share from continuing operations

up 12.5% to R28.8 million

Net profit

down 4% to R5.7 million

Cash flow from operations

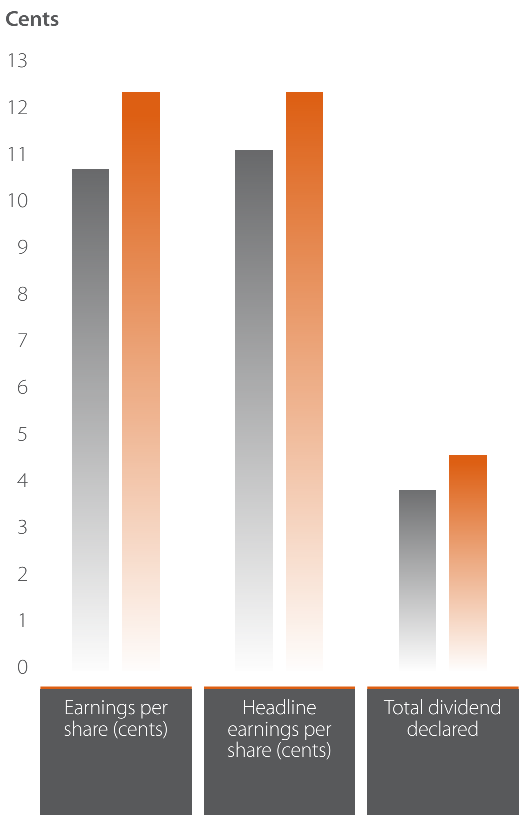
up 10.3% to R44.4 million

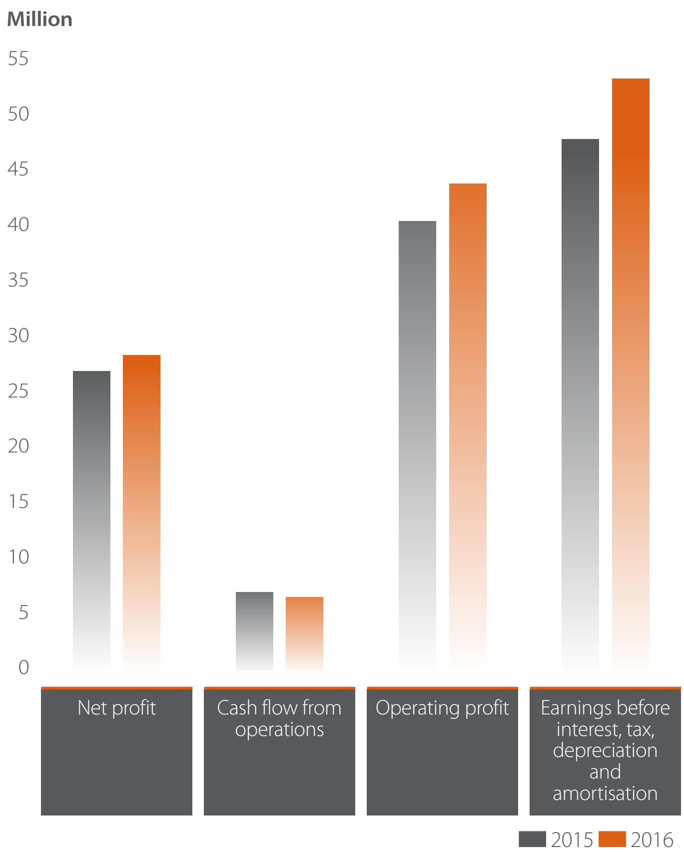
Operating profit

up 14% to R53.1 milion

Earnings before interest, tax, depreciation and amortisation

Total dividend of **4.5 cents per share** declared for the year ended 29 February 2016





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

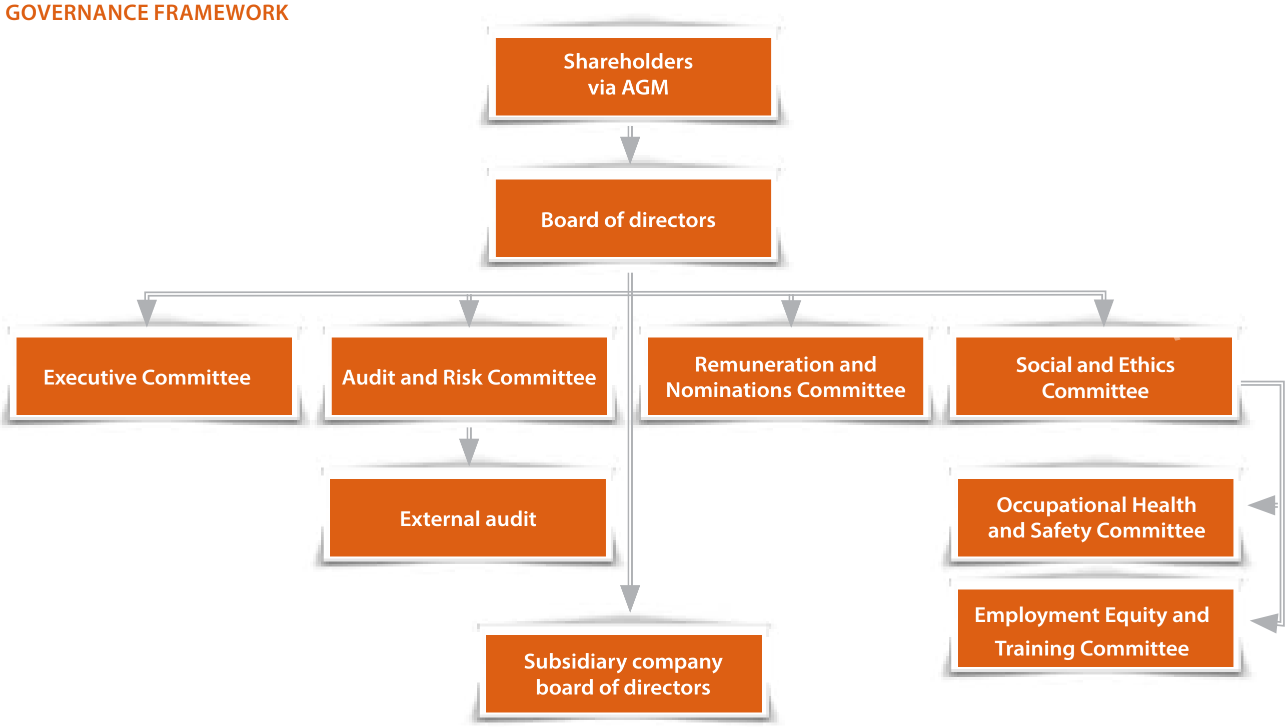
Insimbi endorses the principles of the Code of Corporate Practices and Conduct recommended in the King Report on Corporate Governance. We continue to develop our governance policies, practices and procedures in line with an integrated governance, risk and compliance framework. The board is satisfied and believes that every effort has been made in 2015/16 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 19. 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 board of directors opted not to do a third ethics survey in 2016.

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 four executive directors and is chaired by Ms LY Okeyo (formerly Mashologu). 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 2015/2016 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	2		2	1	1
PJ Schutte	4		2*	2*	2*
F Botha	4		3*	1*	1*
EP Liechti	4		4*	2*	2*
CF Botha	4		4*	2*	2*
GS Mahlati	2		2	1	2
LY Okeyo	4		4	2	2
C Shiceka	2		2	1	1

** Non-members by invitation*

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

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

BOARD COMMITTEES

The Audit and Risk Committee ("the committee")

Terms of reference and functions

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

The committee has adopted formal terms of reference and has satisfied its responsibilities for the year in compliance with its terms of reference, which functions of the committee include:

- Consider and make recommendations on the appointment of the external auditors for non-audit services;
- Prior to the commencement of the audit, discuss and review the auditor's engagement letter, the nature and scope of the audit and the audit fee;
- Evaluation of the independence and effectiveness of the auditors and consideration of any non-audit services rendered to determine if these substantively impair their independence;
- Oversee and report on the integrated reporting processes; and
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

Internal controls

Internal audit function

The committee has taken note of Principle 7.1 of King III, whereby it proposes that the board of directors should ensure that an effective risk-based internal audit function is in place. The board delegated this function to management. Management completed a financial and internal control combined assurance effectiveness assessment and provided a written reported to the committee. The Audit and Risk Committee has satisfied itself that the company's internal controls are designed to provide reasonable assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. In carrying out its tasks, the committee has a wide range of powers to consult both internally and externally in order to acquire the necessary resources to complete its duties.

Risk management

For the year under review the board delegated the risk management processes to the committee as per Principle 4.3 in King III.

Management is committed to maintaining and monitoring the best possible strategies to minimise the risks and to ensure the growth of our company for the best benefit of all our stakeholders. We are committed to creating safe and healthy working conditions to minimise the risk of injury or disease to our employees, to prevent the loss of property and to conserve the environment. The Health, Safety and Environment Committee is responsible for monitoring and creating safe working conditions for employees.

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

In terms of its charter, the Financial Director and members of the executive management may be invited to attend meetings of the committee. The charter stipulates that no fewer than two meetings will be held each year. In the year under review the meetings were held on 26 March 2015, 4 May 2015, 30 September 2015 and 19 November 2015.

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 26.

Pension Fund Management Committee

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

Membership and meetings

The members of the committee in the year under review were: Mr PJ Schutte, Mr F Botha and Ms K Holtzhausen representing Insimbi. Mr L Hutton, Ms N Mohamed and Ms M Samons represented the employees. Two meetings were held during the year, the first on 23 March 2015 and the second on 6 November 2015.

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, who resigned in June 2015, Ms C Shiceka who was appointed on 7 July 2015, Ms LY Okeyo and Dr GS Mahlati. The committee met twice during the year under review on 26 March 2015 and 30 September 2015. On the recommendation from the JSE, the members agreed that 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 20.

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 ethic 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 for the first meeting and then Ms C Shiceka as well as Ms LY Okeyo and by invitation the directors, HR manager, health and safety manager and employees or any other relevant party of the company. The committee met on 27 March 2015 and 30 September 2015.

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 Group 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 24 June 2016 at 10h00 at the company's registered office. Details of the annual general meeting are outlined in the notice of the meeting on page 80.

Details of the group's engagement with its stakeholders are outlined in the organisational overview 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.

EXECUTIVE DIRECTORS

Pieter Jacobus Schutte (57)

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 (52)

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 (54)

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 (48)

Procurement Director

National Higher Diploma in Metallurgical Engineering from Witwatersrand Technikon

Colin commenced employment with Insimbi in 1992 as a Technical Sales Representative and has been promoted during his tenure to Divisional Director. He was appointed to the board on 11 June 2004.

NON-EXECUTIVE DIRECTORS

Dr Gilimamba Sylvester Mahlati (59)

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.

Gil resigned from the board on 31 March 2016.

Lerato Yvonne Okeyo (44)

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 was appointed as Chairman of the Board on 25 June 2016. She stepped down as the Chairman of the Insimbi Audit and Risk Committee, and became a committee member, she serves as a member of the Social and Ethics as well as the Remuneration and Nominations committee, however she chair's the Nominations Committee meeting.

NON-EXECUTIVE DIRECTORS CONTINUED

Daniel John O'Connor (68)

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.

Danny retired from the board on 31 July 2015.

Cleopatra Salaphi Shiceka (51)

Independent Non-executive Director

Bachelor of Arts in Law and Bachelor of Law degrees from the University of Swaziland, as well as a Higher Diploma in Tax Law from the University of Witwatersrand

Appointed to the board on 7 July 2015.

Cleopatra studied Intermodal Logistics, brokering and chartering, as well as port and terminal operations at the Global Maritime school in New York and has completed a number of leadership development courses, including Advanced Strategic Management (IMD, Switzerland), Advanced Project Finance (Institute of Euromoney, London) and Advanced Leadership Development Program (GIBS).

Cleopatra is currently GM to the Office of the Chief Executive of Transnet Freight Rail. She has served on several legal committees, as well as the General Counsel on the Executive Board of the Union of African Railways and as the African Region representative that advised the Executive Board of the International Association of Railways in Paris. She has served as non-executive director and/or chairperson of various companies and committees.

Cleopatra has been appointed as the chairman of the Audit and Risk committee, and a member of the Social and Ethics and Remuneration and Nominations committee.

CHAIRMAN'S REPORT

INTRODUCTION

The financial year ending February 2016 has been another extremely challenging year for the South African economy, marked by the worst drought conditions in over a century, severe depreciation of the local currency, unstable electricity supply, and increased inflation. These factors, together with a downturn in the global resources sector, have contributed to subdued economic growth and more recently a revision down to 0.6% growth estimated for the 2016/2017 fiscal period. The local steel industry has been particularly detrimentally affected. Failure of expected infrastructure projects to materialise has resulted in limited demand for steel, and excess production capacity amongst steel manufacturers. This, combined with market inundation of cheap Chinese steel imports, has brought the local steel industry virtually to its knees. Despite various protectionist interventions by the DTI to sustain local manufacturing and preserve jobs, the steel industry in particular has suffered casualties. Amongst those worst affected is Evraz Highveld Steel which, following failed business rescue attempts, finally closed its doors resulting in more than 1 700 job losses, affecting the Emalahleni municipality and its surrounds.

Add to this increasing political infighting and the looming threat of the downgrade of the SA Government's debt rating to junk status, and it is easy to be depressed about our future as South Africans. I am proud to say that despite all of these challenges, Insimbi not only continues to prosper, but to grow. This is largely due to our entrepreneurial culture, which is underpinned by perseverance and a continuously opportunistic outlook. Consequently, we have a proven track record of resilience and agility in responding constructively to ever changing market dynamics. We believe firmly that it is in these challenging circumstances that opportunities present themselves and it is up to us to take advantage of them when they do.

PERFORMANCE

Insimbi has been impacted in this financial year under review, most notably in both its steel and foundry segments, both of which have suffered negative growth. However, through persistence and diversification, we have been able to minimise the impact and maintain revenue and profit levels. We have continued to add to our product portfolio, which has included amongst others, the acquisition of Polydrum, all of which has enabled alternative revenue streams from new markets. This we have supplemented through diversification and consolidation of the export market, particularly into other African countries. We have continued to focus on disciplined cost reduction and working capital management. To further optimise our operations, we have invested in additional production capacity to increase productivity and efficiency. Consequently, we have achieved expanded margins despite flat revenue growth. We expect to see further benefit from these investments in revenue growth and improved and sustained profitability. Overall, I am very satisfied with what I feel are a solid set of results.

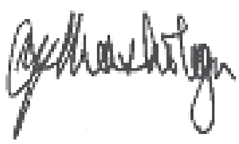
OUTLOOK

The board has this year increased focus on black economic transformation, this being one of our chosen pillars for long-term sustainability of the company. Whilst the board considers the Codes of Good Practice in totality, our greatest priority in the short term has been to provide an inclusive platform through which management and the employees can participate in the success of the group into the future. To this end, we are proud to have contributed to the upliftment of our staff through establishing a structure that places 8.78% (approximately 23 million) of the current shares in issue, in the hands of our full-time employees across the group.

CONCLUSION

We expect that difficult trading conditions will persist in the next financial year and we will continue our efforts to manage risk and achieve growth and profitability through market and product diversification. We are optimistic that further government support initiatives to revive the steel industry and to improve economic growth will be forthcoming. We are encouraged by increased foreign investment, particularly into the automotive sector and cement industry.

I would like to take this opportunity on behalf of the board of Insimbi, to thank our employees for their continued commitment to our success as a group, as well as our customers and suppliers, for their support.



LY Okeyo
Chairman
19 May 2016

OVERVIEW OF OPERATIONS

The year under review was challenging mainly due to the global and particularly, the local steel industry's continued decline. The slowdown in local steel production, the business rescue and subsequent closure of Evraz Highveld Steel coupled with the downturn in commodity prices all contributed to nominal decline in revenue R2.9 million or 0.3%. I estimate that the above challenges contributed to a loss in revenue of approximately R85 million and considering this and all the negative sentiment in the market, the Group still managed to produce a solid set of results.

Insimbi has responded proactively to the weaker market conditions and implemented certain operating and cost reduction initiatives that had a positive impact on the total performance of the group and although operating expenses are up by 14% or R10 million on our previous period, when one excludes non-recurring expenses of approximately R4.0 million (mainly Evraz write off) and the operating expenses associated with the acquisition in August of Polydrum Proprietary Limited of approximately R7 million, the comparative operating expenses have in fact decreased by R1 million compared to the previous year.

The acquisition and integration of Polydrum in August 2015 has been successful although the effect of the severe drought experienced in the latter part of the financial year, which impacted on the agricultural demand for containers, was not anticipated and as a result, it has not performed as expected. It has also experienced some production losses due to erratic electricity supply. We are working on a solar solution to avoid this in the future. The introduction of the two new production lines which were commissioned in February of this year will have a significant impact on this operation in the new financial year.

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

FINANCIAL OVERVIEW

Some key performance indicators for the financial year under review:

- Revenue down by 0.3%
- Gross profit up by 11.68%
- Net profit before tax up by 8.0%
- Earnings per share up by 14.3%
- Headline earnings per share up by 10.2%

Group revenue decreased by 0.3% or from R958 million to R955 million, as explained in my introduction.

Segment revenue for the past four financial years is as follows:

	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Foundry segment	**692**	729	583	521
Steel segment	**127**	135	258	223
Refractory segment	**116**	94	98	84
Plastic segment	**20**	0	0	0
Total revenue	**955**	958	939	828

Gross profits increased by 11.68% or from R111.9 million the previous year to R124.9 million this financial year. The increase was mainly due to a change in the basket of products and product mix with a focus on increasing sales of traditionally higher margin products together with proactive cost management.

Operating expenses increased by 14.1% or from R72.9 million to R83.2 million but as explained in my operational overview above, recurring historic operational costs have decreased by R1 million when compared to the same costs last year and I am extremely pleased with this, it reinforces the fact that to a large extent, any increase at the group gross profit level translates directly down to profit before tax. Cost control will continue to be an important part of our focus. 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, when it comes to imports. Total cash generated from operations for the year decreased by 4.3% or from R6 million to R5.7 million in the current financial year.

OPERATION REVIEW

The Foundry segment experienced mixed trading conditions with some volatility although with the exclusion of a few isolated incidences, this was less than in the previous few years and hopefully we are entering a period of sustainable if not moderate growth within this segment. The continued focus on the African export market did assist in the performance of this segment. The powders division, which was started in 2012, is starting to show some impressive growth and will contribute to the future success of this segment. The Foundry segment continues to be our economic "barometer" and we anticipate that the market conditions will show moderate improvement in the 2017 financial year.

The two aluminium smelters operated throughout the period under review and whilst there were some operational challenges, they both contributed positively to the group results. The purchasing of good quality scrap continues to be a focal point of these two operations and the Preferential Pricing System introduced in September 2014, continues to lack any real impact on the local beneficiation of aluminium scrap. The new furnace at the Benoni plant was commissioned during the last quarter and despite some commissioning challenges, we are confident that it will enable us to improve recoveries and increase volumes .

The nano milling operation has made some inroads on the marketing side and our UPENDE brand is gradually starting to gain acceptance in the market but a great deal of work is still required to create a sustainable paint operation. Various strategies have been formulated to ensure a focused marketing action plan that will produce positive results in the shortest possible time. We are currently investigating and considering other target markets for our nano milling technology as its application is far broader than just the manufacture of paint products. The Steel segment had another very tough year although there are signs that with the support from Government late in 2016 and early in 2017, this segment has hopefully hit the bottom locally and can only improve. The local steel industry continued its decline in the year under review as a result of continued and aggressive competition from cheap imports of finished products, mainly from China. The implementation of import tariffs by Government on certain products in September 2015 did start to filter through during the last quarter of the year and we saw a slight increase in demand for our raw materials. The closure of Evraz Highveld Steel had a significant impact on this segment in the year under review and I estimate that revenues of between R15 million and R18 million for the year were lost as a result of this closure.

The challenges for the steel industry, both locally and globally, are far from over and we are watching with anticipation for the announcements in June 2016 which will hopefully implement further and far more wide reaching implementation of import and possibly anti-dumping tariffs on cheap steel imports into South Africa.

The Refractory segment had a fantastic year mainly due to the increase in its product offering and market increase in certain industries. The weakening of the rand played a role in the overall revenue performance of this segment. Unfortunately the continued inability to improve the actual infrastructure spend in South Africa, is still a challenge although we have seen some improvement and accountability in the last few years. As local and national government manage to improve their infrastructure roll-out process, we hope to see a more positive impact on this segment.

The successful acquisition and integration of Polydrum Proprietary Limited in August 2015, created a new segment in the group – vis-à-vis "Plastic" and despite some challenges due to the drought and erratic electricity supply, the future is looking very promising. The Polydrum products have been extended to the greater Insimbi Group footprint in KZN and Western Cape with great success. Two new lines were commissioned during February 2016 and have the capacity to increase volumes of the existing equipment by up to 60%; our short-term goal is to be operating at 85% to 90% of Polydrum capacity within the new financial year.

PROSPECTS

The potential threat of an economic downgrade to the South African economy together with political turmoil within various political parties towards the run-up to the local elections will have a negative impact on the future market sentiment. Higher inflation and higher interest rate will further contribute towards a very slow economic outlook.

The steel industry will continue to look to Government for assistance in helping revive the steel market. The negative view on potential growth within the steel industry is having a negative impact on all other businesses supplying into this industry.

Infrastructure spend is still very slow and with new cement production facilities coming online the pressure is on cost-cutting, which may have an impact on the Refractory segment's profits in the future. The import tariff introduction on certain cement products from Pakistan introduced late in our previous financial year, has had a positive effect on the demand for locally produced cement but much more needs to be done to lift the industry.

We do not expect significant growth in the Foundry segment in the immediate future but it seems like the industry has stabilised and we anticipate that we will see a slight increase in demand towards second half of this financial year.

Opportunities will continue to present themselves and Insimbi is prepared and equipped to embrace these opportunities in order to further diversify and grow the group revenue streams, cash-flows and profitability. We are confident that 2017 will be another prosperous financial year for the group and we will continue to keep our focus on maintaining our cost base as low as possible, growing our market for the higher margin products and increasing revenues by providing the best service and quality products in our industry.

Insimbi expects growth in the short term from the acquisition of Polydrum and its new range of products and we will continue to look for other potential acquisitions that make strategic sense in our goal to further diversify the group in line with our strategy plan and policies.

Cash flow and working capital will need to be managed strictly to continue to adapt to the difficulties faced by our customers and suppliers alike but we have been doing this a long time and we have the necessary skills in place to ensure that we optimise this cycle.

OUR PEOPLE

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

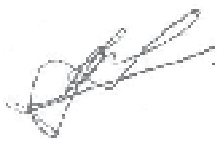
We remain committed to corporate and social responsibilities and to ensuring that the needs of all our stakeholders are met. This includes providing our employees with a safe, healthy and rewarding work environment.

APPRECIATION

In closing, I extend my gratitude to all our stakeholders including our customers and suppliers, for their ongoing support. I hope that the slight improvement that we are seeing in the markets is sustainable and that you prosper so that we in turn, as your partner in supply, prosper as well.

Thank you to our suppliers and principals for your support and consistent supply of quality products. It has enabled us to continually increase our regional market share and has contributed to our continued success.

My thanks and gratitude to all staff members and my fellow directors for their dedication, commitment and hard work during the past year.



PJ Schutte
Chief Executive Officer
19 May 2016

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 who was replaced with Ms C Shiceka in July 2015 and Ms LY Okeyo. The committee met twice during the year under review. The committee charter and 2016/15 annual work plan was approved and recommended to the board for approval at the committee meeting which was held on 7 April 2016. 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.

EMPLOYMENT SHARE OPTION PLAN ("ESOP")

The board has recognised the need to foster a culture of ownership within the company. The implementation of two Employee Share Ownership Plans ("ESOP transactions") will not only have a positive impact on the group's BEE ownership status and management's commitment with respect to transformation, it will allow the company to formalise the succession plan as well as staff retention strategy. Management and employees were invited to participate in the ESOP Transactions with the focus on transformation, succession planning and staff retention. Eligible employees of the company will, collectively, obtain an approximate 8.78% indirect shareholding interest in the company.

LABOUR AND EMPLOYMENT

Employment equity and training committee

The employment equity and training committee consists of employees representing all subsidiary companies and divisions within the group and is chaired by Mr P Schutte, the CEO. The committee met four times during the year under review.

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 and Training 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.

LY Okeyo
Independent Non-executive Director
19 May 2016

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

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

MEMBERSHIP

The committee consists of three members who are independent non-executive directors. In terms of the JSE Listings Requirements the Chairman of the board should be appointed as the Chairman of the Nominations Committee and in terms of King III the Chairman of the board should not be Chairman of the Remuneration Committee.

The board of directors appointed Ms LY Okeyo as the Chairman of the board and nominated her or her successor 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 Ms LY Okeyo 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 6.0%. The executive team was given the discretion to apply the appropriate increase to each staff member falling under their control within the stipulated range.

The annual pay increase of the non-executive directors for the forth-coming year is 6.0%. Details of the directors' remuneration for the year ended 29 February 2016 appear on pages 31 and 32.

The emoluments paid to the three most senior members of management are set out on pages 31 and 32.

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 is recommended by the Remuneration and Nominations Committee to the board, which in turn proposes the fees for approval by the shareholders at the annual general meeting.

Details of the fees paid to each of the non-executive directors during the year are reflected on pages 31 and 32.

The board resolved at its meeting held in February 2016 that non-executive directors' remuneration be increased for the 2017 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 82 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 17 April 2016.

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 82 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.

PERFORMANCE AND RE-ELECTION

The committee reviewed the performance of directors C Shiceka, F Botha and PJ Schutte who, in terms of the memorandum of incorporation, retire by rotation at the 2016 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 29 February 2016.

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 Okeyo and C Shiceka to the Audit and Risk Committee. Dr GS Mahlati tendered his resignation with effect from 31 March 2016, the committee will assist the board in identifying a suitable candidate in the approved time period. This recommendation will be submitted to the shareholders at the annual general meeting to be held on 24 June 2016. The members of the Audit and Risk Committee will serve for a one-year term, concluding at the 2017 annual general meeting.

APPROVAL

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

LY Okeyo
Chairman of the
Nominations Committee
19 May 2016

C Shiceka
Chairman of the
Renumeration Committee
19 May 2016

OPERATIONS AND PROJECTS

DUE DILIGENCE PROCESS

Insimbi conducts a due diligence process on all new investments and projects. This process takes many different forms depending on the project or asset being acquired, and will include an EIA where required. As the investment side of our business grows, the due diligence process will become 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 2016 – 2017 is to incorporate the environmental, labour, health and safety, social and business ethics criteria into the screening of business opportunities, where applicable.

LOGISTICS CONTRACTORS

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

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

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

PRODUCT STEWARDSHIP

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

FINANCIALS

Annual financial statements

Shareholder information

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

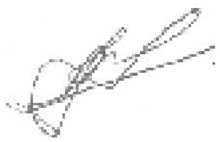
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal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

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

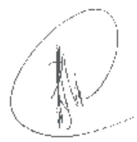
The directors have reviewed the group's cash flow forecast for the year to 31 May 2017 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 34 to 76, 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 19 May 2016 and signed on its behalf by:



PJ Schutte
Johannesburg
19 May 2016



F Botha
Johannesburg
19 May 2016

CERTIFICATE BY COMPANY SECRETARY

I, certify that the company has lodged with the Companies Intellectual Property Commission in respect of the year ended 29 February 2016, 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
19 May 2016

AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Audit and Risk Committee appointed in respect of the 2016 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 on 11 May 2016.

MEMBERS OF THE COMMITTEE

The members of the committee are all independent non-executive directors of the group and include:
Ms YL Okeyo
Dr GS Mahlati – resigned 31 March 2016
Mr DJ O'Connor – retired 31 July 2015
Ms C Shiceka – appointed 7 July 2015

The committee is satisfied that its members for the year under review 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. The Nominations Committee is currently in the process of identifying new candidates to fill the casual vacancy on the board and that person will be appointed as a member of the committee. In terms of section 70(3) a casual vacancy can be filled within 6 months from resignation date.

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 four scheduled meetings during 2015 and the majority of 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 2016

Following the review of the integrated annual report 2016, the committee recommended it to the board for approval thereof.

On behalf of the committee

C Shiceka
Independent non-executive director
19 May 2016

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 29 February 2016. The consolidated financial statement for the year ended 29 February 2016 were authorised for issue in accordance with a resolution of the directors on 19 May 2016. 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.

Insimbi continued its diversification strategy in the year under review and acquired 75% of Polydrum Proprietary Limited, a company that specialises in the blowmoulding of plastic containers for the chemical, agricultural and food industries and which has numerous synergies with Insimbi's existing customer portfolio.

1. GENERAL REVIEW

Insimbi continues to operate out of our offices in Johannesburg, Durban and Cape Town 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 59 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 Erf 453 Meyerton, Ext 3 Township Registration Division IR, The Province of Gauteng in extent 7 003m^2 (seven thousand and three square metres) for a consideration of R2.4 million excluding VAT was submitted and accepted. The transfer is expected to be completed within the first three months of the new financial year. The only outstanding condition precedent is issuance of the contractor's engineering certificate.

At the general meeting held on 3 May 2016, Insimbi shareholders approved the implementation of an employee share participation transaction and a management share participation transaction in terms of which eligible employees will, collectively, obtain an approximate 8.78% indirect shareholding interest in Insimbi.

4. DIVIDEND

Interim dividend number 12 of 2 cent per share was declared on 29 September 2015 payable on 26 October 2015 to shareholders registered on 23 October 2015. The total payout was R4 725 814.42 (2015: R9 529 364.14). A final dividend of 2.5 cents per share has been declared for the year ended 29 February 2016.

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 – resigned 31 March 2016
DJ O'Connor	appointed 11 June 2004 – retired 31 July 2015
LY Okeyo	appointed 19 March 2008
PJ Schutte	appointed 11 June 2004
C Shiceka	appointed 7 July 2015

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 25 June 2015, it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.

8. DIRECTORS' INTEREST IN CONTRACTS

The directors do not have any direct or indirect interest in any contracts entered into between the group and company or third parties other than as disclosed in the attached annual financial statements. Please refer to the Shareholder analysis on page 79.

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 2016 %**	Percentage holding 2015 %	**Indebtedness 2016 R'000**	Indebtedness 2015 R'000
Insimbi Alloy Supplies Proprietary Limited	100 ordinary shares of R1 each	**100.0**	100.0	**(28 702)**	(29 070)
Insimbi Alloy Properties Proprietary Limited	100 ordinary shares of R1 each	**100.0**	100.0	**5 387**	5 360
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	10 ordinary shares of K1 000 each	**10.0**	10.0	**–**	–

** Effectively 100% holding within the group*

Name of subsidiary	Par value of issued shares	**Percentage holding 2016 %**	Percentage holding 2015 %	**Indebtedness 2016 R'000**	Indebtedness 2015 R'000
Interest in subsidiaries through Insimbi Alloy Supplies Proprietary Limited					
Insimbi Aluminium Alloys Proprietary Limited	100 ordinary shares of R1 each	**100.0**	100.0	**17 034**	48 893
Insimbi Bulk Commodities Proprietary Limited	120 ordinary shares of R1 each	**100.0**	100.0	**2**	2
Insimbi Nano Milling Proprietary Limited	100 ordinary shares no par value	**80.0**	80.0	**5 317**	3 659
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	90 ordinary shares of K1 000 each	**90.0**	90.0	**1 987**	1 987
Insimbi Thermal Insulation Proprietary Limited	404 ordinary shares of R1 each	**100.0**	100.0	**–**	4 780
Metlite Alloys Proprietary Limited	52 ordinary shares of R1 each	**100.0**	100.0	**(307)**	(4 276)
TP Hentiq 6064 Proprietary Limited	10 000 ordinary shares of R0.001 each	**100.0**	100.0	**4 780**	4 780
Polydrum Proprietary Limited	200 ordinary shares of R1 each	**75.0**	–	**10 527**	–

11. INTERESTS IN SUBSIDIARIES CONTINUED

Name of subsidiary	Par value of issued shares	**Percentage holding 2016 %**	Percentage holding 2015 %	**Indebtedness 2016 R'000**	Indebtedness 2015 R'000
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*

12. GOING CONCERN

The directors have reviewed the group's cash flow forecast for the year to 31 May 2017 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**
2016						
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**

* *DJ O'Conner disposed of his shares on 29 September 2015.*

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 2016. The associates are family members of the directors above.

	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

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 29 February 2016.

	Salary R'000	Vehicle allowance R'000	Medical aid contri- bution R'000	Pension fund contri- bution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
2016							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 856	148	55	–	155	175	2 389
F Botha	1 537	402	95	–	128	175	2 337
CF Botha	1 548	403	82	–	129	175	2 337
EP Liechti	1 749	172	95	–	146	175	2 337
	6 690	1 125	327	–	558	700	9400
Non-executive							
DJ O'Connor*	80	–	–	–	–	–	80
GS Mahlati**	154	–	–	–	–	–	154
LY Okeyo	176						176
C Shiceka***	102	–	–	–	–	–	102
	512	–	–	–	–	–	512
Prescribed officers							
S Green	659	78	59	83	55	65	999
D de Beer	933	83	–	115	77	100	1 308
S Roberts	587	96	40	77	49	55	904
	2 179	257	99	275	181	220	3 211
Total	9 381	1 382	426	275	739	920	13 123
Executive******	6 690	1 125	327	–	558	700	9 400
Non-executive	512	–	–	–	–	–	912
Prescribed officers******	2 179	257	99	275	181	220	3 211
	9 381	1 382	426	275	739	920	13 123

The directors and prescribed officers received a 6% increase in March 2016

** Retired effective 31 July 2015*
*** Resigned effective 31 March 2016*
**** Appointed effective 7 July 2015*
***** Paid by Insimbi Alloy Supplies Proprietary Limited*

14. DIRECTORS' REMUNERATION AND BENEFITS CONTINUED

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 28 February 2015.

	Salary R'000	Vehicle allowance R'000	Medical aid contri-bution R'000	Pension fund contri-bution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
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 Mahlati	145	–	–	–	–	–	145
LY Okeyo	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
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

***** Paid by Insimbi Alloy Supplies Proprietary Limited*

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Insimbi Refractory and Alloy Supplies Limited set out on pages 34 to 79, which comprise the statements of financial position as at 29 February 2016, 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 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 29 February 2016, 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 29 February 2016, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Insimbi Refractory and Alloy Supplies Limited for seven years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Megan Naidoo
Registered Auditor
Sunninghill
19 May 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2016

		GROUP		COMPANY	
		2016	2015	**2016**	2015
	Note	**R'000**	R'000	**R'000**	R'000
Revenue	19	**955 106**	958 016	**–**	–
Cost of sales		**(830 137)**	(846 114)	**–**	–
Gross profit		**124 969**	111 902	**–**	–
Other income	22	**2 638**	1 246	**1 986**	1 986
Operating expenses	20	**(83 219)**	(72 926)	**(1 758)**	(1 750)
Operating profit		**44 388**	40 222	**228**	236
Investment revenue	21	**78**	251	**10 632**	–
Finance costs	23	**(8 372)**	(7 026)	**–**	(2)
Profit before taxation		**36 094**	33 447	**10 860**	235
Taxation	24	**(7 264)**	(7 666)	**(64)**	(66)
Profit for the year		**28 830**	25 781	**10 796**	169
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		**–**	(154)	**–**	–
Other comprehensive income for the year net of taxation		**–**	(154)	**–**	–
Total comprehensive income for the year		**28 830**	25 627	**10 796**	169
Total comprehensive income attributable to:					
Owners of the present		**29 391**	25 940	**10 796**	169
Non-controlling interest		**(561)**	(313)	**–**	–
		28 830	25 627	**10 796**	169
Basic and fully diluted earnings per share from continued operations	33	**12.43**	10.88		

The notes on pages 38 to 76 form an integral part of the annual financial statements.

STATEMENT OF FINANCIAL POSITION

as at 29 February 2016

	Note	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**116 658**	78 146	**–**	–
Goodwill	4	**44 560**	35 638	**–**	–
Intangible assets	5	**10 613**	8 414	**–**	–
Investment in subsidiaries	6	**–**	–	**23 574**	23 574
Loans to group companies	7	**–**	–	**5 387**	5 360
Deferred taxation	9	**8 749**	12 228	**437**	501
		180 580	134 426	**29 398**	29 435
Current assets					
Inventories	11	**87 927**	86 454	**–**	–
Trade and other receivables	12	**148 071**	132 356	**59**	110
Derivative financial assets		**484**	1 137	**–**	–
Current taxation receivable		**–**	303	**–**	125
Cash and cash resources	13	**10 270**	27 899	**46**	1
		246 752	248 149	**105**	236
Total assets		**427 332**	382 575	**29 503**	29 671
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	14	**44 442**	44 442	**44 442**	44 442
Treasury shares		**(14 159)**	(14 766)	**–**	–
Reserves		**21 503**	21 503	**–**	–
Retained earnings/(accumulated loss)		**100 251**	81 492	**(44 516)**	(44 680)
		152 037	132 671	**(74)**	(238)
Non-controlling interest		**(2 248)**	(1 508)	**–**	–
		149 789	131 163	**(74)**	(238)
Liabilities					
Non-current liabilities					
Loans from shareholders	31	**3 364**	–	**–**	–
Other financial liabilities	16	**47 887**	14 022	**–**	–
Deferred taxation	9	**13 607**	13 592	**–**	–
		64 858	27 614	**–**	–
Current liabilities					
Loans from group companies	7	**–**	–	**28 702**	29 070
Other financial liabilities	16	**59 822**	58 095	**–**	–
Current taxation payable		**83**	4 677	**23**	–
Trade and other payables	17	**152 730**	160 873	**852**	717
Bank overdraft	13	**50**	153	**–**	122
		212 685	223 798	**29 577**	29 909
Total liabilities		**277 543**	251 412	**29 577**	29 909
Total equity and liabilities		**427 332**	382 575	**29 503**	29 671

The notes on pages 38 to 76 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2016

	Share capital R'000	Share premium R'000	Treasury shares R'000	Foreign currency translation reserve R'000	Re-valutaion reserve R'000	Retained income/ accu-mulated loss R'000	Non-controlling interest R'000	Total equity R'000
GROUP								
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
Changes in equity								
Profit for the year	**–**	**–**	**–**	**–**	**–**	**29 391**	**(561)**	**28 830**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**–**	**–**	**–**	**(179)**	**(179)**
Sale of own/treasury shares	**–**	**–**	**607**	**–**	**–**	**–**	**–**	**607**
Dividends	**–**	**–**	**–**	**–**	**–**	**(10 632)***	**–**	**(10 632)**
Total changes	**–**	**–**	**607**	**–**	**–**	**18 759**	**(740)**	**18 626**
Balance at 29 February 2016	**–**	**44 442**	**(14 159)**	**–**	**21 503**	**100 251**	**(2 248)**	**149 789**
COMPANY								
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)
Changes in equity								**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**10 796**	**–**	**10 796**
Dividends	**–**	**–**	**–**	**–**	**–**	**(10 632)**	**–**	**(10 632)**
Total changes	**–**	**–**	**–**	**–**	**–**	**164**	**–**	**164**
Balance at 29 February 2016	**–**	**44 442**	**–**	**–**	**–**	**(44 516)**	**–**	**(74)**

**Includes 2015 final dividends of 2.5 cents per share (R5 906 881) and 2016 interim dividend of 2 cents per share (R4 725 414).*

The notes on pages 38 to 76 form an integral part of the annual financial statements.

STATEMENT OF CASH FLOW

for the year ended 29 February 2016

	Note	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Cash flows from operating activities					
Cash generated from operations	26	**25 545**	17 288	**414**	342
Interest income		**78**	251	**–**	1
Finance costs		**(8 863)**	(7 167)	**–**	(2)
Tax (paid)/received	27	**(11 027)**	(4 381)	**148**	(103)
Net cash from operating activities		**5 733**	5 991	**562**	238
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(31 443)**	(4 682)	**–**	–
Proceeds on sale of property, plant and equipment	3	**214**	217	**–**	–
Purchase of other intangible assets	5	**(1 708)**	(1 757)	**–**	–
Business combinations	29	**(8 289)**	–	**–**	–
Loans from group companies repaid		**–**	–	**(368)**	–
Proceeds from loans from group companies		**–**	–	**–**	9 397
Loans advanced to group companies		**–**	–	**(27)**	–
Dividends received		**–**	–	**10 632**	–
Net cash from investing activities		**(41 226)**	(6 222)	**10 237**	9 397
Cash flows from financing activities					
Sale/(repurchase) of treasury shares		**607**	(1 327)	**–**	–
Settlement of preference share liability		**–**	(3 999)	**–**	–
Proceeds from loan funding		**108 436**	–	**–**	–
Repayment of loans		**(85 337)**	(4 042)	**–**	–
Proceeds from shareholders' loan		**3 364**	–	**–**	–
Dividends paid	28	**(10 632)**	(9 663)	**(10 632)**	(9 663)
Net cash from financing activities		**16 438**	(19 031)	**(10 632)**	(9 663)
Total cash movement for the year		**(19 055)**	(19 262)	**167**	(28)
Cash at the beginning of the year		**27 746**	46 662	**(121)**	(93)
Effect of exchange rate movement on cash balances		**1 529**	346	**–**	–
Total cash at end of the year	13	**10 220**	27 746	**46**	(121)

The notes on pages 38 to 76 form an integral part of these financial statements.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements reflect the financial results of the group. All the financial results are consolidated with similar items on a line by line basis.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

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.

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.

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.

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.

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables, 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 judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.2 Significant judgements and sources of estimation uncertainty continued

Allowance for slow moving, damaged and obsolete stock

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

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. Refer to note 5 for key factors considered.

Fair value of assets and liabilities acquired in business combination

The fair value of Plant and machinery acquired in the business combination will be determined by an external expert in the field. The basis for the valuation will be determined by assuming:

- That the plant and machinery will continue in their present use in the business and within the current premises.
- Adequate potential profitability of the business, or continuing availability of the undertaking ,both having due regard to the value of the total assets employed and the nature of the operation.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

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.

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 are 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. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

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. 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

Intangible assets consists of intangible assets under development and regulatory permits.

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

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

Item	Average useful life
Regulatory permit	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.

for the year ended 29 February 2016

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.7 Financial instruments

Classification

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

- 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.

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.

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

Subsequent measurement

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

Net gains or losses on the financial instruments at fair value through profit or loss 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 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.7 Financial instruments continued

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.

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.

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.

for the year ended 29 February 2016

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.

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.

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

Contingent assets and contingent liabilities are not recognised.

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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.15 Revenue continued

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; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

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

All other borrowing costs are recognised as an expense in the period in which they are incurred. For purpose of cash flow statement, cash flows relating to capitalised borrowing cost are presented in operating activities.

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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS CONTINUED

1.18 Translation of foreign currencies continued

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.

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.

for the year ended 29 February 2016

2. NEW STANDARDS AND INTERPRETATIONS

There were a number of new standards, amendments and interpretations effective and adopted in the current year, none of which had a significant impact on the group or the company.

There are a number of new standards, amendments and interpretations which will only be effective after the 2016 financial year, the group are assessing the impact on the financial statements.

The significant ones are shown below:

International Financial Reporting Standards and amendments issued but not yet effective

Number	Effective date	Executive summary
IFRS 15: Revenue from contracts with customers.	1 January 2018	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.
IFRS 9: Financial instruments (2009 and 2010)	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.

3. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	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	**67 385**	**(14 645)**	**52 740**	49 256	(12 118)	37 138
Plant and machinery	**57 624**	**(17 460)**	**40 164**	29 164	(13 264)	15 900
Furniture and fixtures	**4 544**	**(3 379)**	**1 165**	4 172	(3 092)	1 080
Motor vehicles	**16 975**	**(13 671)**	**3 304**	16 381	(12 735)	3 646
IT equipment	**4 718**	**(3 876)**	**842**	4 484	(3 426)	1 058
Capital – Work in progress	**–**	**–**	**–**	881	–	881
Total	**169 689**	**(53 031)**	**116 658**	122 781	(44 635)	78 146

Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Transfers R'000	Disposals R'000	Depreciation R'000	Total R'000
GROUP							
2016							
Land	**18 443**	**–**	**–**	**–**	**–**	**–**	**18 443**
Buildings	**37 138**	**18 129**	**–**	**–**	**–**	**(2 527)**	**52 740**
Plant and machinery	**15 900**	**12 021**	**15 558**	**881**	**–**	**(4 196)**	**40 164**
Furniture and fixtures	**1 080**	**372**	**–**	**–**	**–**	**(287)**	**1 165**
Motor vehicles	**3 646**	**689**	**338**	**–**	**(167)**	**(1 202)**	**3 304**
IT equipment	**1 058**	**232**	**8**	**–**	**(6)**	**(450)**	**842**
Capital – Work in progress	**881**	**–**	**–**	**(881)**	**–**	**–**	**–**
	78 146	**31 443**	**15 904**	**–**	**(173)**	**(8 662)**	**116 658**

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

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 include plant and machinery, and vehicles through instalment sales of R6 620 230 and cash additions of R6 970 770.

for the year ended 29 February 2016

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 R27 095 330 (2014: R28 194 665).

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. An increase or decrease of 1% in the discount rate will not result in a material difference to the calculation.

4. GOODWILL

	2016			2015		
	Cost R'000	**Accumulated impairment R'000**	**Carrying value R'000**	Cost R'000	Accumulated impairment R'000	Carrying value R'000
GROUP						
Goodwill	**48 860**	**(4 300)**	**44 560**	39 938	(4 300)	35 638

Reconciliation of goodwill

	Opening balance R'000	Additions through business combinations R'000	Total R'000
GROUP			
2016			
Goodwill	**35 638**	**8 922**	**44 560**

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

4. GOODWILL CONTINUED

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 R'000	Additions/ (impairments) R'000	Closing balance R'000
Allocation of goodwill by segment			
Foundry	**19 329**	**–**	**19 329**
Steel	**11 885**	**–**	**11 885**
Refractory	**4 424**	**–**	**4 424**
Plastics	**–**	**8 922**	**8 922**
	35 638	**8 922**	**44 560**

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. The growth rate 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:

	2016				2015		
Key assumptions (%)	**Foundry**	**Steel**	**Refractory**	**Plastics**	Foundry	Steel	Refractory
Gross margin – budgeted	**12.10**	**9.50**	**16.40**	**35.10**	10.20	12.10	12.10
Growth rate	**3.00**	**3.00**	**3.00**	**3.00**	3.00	3.00	3.00
Discount rate	**23.32**	**21.54**	**18.91**	**18.47**	20.10	20.10	20.10

Gross margin – budgeted gross margin as per 2016 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 in the growth rate by 1% or an increase of 1% in the discount rate assumed, will not result in any impairment to the group. The sensitivity analysis has been performed at a segment, as well as a group level, and there is sufficient headroom in all instances.

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5. INTANGIBLE ASSETS

	2016 Cost/ valuation R'000	2016 Accumulated amortisation R'000	2016 Carrying value R'000	2016 Cost/ valuation R'000	2016 Accumulated amortisation R'000	2016 Carrying value R'000
GROUP						
Regulatory permit	**2 500**	**–**	**2 500**	2 500	–	2 500
Intangible assets under development	**8 113**	**–**	**8 113**	5 914	–	5 914
Total	**10 613**	**–**	**10 613**	8 414	–	8 414

Reconciliation of intangible assets

	Opening balance R'000	Additions R'000	Borrowing cost capitalised R'000	Total R'000
GROUP				
2016				
Regulatory permit	**2 500**	**–**	**–**	**2 500**
Intangible assets under development	**5 914**	**1 708**	**491**	**8 113**
	8 414	**1 708**	**491**	**10 613**
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

Borrowing cost capitalised are from general borrowings and represents a weighted average capitalisation rate of 8.43%.

Other information

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 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-in-use calculation.

The impairment test for this intangible asset identifies the recoverable amount of the cash-generating unit determined based on value-in-use.

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

- The products manufactured will continue as long as steel is manufactured. The majority of the products are used as deoxidants into the steel industry. The steel industry is well established in South Africa and production methods in the steel industry are consistent and use our products on an ongoing basis. Industry information indicates that there will be significant demand for steel and thus aluminium as a result of the government recapitalisation of the Transnet rolling stock. This will be a massive boost for the steel industry and as a result we expect an ongoing demand for our products;

5. INTANGIBLE ASSETS CONTINUED

Other information continued

- No significant capital expenditure is required for the plant. We expect the plant to be maintained through regular ongoing maintenance;
- The asset is well controlled as the group owns both the site to which the asset refers as well as all of the manufacturing equipment;
- The asset is site specific and the group owns the property to which the asset has been allocated;
- The industry is extremely stable and there is reason to expect growth in the industry due to the Transnet rolling stock programme;- There are no technological barriers for the group but there are significant cost barriers for competitors to enter the market, such as the cost of environmental and regulatory permits and the cost of establishing the plant;
- The group has considerable expertise and management skills related specifically to the aluminium industry; and
- The asset is the only secondary aluminium smelter in the Western Cape.

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
Allocation of intangible assets with indefinite lives to cash-generating units				
Foundry	**2 500**	2 500	**–**	–
Steel	**–**	–	**–**	–
Refractory	**–**	–	**–**	–
Plastics	**–**	–	**–**	–
	2 500	2 500	**–**	–
Intangible assets under development:				
Insimbi Nano Milling Proprietary Limited	**8 113**	5 914	**–**	–

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

for the year ended 29 February 2016

6. INVESTMENT IN SUBSIDIARIES

GROUP AND COMPANY

Name of company	Held by	**Holding 2016 %**	Holding 2015 %	**Carrying amount 2016 R'000**	Carrying amount 2015 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	**–**	–
Polydrum Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**75.00**	–	**–**	–
				23 574	23 574

**This entity had very little business activity taking place in the 2016 financial year.*

In November 2013 Insimbi entered into a joint venuture with African Financial Group Proprietary Limited. Even though the legal structure thereof was approved and established, no transactions has taken place with this entity.

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
7. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiaries				
Insimbi Alloy Properties Proprietary Limited	**–**	–	**5 387**	5 360
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**(28 702)**	(29 070)
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.				
These loans are unsecured, interest free and have no fixed terms of repayment				
Non-current assets	**–**	–	**5 387**	5 360
Non-current liabilities	**–**	–	**(28 702)**	(29 070)
	–	–	**(23 315)**	(23 710)

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 R'000	Fair value through profit or loss – designated R'000	Total R'000
GROUP			
2016			
Trade and other receivables	**139 205**	**–**	**139 205**
Cash and cash equivalents	**10 270**	**–**	**10 270**
Derivative assets	**–**	**484**	**484**
	149 475	**484**	**149 959**
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

for the year ended 29 February 2016

8. FINANCIAL ASSETS BY CATEGORY CONTINUED

	Loans and receivables R'000	Total R'000
COMPANY		
2016		
Loans to group companies	**5 387**	**5 387**
2015		
Loans to group companies	5 360	5 360

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

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

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

9. DEFERRED TAXATION

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Deferred tax liability				
Accelerated tax depreciation	**(1 439)**	(1 467)	**–**	–
Fair value gains	**(12 162)**	(9 362)	**–**	–
Other	**(6)**	(2 764)	**–**	–
Total deferred tax liability	**(13 607)**	(13 592)	**–**	–
Deferred tax assets				
Tax losses available for offset against future taxable income	**5 727**	10 005	**437**	501
Provisions	**1 218**	957	**–**	–
Other	**1 804**	1 266	**–**	–
	8 749	12 228	**437**	501
The gross movement on the deferred tax income account is as follows:				
Opening balance	**(1 364)**	(3 745)	**501**	501
(Credited)/charged to the income statement	**(694)**	2 381	**(64)**	–
(Credited) to other comprehensive income	**–**	–	**–**	–
Acquisition of subsidiary	**(2 800)**	–	**–**	–
Closing balances	**(4 858)**	(1 364)	**437**	501

9 . DEFERRED TAXATION CONTINUED

	Provisions	Tax losses available for set–off	Other	Total assets
GROUP				
The movement in deferred tax assets and liabilities during the year is as follows:				
At 1 March 2014	486	11 561	–	12 047
(Credited)/charged to the income statement	471	(1 556)	1 266	181
(Credited)/charged to other comprehensive income				–
at 28 February 2015	957	10 005	1 266	12 228
(Credited)/charged to the income statement	**261**	**(4 278)**	**538**	**(3 479)**
(Credited)/charged to other comprehensive income				**–**
at 29 February 2016	**1 218**	**5 727**	**1 804**	**8 749**

	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 2014	(88)	(9 362)	(6 342)	(15 792)
(Credited)/charged to the income statement	(1 379)	–	3 579	2 200
(Credited)/charged to other comprehensive income				–
at 28 February 2015	(1 467)	(9 362)	(2 763)	(13 592)
(Credited)/charged to the income statement	**28**	**–**	**2 757**	**2 785**
(Credited)/charged to other comprehensive income				**–**
Acquisition of subsidiary	**–**	**(2 800)**	**–**	**(2 800)**
at 29 February 2016	**(1 439)**	**(12 162)**	**(6)**	**(13 607)**

	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 2014	501	–	501
(Credited)/charged to the income statement	–	–	–
(Credited)/charged to other comprehensive income			–
at 28 February 2015	501	–	501
(Credited)/charged to the income statement	**(64)**	**–**	**(64)**
(Credited)/charged to other comprehensive income			**–**
at 28 February 2016	**437**	**–**	**437**

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 R23 509 734 (2015: R22 208 829) that can be carried forward against future taxable income. In the current year Insimbi Aluminium Alloys Proprietary Limited, Metlite Alloy Properties and Insimbi Refractory and Alloy Supplies Limited have 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 R3 035 214 (2015: R2 795 213).

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
11. INVENTORIES				
Raw materials, components	**78 878**	72 115	**–**	–
Finished goods	**3 973**	4 712	**–**	–
Goods in transit	**8 063**	10 518	**–**	–
	90 914	87 345	**–**	–
Inventories (write-downs)*	**(2 987)**	(891)	**–**	–
	87 927	86 454	**–**	–

** 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.

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
12. TRADE AND OTHER RECEIVABLES				
Trade receivables	**135 854**	131 883	**–**	–
Provision for impairment	**(3 477)**	(1 282)	**–**	–
Prepayments	**650**	160	**–**	–
Deposits	**557**	528	**–**	–
VAT	**7 659**	280	**59**	110
Sundry debtors	**6 828**	787	**–**	–
	148 071	132 356	**59**	110

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

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

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
13. CASH AND CASH RESOURCES				
Cash and cash equivalents consist of:				
Cash on hand	**140**	81	**–**	–
Bank balances	**10 130**	27 818	**46**	–
Bank overdraft	**(50)**	(153)	**–**	(122)
	10 220	27 746	**46**	(122)
14. SHARE CAPITAL				
Authorised				
12 000 000 000 ordinary shares of 0.000025 cent each	**3**	3	**3**	3
Reconciliation of number of shares issued ('000):				
Treasury shares/held by subsidiaries	**22 744**	23 590	**22 744**	23 590
Issue of shares – ordinary shares	**43 708**	42 862	**43 708**	42 862
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.				
846 248 treasury shares were sold back into the market for an amount of R607 222.				
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	**(14 159)**	(14 766)	**–**	–
	30 283	29 676	**44 442**	44 442
Shares repurchased by a subsidiary and held in treasury amounted to R14 158 844 (2015: R14 766 438) 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	**–**	–

for the year ended 29 February 2016

16. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
Held at amortised cost				
FirstRand Bank Limited leveraged finance	**21 097**	–	**–**	–
FirstRand Bank Limited – mortgage bond	**32 548**	–	**–**	–
FirstRand Bank Limited – overdraft	**43 889**	–	**–**	–
Nedbank Limited – multi option facility	**–**	52 921	**–**	–
Nedbank – mortgage bond – Teakwood	**–**	11 681	**–**	–
Nedbank mortgage bond	**–**	2 462	**–**	–
Instalment sales	**10 175**	5 053	**–**	–
	107 709	72 117	**–**	–
The fair value of all borrowings approximates the carrying value of the borrowings, and the impact of discounting is not significant.				
Non-current liabilities				
FirstRand Bank Limited leveraged finance	**15 225**	–	**–**	–
FirstRand Bank Limited – mortgage bond	**27 206**	–	**–**	–
Nedbank – mortgage bond – Teakwood	**–**	9 625	**–**	–
Nedbank mortgage bond	**–**	1 862	**–**	–
Instalment sales	**5 456**	2 535	**–**	–
	47 887	14 022	**–**	–
Current liabilities				
FirstRand Bank Limited leveraged finance	**5 872**	–	**–**	–
FirstRand Bank Limited – mortgage bond	**5 342**	–	**–**	–
FirstRand Bank Limited – overdraft	**43 889**	–	**–**	–
Nedbank Limited – multi option facility	**–**	52 921	**–**	–
Nedbank – mortgage bond – Teakwood	**–**	2 056	**–**	–
Nedbank mortgage bond	**–**	600	**–**	–
Instalment sales	**4 719**	2 518	**–**	–
	59 822	58 095	**–**	–
	107 709	72 117	**–**	–

FirstRand Bank Limited – leveraged finance

Interest rate – prime. The monthly capital repayment is R387 483.28. The loan is secured by the property acquired in Atlantis, Western Cape, as well as the shareholding in Polydrum Proprietary Limited (refer note 29). The interest rate at year end was 10.25%. The last repayment falls due on 7 August 2020.

FirstRand Bank Limited – mortgage bond

Interest rate – prime less 0.25%. The monthly capital repayment is R445 205.77. The loan is secured by the property held in Atlantis, Western Cape, the property held in Teakwood Road, Jacobs, KZN, as well as the property acquired in Crocker Road, Wadeville. The interest rate at year end was 10%. The last repayment falls due on 1 July 2025.

FirstRand Bank Limited – overdraft facility

Interest rate – prime less 0.5%. The maximum amount that is permitted by FirstRand Bank is R78 500 000. 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 at year end was 9.75%.

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 was permitted by Nedbank was R55 000 000 in 2015, after taking any overdraft into account. The balance varied from month to month depending on the cash flow of the group and the company and there were no fixed repayment terms. The interest rate on the overnight loan at year end 2015 was 7.5%. The overdraft facility was R10 million in 2015. The interest rate on the overdraft facility was 9% in 2015. With the change in bankers, this facility has been replaced by an overdraft facility.

Nedbank mortgage bond – Teakwood

Interest rate – prime linked. The capital repayment was R171 279 per month in 2015. The loan was secured by the property acquired in Teakwood Road, Jacobs, KZN. The interest rate at year end 2015 was 9.25%.

Nedbank Limited – mortgage bond

Interest rate – prime less 0.5%. The monthly capital repayment was R50 000 in 2015. The loan was secured by the property acquired in Atlantis, Western Cape. The interest rate at year end 2015 was 8.75%

Instalment sale agreements

Interest rate – prime linked at 10.25% (2015: 9.25%). The agreements are secured by motor vehicles and plant and equipment with a net book value of R14 493 695 (2015: R4 466 675) and repayable in monthly instalments of R388 377 (2015: R220 525).

Security

All the facilities are secured by a general notarial bond of R40 million (2015: R70 million) over inventories, plant and equipment, a mortgage bond for R34 million (2015: R6 million) over the properties in Atlantis, the property 174 Teakwood Road, Jacobs, Durban; and the property 360 Crocker Road Wadeville.

The fire insurance policy entered into between the company and Alexander Forbes Risk Services has been endorsed in favour of FirstRand Bank Limited's interest in regard to the general notarial covering bond of R40 million.

Insimbi Alloy Supplies Proprietary Limited, Insimbi Aluminium Alloys Proprietary Limited, Metlite Alloys Proprietary Limited and Insimbi Refractory and Alloy Supplies Limited signed a deed of cession whereby all of its rights, title and interest in and to debtors is ceded to FirstRand Bank Limited as security.

Insimbi Refractory and Alloy Supplies Limited, Insimbi Alloy Supplies Proprietary Limited, Insimbi Aluminium Alloys Proprietary Limited, Insimbi Alloy Properties Proprietary Limited, Metlite Alloy Properties Proprietary Limited, Metlite Alloys Proprietary Limited, Insimbi Bulk Commodities Proprietary Limited, Insimbi Nano Milling Proprietary Limited and Insimbi Thermal Insulations Proprietary Limited have signed a cross deed of suretyship whereby each company bound themselves jointly and severally as surety and co-principle debtor to FirstRand Bank Limited.

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
The carrying amount of assets pledged as security is detailed as follows:				
Property, plant and equipment	**116 658**	78 458	**–**	–
Inventories	**87 927**	77 635	**–**	–
Trade receivables	**139 907**	132 343	**–**	–
	344 492	288 436	**–**	–

Covenants

The group has certain covenants to comply with in terms of its borrowing agreements with FirstRand Bank Limited. These covenants include gearing ratio, interest cover, asset to debt ratio and senior debt service ratio. The group complies with the covenants in terms of the agreements with FirstRand Bank 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 R105.34 million from its total facilities of R134.22 million (2015: R125.8 million).

Change in bankers

With the change in bankers, all facilities and loans were refinanced by FirstRand Bank Limited, so that facilities will held by the same bank to maximise benefits.

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17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Trade payables	**147 203**	153 195	**19**	(1)
VAT	**651**	2 065	**–**	–
Accrued leave pay	**1 054**	1 194	**–**	–
Accrued bonus	**948**	1 925	**–**	–
Audit fees	**784**	1 047	**86**	167
Other accrued expenses	**2 090**	1 447	**747**	551
	152 730	160 873	**852**	717

Fair value of trade and other payables

The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe, which is generally 30 days in respect of local suppliers and 90 to 180 days in respect of foreign suppliers.

18. FINANCIAL LIABILITIES BY CATEGORY

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

	Financial liabilities at amortised cost R'000	Total R'000
GROUP		
2016		
FirstRand Bank Limited – mortgage bond	**32 549**	**32 549**
FirstRand Bank Limited leveraged	**21 097**	**21 097**
FirstRand Bank Limited – overdraft	**43 939**	**43 939**
Instalment sales	**10 175**	**10 175**
Trade and other payables	**147 203**	**147 203**
Loans from shareholders	**3 364**	**3 364**
	258 327	**258 327**
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	151 644	151 644
Bank overdraft	153	153
	223 914	223 914
COMPANY		
2016		
Loans from group companies	**28 702**	**28 702**
Trade and other payables	**19**	**19**
	28 721	**28 721**
2015		
Loans from group companies	29 070	29 070
Bank overdraft	122	122
	29 192	29 192

** 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	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
19. REVENUE				
Sale of goods	**950 993**	954 285	**–**	–
Rendering of services	**4 113**	3 731	**–**	–
	955 106	958 016	**–**	–
20. EXPENDITURE BY NATURE				
20.1 Cost of sales				
Cost of inventories expensed during the year	**830 137**	846 114	**–**	–
20.2 Operating and administration expenses				
Advertising	**439**	305	**–**	–
Auditors' remuneration	**1 038**	1 020	**170**	167
Bad debts	**2 195**	783	**–**	–
Bank charges	**1 555**	376	**2**	1
Computer expenses	**275**	529	**–**	–
Depreciation and amortisation	**8 732**	6 312	**–**	–
Donations	**233**	196	**–**	–
Employee costs	**50 312**	45 986	**520**	478
Insurance	**805**	672	**–**	–
Lease rentals on operating leases	**409**	643	**–**	–
Legal expenses	**2 718**	1 991	**982**	954
Loss on disposal of fixed assets	**-**	1 314	**–**	–
Loss on fair valuation of FECs	**653**	–	**–**	–
Motor vehicle expenses	**406**	419	**–**	–
Other expenses	**363**	1 423	**–**	–
Petrol and oil	**1 576**	1 188	**–**	–
Postage	**54**	48	**–**	–
Printing and stationery	**778**	763	**84**	150
Repairs and maintenance	**2 144**	1 772	**–**	–
Security	**1 070**	972	**–**	–
Subscriptions	**124**	106	**–**	–
Telephone and fax	**1 404**	855	**–**	–
Travel – local	**1 619**	1 590	**–**	–
Travel – overseas	**991**	639	**–**	–
Utilities	**3 326**	3 024	**–**	–
	83 219	72 926	**1 758**	1 750
20.3 Employee costs				
Salaries	**36 852**	33 005	**469**	359
Motor vehicle allowances	**2 464**	2 259	**–**	–
Medical aid contributions	**1 738**	1 494	**51**	109
Pension fund contributions	**3 035**	2 795	**–**	–
Bonus and 13th cheque	**4 311**	4 789	**–**	–
Staff welfare	**1 912**	1 644	**–**	10
	50 312	45 986	**520**	478

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	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
21. INVESTMENT INCOME				
Interest revenue				
Dividend received	**–**	–	**10 632**	–
Bank	**78**	251	**–**	1
	78	251	**10 632**	1
22. OTHER INCOME				
Profit on sale of fixed assets	**41**	–	**–**	–
Profit on exchange differences	**2 077**	336	**–**	–
Administration and management fees received	**–**	–	**1 986**	1 986
Profit on fair valuation of FECs	**–**	580	**–**	–
Rental income	**486**	330	**–**	–
Other income	**34**	–	**–**	–
	2 638	1 246	**1 986**	1 986
23. FINANCE COSTS				
Total finance cost for the period	**8 863**	7 167	**–**	2
Relating to borrowing cost capitalised	**(491)**	(141)	**–**	–
Finance cost	**8 372**	7 026	**–**	2
24. TAXATION				
Major components of the tax expense				
Current				
Local income tax – current period	**7 210**	8 280	**64**	66
Local income tax – adjustment in respect of prior periods	**(640)**	1 767	**–**	–
	6 570	10 047	**64**	66
Deferred				
Originating and reversing temporary differences	**694**	(2 381)	**–**	–
Income tax expense	**7 264**	7 666	**64**	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
Tax loss used	**(9.17)**	(1.35)	**(28.00)**	–
Disallowable charges	**(0.95)**	1.41	**–**	–
Current year's losses in subsidiaries	**0.48**	0.14	**–**	–
Adjustment in respect of prior years	**1.77**	(5.28)	**–**	–
	20.13	22.92	**–**	28.00

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
25. AUDITORS' REMUNERATION				
Fees	**1 038**	1 020	**170**	167
26. CASH GENERATED FROM OPERATIONS				
Profit before taxation	**36 094**	33 447	**10 860**	235
Adjustments for:				
Depreciation	**8 662**	6 312	**–**	–
Loss/(profit) on disposal or scrapping of property, plant and equipment	**(41)**	1 314	**–**	
Fair value on foreign exchange contracts	**653**	(581)	**–**	
Interest received	**(78)**	(251)	**–**	(1)
Dividend received	**–**	–	**(10 632)**	–
Finance costs	**8 372**	7 026	**–**	2
Bad debt provision	**2 195**	743	**–**	–
Movement in foreign currency translation reserve	**–**	(154)	**–**	–
Foreign exchange gain on cash	**(1 529)**	(346)	**–**	–
Other non-cash items	**(166)**	2 361	**–**	–
Changes in working capital: (excluding the effects of acquisition)				
Inventories	**(184)**	(6 103)		
Trade and other receivables	**(13 244)**	(14 117)	**51**	(12)
Trade and other payables	**(15 521)**	(12 363)	**135**	118
	25 545	17 288	**414**	342
27. TAX PAID				
Balance at beginning of the year	**(4 374)**	1 292	**125**	88
Current tax for the year recognised in profit or loss	**(7 264)**	(7 666)	**–**	(66)
Deferred tax movement	**694**	2 381	**–**	–
Balance at end of the year	**(83)**	4 374	**23**	(125)
	(11 027)	(381)	**148**	(103)
28. DIVIDENDS PAID				
Dividends	**(10 632)**	(9 663)	**(10 632)**	(9 663)

Dividends are from capital profits. A final dividend of 2.5 cents per share for the 2015 financial year was declared on 27 May 2015, and an interim dividend of 2 cents per share for the 2016 financial year was declared on 29 September 2015.

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29. BUSINESS COMBINATIONS

Polydrum Proprietary Limited

On Saturday, 1 August 2015 the group acquired 75% of the voting equity interest of Polydrum Proprietary Limited which resulted in the group obtaining control over Polydrum Proprietary Limited. Polydrum Proprietary Limited is principally involved in the Plastics Blowmoulding industry. As a result of the acquisition, the group is expecting to be the leading provider of blowmoulded plastic products in those markets. It is also expecting to reduce costs through economies of scale.

Goodwill of R8 922 344 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition.

Goodwill is not deductible for income tax purposes.

	GROUP		COMPANY	
	2016	2015	**2016**	2015
	R'000	R'000	**R'000**	R'000
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	**15 904**	–	**–**	–
Inventories	**1 289**	–	**–**	–
Trade and other receivables	**4 666**	–	**–**	–
Cash and cash resources	**96**	–	**–**	–
Other financial liabilities	**(12 493)**	–	**–**	–
Taxation payable	**(614)**	–	**–**	–
Deferred taxation	**(2 800)**	–	**–**	–
Trade and other payables	**(6 764)**	–	**–**	–
Total identifiable net assets	**(716)**	–	**–**	–
Non-controlling interest*	**179**	–	**–**	–
Goodwill	**8 922**	–	**–**	–
	8 385	–	**–**	–
Acquisition date fair value of consideration paid				
Cash	**(8 385)**	–	**–**	–

Measured at the present ownership interests' proportionate share in the recognised amount of the acquiree's identifiable net assets.

The revenue included in the consolidated statement of comprehensive income since 1 August 2015 contributed by Polydrum Proprietary Limited, was R19 569 622. Polydrum Proprietary Limited also contributed a loss of R2 871 303 for the same period.

Had Polydrum Proprietary Limited been consolidated from 1 March 2015, the consolidated statement of comprehensive income would show pro-forma revenue of R968 302 051 and profit of R22 353 748.

Other financial liabilities amounting to R11 493 354 were settled shortly after acquisition.

30. COMMITMENTS

	GROUP 2016 R'000	GROUP 2015 R'000	COMPANY 2016 R'000	COMPANY 2015 R'000
Authorised capital expenditure				
Not yet contracted for and authorised by directors.	**8 100**	15 115	**–**	–
This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained profits, existing cash resources, funds internally generated, etc.				
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	**822**	761	**–**	–
– in second to fifth year inclusive	**888**	1 522	**–**	–
	1 710	2 283	**–**	–
Operating leases – as lessor (income)				
Lease income due				
– within one year	**363**	342	**–**	–
– in second to fifth year inclusive	**385**	748	**–**	–
	748	1 090	**–**	–
Finance leases – as lessee				
Minimum lease payments due				
– within one year	**4 719**	2 714	**–**	–
– in second to fifth year inclusive	**5 456**	1 076	**–**	–
	10 175	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 operating lease with JLL Properties Proprietary Limited expires on 28 February 2018, but there is an option to renew for a further 10 year period.

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31. RELATED PARTIES

Relationships

Ultimate holding company	Insimbi Refractory and Alloy Supplies Limited
Subsidiaries	Refer to note 6
Members of key management	Directors, prescribed officers and relevant associates of the group as per the Directors' Report meet the definition of key management personnel.

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Related party balances				
Loan accounts – Owing (to)/by related parties*				
Insimbi Alloy Properties Proprietary Limited – 100% subsidiary	**–**	–	**5 387**	5 360
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**–**	–	**(28 702)**	(29 070)
Administration fees paid to related parties				
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**–**	–	**(1 986)**	(1 986)
Dividends paid to (received from)				
Insimbi Alloy Supplies Proprietary Limited – 100% subsidiary	**–**	–	**(10 632)**	–
Loans from shareholders**				
– C Whittaker	**1 682**	–	**–**	–
– B Fetting	**1 682**	–	**–**	–
	3 364	–	**–**	–

**The loans are unsecured and interest free and have no specific repayment terms.*
*** The loans are unsecured, carries interest at prime rate. Loans will be repaid by the company when the company makes a profit, at the discretion of the directors. The fair values of the loans approximates the carrying values.*

The fair value of the loan owed by Insimbi Alloy Properties Proprietary Limited is R4 019 862. The fair values of the loan is based on cash flows discounted using the prime lending rate of 10.25%. The fair values are within level 3 of the fair value hierarchy.

Related party transactions

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

32. RISK MANAGEMENT

Capital risk management

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 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.

32. RISK MANAGEMENT CONTINUED

There have been no changes to what the entity manages as capital or the strategy for capital maintenance. There are no externally imposed capital requirements by FirstRand Bank Limited.

		GROUP	
	Notes	**2016 R'000**	2015 R'000
Total borrowings			
Total borrowings	16	**107 709**	72 117
Shareholders loans	31	**3 364**	
Less: Cash and cash equivalents	13	**10 220**	27 746
Net debt		**100 853**	44 371
Total equity		**149 789**	131 163
Gearing ratio		**67%**	34%

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The company finances its operations from the cash generated from normal operations and loans from group companies, which is sufficient for the current level of funding required.

Financial risk management

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

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

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

Principal financial instruments:

The principal financial instruments used by the group, from which financial risk arises, are as follows:

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

Procedures for mitigating risk include:

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

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32. RISK MANAGEMENT CONTINUED

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

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

Procedures for avoiding excessive concentration of risk

Procedures for avoiding excessive concentration of risk include:

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

Liquidity risk

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

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored, and the group maintains agreed facilities with reputable financial institutions. There have been no defaults or breaches on long-term loans, 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	Over 5 years
At 29 February 2016				
Borrowings	**59 684**	**12 498**	**34 895**	**632**
Trade and other payables*	**147 203**	**–**	**–**	**–**

	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	–	–

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

At year end the group had R28.88 million (2015: R28 million) available in the form of unutilised facilities. This amount can be utilised to settle trade payables should customers not settle their debts. This facility can also be utilised for future expansion of the business.

32. RISK MANAGEMENT CONTINUED

Group continued

Management of liquidity risk in regard to financial liabilities

Regular meetings are held with the group's bankers to discuss facilities required to meet the group's financial obligations and where agreed overdraft and loan facilities are amended. Summaries 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 10.25% (2015: 9.25%).

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 29 February 2016, 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 R921 912 (2015: R1 157 247) 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 evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. The age analysis is reviewed monthly by management with the intention of minimising the group's exposure to bad debt.

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

for the year ended 29 February 2016

32. RISK MANAGEMENT CONTINUED

Credit risk continued

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

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

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

	GROUP		COMPANY	
	2016 R'000	2015 R'000	**2016 R'000**	2015 R'000
Reconciliation of movement of the provision for impairment of trade and other receivables for individually assessed trade debtors				
Balance brought forward	**(1 282)**	(880)	**–**	–
Increase in provision	**(2 195)**	(892)	**–**	–
Decrease in provision	**–**	490	**–**	–
	(3 477)	(1 282)	**–**	–

Trade and other receivables past due but not yet impaired

	Fully performing R'000	Past due and not impaired R'000	Impaired and provided for R'000	Total R'000
GROUP				
2016				
Trade and other receivables				
– Local	**120 745**	**9 157**	**3 477**	**133 379**
– Foreign	**6 459**	**2 844**	**–**	**9 303**
	127 204	**12 001**	**3 477**	**142 682**
2015				
Trade and other receivables				
– Local	120 151	3 668	1 282	125 101
– Foreign	6 877	692	–	7 569
	127 028	4 360	1 282	132 670

Included in the trade receivables balance, is a balance of R12.01 million that is past due, but has not been impaired. Of this R12.01 million, R4.4 million was 60 days past due, R2.9 million was 90 days past due and R4.7 million was 120 days past due. Credit insurance has been taken out in the current year on all debtors to reduce credit risk. This is why the debtors past due have not been impaired.

32. RISK MANAGEMENT CONTINUED

Foreign exchange risk

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

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

Sensitivity analysis – currency risk

The group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income on an immediate strengthening or weakening of the Rand, against the group's major trading currencies as detailed in the table below, based on the foreign currency balances outstanding at the year end, for each class of financial instruments, all other variables remaining constant. The assumptions used are consistent with the prior year and represent management's best estimate of potential fluctuations in exchange rates. The table is included 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				
2016				
Foreign trade payables	**(185)**	**185**	**(765)**	**765**
Foreign trade receivables	**388**	**(388)**	**–**	**–**
Foreign bank	**94**	**(94)**	**22**	**(22)**
2015				
Foreign trade payables	(103)	103	(825)	825
Foreign trade recevables	249	(249)	–	–
Foreign bank	313	(313)	12	(12)

Sensitivity analysis – forward exchange contracts

Fair value risk arises on the mark to market of forward exchange contracts. Th effect of this risk is shown 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 group reviews its foreign exchange exposure, including commissions, on an ongoing basis. The notional principal amounts of the outstanding forward exchange rate contracts at 29 February 2016 were R42 968 308 (2015: R31 477 669) and are expected to mature within the next 12 months.

for the year ended 29 February 2016

33. 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.

	GROUP	
	2016	2015
	R	R
Basic earnings/(loss) per share		
From continuing operations (cents per share)	**12.43**	10.88
	12.43	10.88
	R'000	R'000
Basic earnings per share was based on earnings of R29.391 million (2015: R25.781 million) and a weighted average number of shares of 236 388 780 (2015: 237 017 523).		
Reconciliation of profit or loss for the year to basic earnings (R'000)		
Profit/(loss) for the year	**28 830**	25 781
Loss for the year attributable to non controlling interest	**561**	–
Profit/(loss) for the year attributable to equity holders	**29 391**	25 781
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	**(23 611)**	(22 982)
	236 389	237 018

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	
	2016	2015
	R	R
Headline earnings per share (cents) continuing	**12.42**	11.27
	12.42	11.27

	2016		2015	
	Gross	**Nett**	Gross	Nett
	R'000	**R'000**	R'000	R'000
Reconciliation between earnings and headline earnings				
Basic earnings		**29 391**		25 781
Adjusted for:				
(Profit)/loss on sale/scrapping of assets	**(41)**	**(30)**	1 307	941
Headline earnings		**29 361**		26 722

34. DIRECTORS' REMUNERATION AND BENEFITS

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 29 February 2016.

	Salary R'000	Vehicle allowance R'000	Medical aid contri-bution R'000	Pension fund contri-bution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
2016							
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 856	148	55	–	155	175	2 389
F Botha	1 537	402	95	–	128	175	2 337
CF Botha	1 548	403	82	–	129	175	2 337
EP Liechti	1 749	172	95	–	146	175	2 337
	6 690	1 125	327	–	558	700	9400
Non-executive							
DJ O'Connor*	80	–	–	–	–	–	80
GS Mahlati**	154	–	–	–	–	–	154
LY Okeyo	176						176
C Shiceka***	102	–	–	–	–	–	102
	512	–	–	–	–	–	512
Prescribed officers							
S Green	659	78	59	83	55	65	999
D de Beer	933	83	–	115	77	100	1 308
S Roberts	587	96	40	77	49	55	904
	2 179	257	99	275	181	220	3 211
Total	9 381	1 382	426	275	739	920	13 123
Paid by subsidiary**							
Executive	6 690	1 125	327	–	558	700	9 400
Non-executive	512	–	–	–	–	–	912
Prescribed officers	2 179	257	99	275	181	230	3 211
	9 381	1 382	426	275	739	920	13 123

The directors and prescribed officers received a 6% increase in March 2016.

** Retired effective 31 July 2015*
*** Resigned effective 31 March 2016*
**** Appointed effective 7 July 2015*

for the year ended 29 February 2016

34. DIRECTORS' REMUNERATION AND BENEFITS CONTINUED

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 28 February 2015.

	Salary R'000	Vehicle allowance R'000	Medical aid contri-bution R'000	Pension fund contri-bution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
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 Mahlati	145	–	–	–	–	–	145
LY Okeyo	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.

35. EVENTS AFTER REPORTING PERIOD EVENT

In negotiations before year-end an offer to purchase Erf 453 Meyerton, Ext 3 Township Registration Division IR, The Province of Gauteng in extent 7 003m² (seven thousand and three square metres) for a consideration of R2.4 million excluding VAT was submitted and accepted. The transfer is expected to be completed within the first three months of the new financial year. The only outstanding condition precedent is issuance of the contractor's engineering certificate.

At the general meeting held on 3 May 2016, Insimbi shareholders approved the implementation of an employee share participation transaction and a management share participation transaction in terms of which eligible employees will, collectively, obtain an approximate 8.78% indirect shareholding interest in Insimbi.

36. LITIGATIONS AND CLAIMS

The directors are aware of one possible legal matter whereby a shareholder requested a sale of shares agreement being declared invalid. No provision in relation to this claim has been recognised in these consolidated financial statements, as it is premature to indicate whether a significant liability will arise.

The Management Executive Committee is the group's chief operating decision maker.

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 operating profit before finance costs.

The main industries serviced by the Insimbi group are the foundry, steel, refractory and plastic packaging industries. The segments have been shown 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 service the foundry and non-ferrous industry, both automotive and heavy, aluminium industry (mainly deoxidation market) and the powder coating industry.

Refractory – Consists 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 supplies both steel and polypropylene fibres, services the welding and optical industries and supplies the steel industries' raw material requirements.

Plastics – Consists of the divisions that service the plastic packaging industry, including chemical, agricultural and food industries.

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	Plastics R'000	Total R'000
2016					
Revenue					
Sale of goods	692 358	127 167	111 899	19 570	950 994
Commission	36	–	4 076	–	4 112
	692 394	127 167	115 975	19 570	955 106
Cost of sales	600 017	114 250	103 343	12 527	830 137
Gross profit	92 377	12 917	12 632	7 043	124 969
Other income	2 638	–	–	–	2 638
Profit before operating and administration expenses	95 015	12 917	12 632	7 043	127 607
Operating and administration expenses	–	–	–		
Communication	1 191	71	84	112	1 458
Employee cost	40 414	2 637	3 765	3 496	50 312
Motor vehicle expenses	1 332	236	203	212	1 983
Other expenses*	16 277	1 405	1 149	1 809	20 640
Occupancy	4 569	1 505	1 324	1 428	8 826
	63 783	5 854	6 525	7 057	83 219
Operating profit before finance income	31 232	7 063	6 107	(14)	44 388

** Includes depreciation, repairs and maintenance and other operating expenses.*

	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
	60 260	8 606	4 060	72 926
Operating profit before finance income from continuing operations	26 058	10 669	3 494	40 222

GEOGRAPHICAL INFORMATION

Revenues from external customers by country, based on the destination of the customer:

	2016 R'000	2015 R'000
Africa	**37 133**	26 937
Asia	**21 884**	28 476
Australia	**269**	–
Europe	**4 891**	6 803
North And South America	**12 602**	12 266
South Africa	**878 327**	883 534
	955 106	958 016

SHAREHOLDER ANALYSIS

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	161	37.97	275 590	0.11
5 001 – 50 000 shares	180	42.45	3 085 191	1.19
50 001 – 100 000 shares	16	3.77	1 121 030	0.43
100 001 – 250 000 shares	31	7.31	5 041 804	1.94
250 001 – 500 000 shares	16	3.77	5 322 103	2.05
500 001 – 1 000 000 shares	7	1.65	5 758 500	2.21
1 000 001 shares and over	13	3.07	239 395 782	92.08
Totals	**424**	**100.00**	**260 000 000**	**100.00**
Distribution of shareholders				
Banks/brokers	6	1.42	7 201 839	2.77
Close corporations	4	0.94	371 001	0.14
Individuals	370	87.26	199 431 194	76.70
Investment companies	2	0.47	17 596 000	6.77
Other corporations	6	1.42	312 600	0.12
Private companies	11	2.59	9 821 764	3.78
Public company	1	0.24	265 000	0.10
Treasury shares	2	0.47	22 713 500	8.74
Trusts	22	5.19	2 287 102	0.88
Totals	**424**	**100.00**	**260 000 000**	**100.00**
Public/non-public shareholders				
Non-public shareholders	**10**	**2.36**	**204 200 300**	**78.54**
Directors and associates of the company	8	1.89	181 486 800	69.80
Treasury shares	2	0.47	22 713 500	8.74
Public shareholders	**414**	**97.64**	**55 799 700**	**21.46**
Totals	**424**	**100.00**	**260 000 000**	**100.00**
Beneficial shareholders holding 5% or more				
Schutte, PJ			45 509 500	17.50
Botha, F			45 383 300	17.46
Liechti, EP			45 297 000	17.42
Botha, CF			45 297 000	17.42
Insimbi Alloy Supplies Proprietary Limited			17 713 500	6.81
Pruta Securities			17 300 000	6.65
Totals			**216 500 300**	**83.27**

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 2016 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 ninth annual general meeting of Insimbi Refractory and Alloy Supplies Limited ("the AGM") will be held at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Friday, 24 June 2016 at 10h00.

For purposes of the holding of the general and AGM, 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 AGM.

Accordingly, for purposes of the ninth AGM of the Company, the record date is hereby set at close of business on Friday, 17 June 2016 with the last day to trade in the shares of the company on the JSE Limited being Friday, 10 June 2016.

The purpose of the AGM 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 29 February 2016, 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 29 February 2016."

2. **Ordinary resolution number 2**
   The appointment of auditor of the company for the ensuing year ending 28 February 2017
   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."

3. **Ordinary resolution number 3**
   Re-appointment of directors
   To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:
   Ms C Shiceka, Mr F Botha and Mr PJ Schutte 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 Ms C Shiceka
   "Resolved that Ms C Shiceka 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 F Botha
   Resolved that Mr F Botha be re-elected and appointed as director of the company."
   CV on page 13 of the annual report.
   3.3 Re-election and appointment of Mr PJ Schutte
   Resolved that Mr PJ Schutte be re-elected and appointed as director of the company."
   CV on page 13 of the annual report.

ORDINARY RESOLUTIONS CONTINUED

4. **Ordinary resolution number 4**

   Appointment of Audit and Risk Committee members for the year ending 28 February 2017

   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 C Shiceka (Chairperson) and Ms LY Okeyo (as independent non-executive Chairperson of the board of directors) be appointed as the company's Audit and Risk Committee members for the year ending 28 February 2017."

   4.1. Appointment of Ms C Shiceka as Chairperson

   "Resolved that Ms C Shiceka be appointed as Chairperson of the Audit and Risk Committee."

   4.2. Appointment of Ms LY Okeyo as a member of the Audit and Risk Committee

   "Resolved that Ms LY Okeyo be 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 10% (ten percent) of the number of shares of the relevant class of shares issued prior to such issue."

   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 AGM or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;

ORDINARY RESOLUTIONS CONTINUED

7. Ordinary resolution number 7 continued

Additional requirements imposed by the JSE Listings Requirements

(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 2017

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 20 to 21 of the integrated annual report 2016, 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 2017

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 R202 869.00

Non-executive directors at R163 048.00"

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 2017.

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 AGM, 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 AGM;
    - (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 AGM;

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 AGM; 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 AGM.

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 AGM 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 AGM, 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 – pages 13 and 14;
- Major shareholders – page 79;
- Directors' interests in ordinary shares – page 31; and
- Share capital of the company – page 59.

Litigation statement

The directors, whose names appear on pages 13 and 14 of the integrated annual report of which this notice forms part, are aware of one possible legal matter whereby a shareholder requested a sale of shares agreement being declared invalid. No provision in relation to this claim has been recognised in these consolidated financial statements, as it is premature to indicate whether a significant liability will arise.

Directors' responsibility statement

The directors whose names appear on pages 13 and 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 29 February 2016 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

SPECIAL RESOLUTIONS CONTINUED

3. **Special resolution number 3 continued:**

Financial assistance continued

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

Explanatory note on special resolution number 3

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

ACTION REQUIRED

Certificated shareholders and "own name" dematerialised shareholders.

If you are unable to attend the AGM of the company to be held at Insimbi's offices at 359 Crocker Road, Wadeville, Extension 4, Germiston on 24 June 2016 at 10h00, and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions contained therein and lodge it with, or post it to, the transfer secretaries, namely Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown, 2017), so as to be received by them by no later than 10h00 on 22 June 2016.

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 AGM in person but wish to be represented thereat, you must timeously provide your CSDP or broker with your voting instructions in order for the CSDP or broker to vote in accordance with your instruction at the AGM.

Each shareholder, whether present in person or represented by proxy, is entitled to attend and vote at the AGM. 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 AGM. Duly completed forms of proxy must be lodged with the transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown, 2017), to be received by not later than 10h00 on 22 June 2016.

By order of the board

K Holtzhausen
Company Secretary
19 May 2016

SHAREHOLDERS' DIARY

Publication of annual reports (mailed to shareholders registered as at 19 May 2016)	19 May 2016
Last day to trade in order to be eligible to participate and vote at the AGM	9 June 2016
Record date for voting purposes	17 June 2016
Proxy date and time	22 June 2016 at 10h00
Annual general meeting	24 June 2016 at 10h00

REPORTS AND FINANCIAL STATEMENTS

Annual results announcement (on or about)	19 May 2016
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 AGM 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 AGM (excluding Saturdays, Sundays and official South African public holidays).

FORM OF PROXY

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/029821/06) Share code: ISB ISIN: ZAE000116828

(For use by certificated shareholders and own name dematerialised shareholders)
Form of proxy for the annual general meeting of Insimbi to be held at their offices at 359 Crocker Road, Wadeville, Extension 4, Germiston on 24 June 2016 at 10h00, ("the annual general meeting").

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

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

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

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

Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act 71 of 2008, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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

I/We (name in block letters) ______________________________

of (address) ______________________________

Telephone: Work (   ) ______________ Telephone: Home (   ) ______________ Cellphone number ______________

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

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. ______________________________ The Chairman of the annual general meeting

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

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the annual general meeting, provided that my/our proxy:
- May only delegate his/her authority to act on my/our behalf at the general meeting to a director of the company; and
- Must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my/our behalf at the general meeting by no later than 10h00 on Tuesday, 21 June 2016, being 48 (forty-eight) hours before the general meeting to be held at 10h00 on Friday, 24 June 2016; and
- Must provide his/her proxy with a copy of his/her authority to delegate his/her authority to act on my/our behalf at the general meeting.

	Number of votes on a poll (one vote per ordinary share)		
To pass ordinary resolutions	**In favour**	**Against**	**Abstain**
1. Approval of annual financial statements			
2. Appointment of auditors			
2.1 Appointment of PricewaterhouseCoopers			
2.2 Appointment of M Naidoo as the designated auditor			
3. Re-appointment of directors			
3.1 C Shiceka			
3.2 F Bothai			
3.3 PJ Schutte			
4. Appointment of Audit and Risk Committee members			
4.1 C Shiceka			
4.2 LY Okeyo			
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 2017 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 ______________ 2016

Signature ______________________________

(Authority of signatory to be attached if applicable – see note 7)
Assisted by me (where applicable – see note 9). Please also read the notes overleaf.

NOTES TO THE FORM OF PROXY

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote, or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa).
6. Forms of proxy must be received or lodged by no later than 10h00 on Wednesday, 22 June 2016, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 10h00 on Friday, 24 June 2016.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form, unless previously recorded by the company Secretary or waived by the Chairperson of the annual general meeting. CSDPs or brokers registered in the company's subregister voting on instructions from beneficial owners of shares registered in the company's subregister, are requested that they identify the beneficial owner in the 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 shorter, unless it is revoked by you before then on the basis set out above.

ADMINISTRATION

DIRECTORS	PJ Schutte F Botha CF Botha EP Liechti LY Okeyo C Shiceka
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
SPONSOR	Bridge Capital Advisors Proprietary Limited (Registration number 1998/016302/07)
COMPANY SECRETARY	K Holtzhausen
COMPANY REGISTRATION NUMBER	2002/029821/06
TAX REFERENCE NUMBER	9078/488/15/3
PUBLISHED	19 May 2016

Servicing the industry for 45 Years

Ferrous
Non-ferrous
Refractories
Steel
Optical
Welding
Cement Reinforcing Fibres
Powdercoating
Rotary Kiln
Textile
Aluminium Smelting
Plastic Blowmoulding
Paint