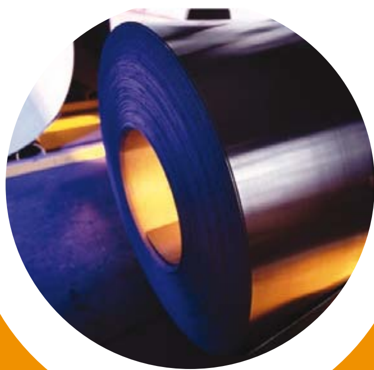
INSIMBI

Insimbi Refractory and Alloy Supplies Ltd
Reg. No. 2002/029821/06



Annual Report 2011

Insimbi Refractory and Alloy Supplies Limited
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Contents

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www.insimbi-alloys.co.za

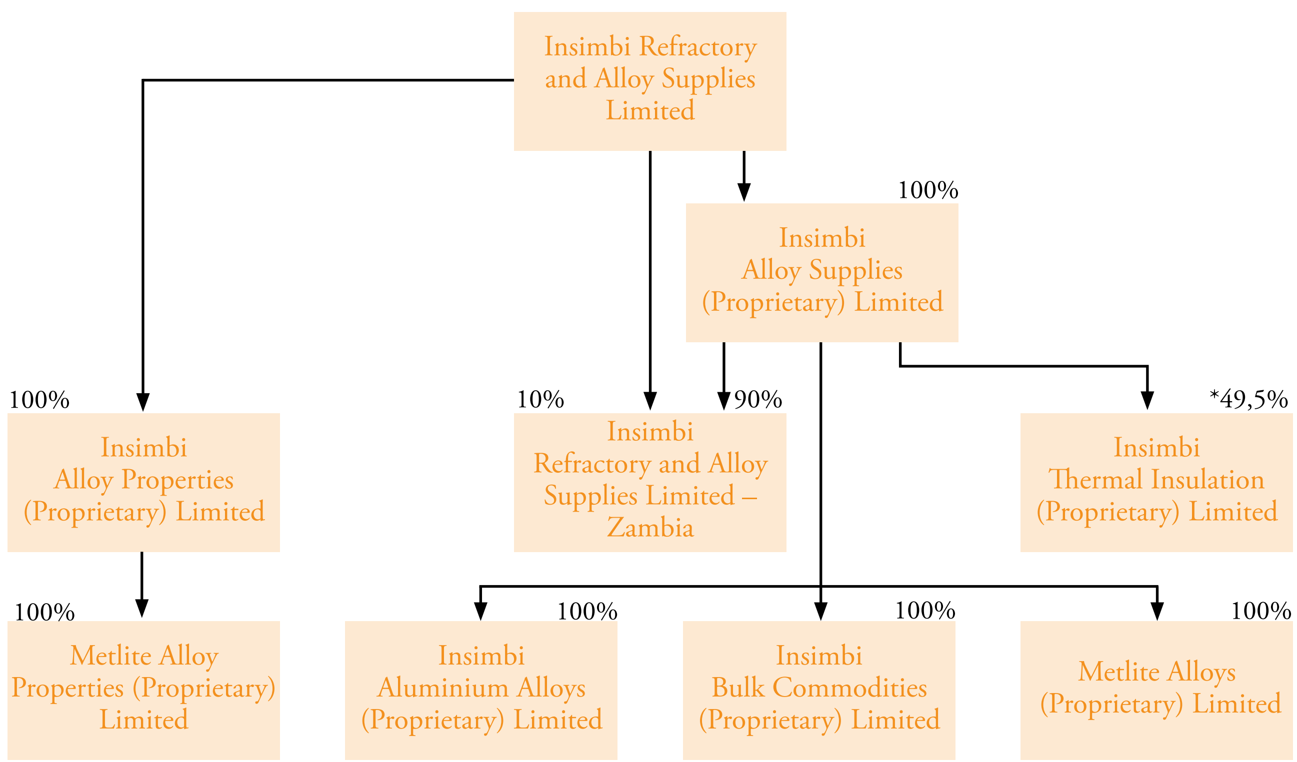
Profile

"Insimbi" is the Zulu word for metal and is taken from the saying "Insimbi Kayigobi". In this context, Insimbi is seen to be strong and able to withstand the hardships of nature and, in turn, the pressures of life.

This annual report is the fourth report to the public shareholders of Insimbi Refractory and Alloy Supplies Limited and outlines both financial and corporate issues.

Group Structure

The group structure of Insimbi is set out below:



**Effectively 100% controlled*

Scope and boundary of the Integrated Report

The Integrated Report ("Report") of Insimbi Refractory and Alloy Supplies Limited ("Insimbi") conveys the strategy, performance and the activities of Insimbi so that stakeholders gain a complete understanding of how Insimbi creates and sustains value.

Insimbi is an investment holding company with the majority of its business operation in Insimbi Alloy Supplies (Proprietary) Limited. The group is involved in the Foundry, Steel and Refractory industries, providing resource-based commodities, refractory materials and allied products. Resource-based commodities include both ferrous and non-ferrous alloys.

Insimbi differentiates itself from the rest of the market by successfully integrating the supply, logistics and technical support function relating to the products and services we provide.

KING III

The directors of Insimbi fully endorse King III. The principles and practices recommended by King III are integrated in the relevant sections throughout the Report. Where a principle or practice is not applied or different from that recommended in King III, a reason is provided. Where a different principle or practice is applied;

- the board believes it to be in the best interest of the company or
- is in the process of reviewing the principle or practice.

The elements of King III that are partially applied or are under review are as follows:

Boards and Directors

- The board does not comprise of a majority of independent non-executive directors. This is under review.
- There is an informal induction of directors. A formal induction programme is being reviewed.
- There is an informal performance evaluation of the board, its committees and individual directors. This is under review.
- There is no formal remuneration committee. This is under review.
- There is partial compliance with the disclosure of senior executives.

Risk Governance

- There is no formal Risk Committee. Insimbi has delegated the risk management process to the Audit Committee.

Information Technology

- There is no formal Risk Committee for IT governance to be an integral part of. This is under review.

Internal Audit

- There is no formal internal audit function. Insimbi has delegated the internal audit process to the Audit Committee.

Integrated Reporting and Disclosure

- Sustainability reporting and disclosure is currently being reviewed.

King III requires that the Report should also contain forward-looking information. Where these statements appear in the Report, it must be noted that they involve uncertainties, known and unknown risks and other factors that may cause the actual achievements, performances, results, objectives of Insimbi and its subsidiary companies, to be materially different from the future achievements, performances, results and objectives expressed or implied by the statements. The known risks include the availability and costs of inventory, prolonged interruptions to power supply, changes in commodity prices, industrial action and regulatory changes. The group undertakes no obligation to update publicly or to release any revisions to these forward-looking statements after the date of publication of this Report.

KEY SUSTAINABILITY RISKS

Talent retention and succession

Response to mitigate risk: Management have identified key individuals for development and retention. The group's policy is designed to recognise and reward significant performance.

Residual Sustainability Risk: Low

Competition

Response to mitigate risk: Focusing on service delivery to customers, with emphasis on the timely supply of goods as well as the quality of our product and technical expertise.

Residual Sustainability Risk: Low

Inventory availability and pricing

Response to mitigate risk: Maintaining close relationships with suppliers to identify potential shortages and price movements. Continuously exploring other sources of inventory, diversifying our product mix and entering markets complementary to our product offering.

Residual Sustainability Risk: Low

STRATEGIC OBJECTIVES

Maximising operational efficiency by improving margins and reducing costs.

Growth through acquisitions which bring synergies and add value to the group.

KEY PERFORMANCE INDICATORS

Gross margin

The gross margin for the group was 12,3% for the year compared to 12,6% for the prior year. This is as a result of pressure on the margins in the Foundry segment due to the relative strength of the rand.

Acquisitions

Insimbi successfully completed the acquisition of Metlite Alloys (Proprietary) Limited and Metlite Alloys Properties (Proprietary) Limited.

ACCREDITATIONS

Insimbi Alloy Supplies (Proprietary) Limited and Metlite Alloys (Proprietary) Limited comply with the ISO 9001:2008 accreditation. Insimbi Alloy Supplies (Proprietary) Limited is a Level 7 B-BBEE contributor and Insimbi Thermal Insulation (Proprietary) Limited is a Level 5 B-BBEE contributor.

SOCIAL RESPONSIBILITY

Insimbi offers bursaries to students studying metallurgy or related courses at various institutions and guarantees employment via an apprenticeship programme at the end of their studies. Insimbi also has structured training programmes at various levels for current employees.

STAKEHOLDERS

Shareholders and the investor community

- Annual and interim results are published on the JSE SENS. In addition, information is announced on SENS as and when deemed prudent.
- Annual General Meeting
- One-on-one discussions are held with analysts, asset managers and those in the investor community.
- Information is available on Insimbi's website (www.insimbi-alloys.co.za).
- Enquiries are made via the secretarial e-mail, kholtzhausen@insimbi-alloys.co.za.

Customers

Insimbi has regular contact with our key customers. Customers' requirements change and regular contact is necessary to provide pro-active solutions to their needs.

Funding provider

Insimbi has regular formal and informal contact with Nedbank Corporate.

Employees

- There is an open door policy throughout the group and employees are invited to discuss matters of concern with their managers.
- The executive directors regularly visit the operations throughout the country and invite employees to discuss any matters with them.

Suppliers

- Insimbi has regular contact with key inventory suppliers, maintaining close relationships specifically to identify potential shortages and price movements.
- Insimbi supports procurement from entities with Historically Disadvantaged South African shareholding/participation with established certification, in terms of the Department of Trade and Industry's Codes of Good Practice.

Directorate

Profiles of the directors of Insimbi are set out below:

EXECUTIVE DIRECTORS

Colin Francis Botha 43

Divisional Director
National Higher Diploma in Metallurgical Engineering from Witwatersrand Technikon
Appointed to the board on 11 June 2004

Colin commenced employment with Insimbi in 1992 as a Technical Sales Representative and has been promoted during his tenure to Divisional Director.

Frederik Botha 47

Commercial Director
Chartered Accountant (South Africa)
Appointed to the board on 11 June 2004

Fred has a BComm from the University of Cape Town and a BCompt (Honours) from the University of South Africa. He completed his articles with Coopers & Lybrandt (now PricewaterhouseCoopers). He worked in Malawi for four years from 1993 to 1997 in a large trading operation in the role of Group Financial Controller and Group Operations Director. From 1997 to 2002 he worked in Zambia in a large basic foodstuff manufacturing and agriculture trading operation in the role of Commercial Director. Fred joined Insimbi in 2002 and sits on the Pension Fund Management Committee.

Eduard Philip Liechti 49

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

Prior to joining Insimbi in 1988, Eddie worked as trainee metallurgist at Haggie Rand Germiston. Over the past 22 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.

Pieter Jacobus Schutte 52

Chief Executive Officer
National Diploma in Ceramic Technology
Appointed to the board on 11 June 2004

Prior to joining Insimbi in 1996, Pieter worked for Vereeniging Refractories (Pty) Limited in their Research Technical Department and later as a Technical Sales Representative, and at Cullinan Refractories (Pty) Limited as their Export Sales Manager. Pieter was appointed Chief Executive Officer on 1 March 2008. He is a member of the Pension Fund Management Committee.

Leslie Gustav Tessendorf 67

Divisional Director – KwaZulu-Natal Division
Artisan Fitter and Turner
Appointed to the board on 20 July 2005 as alternate to Colin Francis Botha

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

José Adalberto Vieira-Pereira 42

Financial Director
Chartered Accountant (South Africa)
Appointed to the board on 3 May 2011

José has a BCompt and a BCompt (Honours) from the University of South Africa. Prior to joining Insimbi, José was the Financial Director of First Auto (Pty) Limited, a subsidiary of FirstRand, and later the Chief Financial Officer of Wesbank Fleet Division. He then joined Eqstra Industrial Equipment and was ultimately appointed as Chief Financial Officer. He is a member of the Pension Fund Management Committee.

NON-EXECUTIVE DIRECTORS

Dr Gilimamba Sylvester Mahlati 54

Independent Non-executive Director
MB ChB University of Natal, FRCS (SA), Clinical Fellow in liver surgery, King's College Hospital, London
Appointed to the board on 1 January 2009

Gil is an Executive Director on the board of Vuwa Investments, a private equity fund with Old Mutual, and Vuwa Healthcare. His non-executive directorships include Sephaku Holdings and Liseko Investments. Gil is a member of the Audit Committee.

Lerato Yvonne Mashologu 38

Independent Non-executive Director
Bachelor of Science (BSc) in Mathematics and Computer Science
Appointed to the board on 19 March 2008

Lerato graduated from the University of Lesotho in 1997 with a BSc in Mathematics and Computer Science and in 2005 completed her Masters in Business Administration at the Wits Business School. She completed her MBA electives in Finance at the Cranfield School of Management (UK). She has several years' experience in private equity investments, including heading a number of BEE investment companies such as the CIDA Empowerment Fund. Lerato chairs the Audit Committee.

Daniel John O'Connor 63

Non-executive Chairman
Higher National Diploma in Metallurgy
Appointed to the board on 11 June 2004

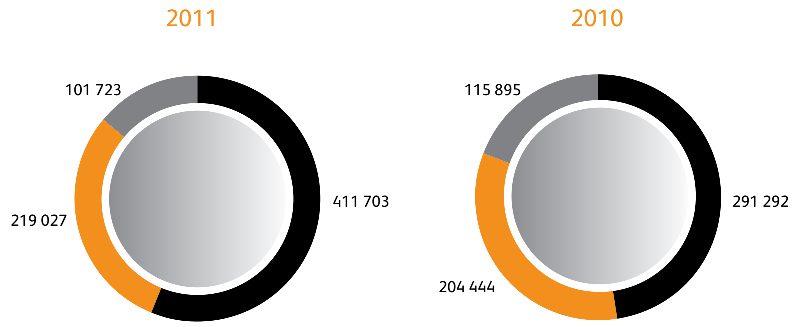
Danny has over 35 years' experience in the metal alloy, refractory, steel and iron industry. He commenced employment with Insimbi in 1982 as a Sales Representative and was appointed Managing Director in December 2002. Danny retired in January 2008 and was subsequently appointed as Non-executive Chairman on 1 March 2008. Danny is a member of the Audit Committee.

Financial Highlights

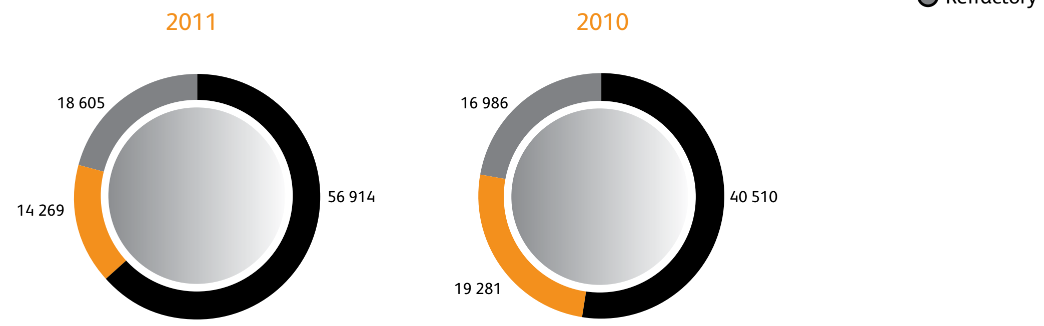
	2011	2010
Revenue	**732 million**	612 million
Operating profit	**25 million**	27 million
Profit before tax	**17 million**	18 million
Attributable earnings	**12 million**	11 million
Headline earnings	**10 million**	11 million
Earnings per share (cents)	**4,63**	4,12
Headline earnings per share (cents)	**3,90**	4,13

Segmental Report – Revenue and Gross Profit

Revenue by segment (R'000)



Gross profit by segment (R'000)



Chairman's Review

INTRODUCTION

Having negotiated a very difficult previous financial year ended February 2010, we were looking forward to an improved year under review. Early indications in the first and second quarter of the year ending February 2011 suggested that there was a recovery in the general economic climate both locally and globally but this optimism was premature and trading conditions in the third, and especially the fourth quarters, proved to be extremely difficult for Insimbi and indeed, many local companies.

The boost to the economy that was anticipated as a result of the World Cup was short-lived and the expected improvement in the local GDP did not materialise. Having said this, I must congratulate South Africa on successfully hosting such a spectacular event in such a professional manner and it makes me proud to be a South African.

These difficult conditions were particularly noticeable within the manufacturing sector of the economy where the strong rand hampered the chances for any real growth.

In the latter half of the year we acquired 100% of the shares of Metlite Alloys (Proprietary) Limited and Metlite Alloys Properties (Proprietary) Limited, a secondary aluminium smelting operation based in Cape Town, for R11 million. This operation has been incorporated seamlessly into the group and is already having a positive impact on the group financial results.

PERFORMANCE

Considering the very difficult trading conditions that existed throughout much of the year, the results achieved, while a little disappointing, are encouraging. This underlines the inherent strength of the company which has not only survived but remained profitable and cash flow generative in what must be the toughest 30 months up to the end of February 2011, that most of us have experienced in our lifetimes and certainly one of the toughest in the company's 40 odd year history. Many experts compare the recent times to the Great Depression of the 1930s and I am satisfied that the management and staff of Insimbi have done everything possible to ensure the continued success, preservation of employment and profitability of the company throughout this trying period.

A dividend of 2 cents per share was paid during the year and under the circumstances, I believe that this shows our commitment to our shareholders and the confidence we have in our business.

BOARD AND CORPORATE GOVERNANCE

We are fully committed to the principles of transparency, integrity and accountability and recognise that the primary responsibility for corporate governance resides firmly with the board and its chairman. We acknowledge that as a board, we are accountable to the shareholders and we are committed to the creation of shareholder value.

With the promulgation of the new Company Act 71 of 2008 in May 2011, the introduction of King III and the implementation of the Consumer Protection Act, we are well aware that we have to ensure that we as a board become fully conversant with the provisions and requirements of these Acts and guidelines and we are committed to doing so to ensure our commitment to achieving excellence in our corporate governance. As part of this, I have been appointed to the Audit Committee effective 17 May 2011.

During the year there was a change to the board with Ms FBB Abdul-Gany resigning as Financial Director effective 31 January 2011. She has been replaced by the appointment of Mr JA Vieira-Pereira effective 3 May 2011.

OUTLOOK

There are some noticeable signs that a sustainable recovery is underway in the local economy but we are of the opinion that this recovery will be slower and longer than was originally anticipated. The tsunami in Japan has definitely had a negative impact in certain sectors of our markets in South Africa. We are optimistic that Japan, being the industrious and innovative nation that it is, will soon be rehabilitated and that the backlog that has been created as a result of the destruction of so much of its industry, will reverse later in the 2012 financial year. This will certainly boost the local automotive industry and its suppliers, including the foundry industry.

The strength of the rand remains a concern for us due to the negative impact it has on manufacturing across the board. There continues to be volatility in our target markets but we are noticing a definite dampening of the spikes and troughs which makes it easier to forecast and plan our business strategy going forward.

The "emerging" market countries seem to have fared better and have been more resilient throughout the last few years and we anticipate that this will continue to be the case for the foreseeable future.

APPRECIATION

More than two years of extremely difficult trading conditions are behind us and Insimbi has maintained profitability and stable cash flows throughout, and this is a credit to both the management and staff. We will no doubt be faced with some old and some new challenges in the year ahead but I am confident that our CEO, Pieter Schutte and his team will ensure that Insimbi prospers and that the goals set will be achieved.

I would like to thank all my fellow board members, directors, the management and staff for the hard work and commitment they have shown, often at the expense of their loved ones, I look forward to another year ahead with you and hope that it is an easier one for all of us.

DJ O'Connor
Non-executive Chairman

18 July 2011

Chief Executive Officer's Review

INTRODUCTION

I wrote nine months ago in our interim results, that we expected the remaining six months of our financial year to be volatile on the back of reduced demand for certain commodities and the negative impact of a strong rand in some sectors, especially manufacturing but that despite expecting some challenges, we remained optimistic with our prospects going forward and that with the continued economic recovery and our acquisitions of Metlite Alloys (Proprietary) Limited ("Metlite") and Metlite Alloys Properties (Proprietary) Limited, we would continue to optimise our potential.

It is quite clear now that the six month period from 1 September 2010 to 28 February 2011, was indeed challenging and that despite the cautious optimism in our economy at the time, the second half of the financial year saw many industries across the board suffer the negative effects of reduced demand, increased competition from relatively cheaper imports as a result of the strong rand and general uncertainty. Insimbi was not immune from these conditions and we experienced one of the worst November to January periods in many years, with December 2010 being the worst December in over 10 years. Notwithstanding this, we are pleased with the performance of the group in what proved to be a very volatile market and difficult trading conditions.

I would like to thank my staff and management team for their support during these challenging times and I look forward to taking on new challenges and opportunities that lie ahead of us.

FINANCIAL REVIEW

The financial year under review was once again a year of two halves, the first half being one with many prospects and an increase in demand, followed by more subdued demand in the second half. The strong rand affected manufacturing severely in certain sectors and we saw a number of customers closing their doors as a result of increased competition from finished and semi-finished products, mainly from the Far East.

The core business of the group, Insimbi Alloy Supplies (Proprietary) Limited, experienced erratic trading on a month to month basis with record highs one month followed by historic lows the next. This was especially true of the last six months where very difficult trading conditions were experienced on a month to month basis. This made it very difficult to plan and forecast. On the upside however, we have seen alloy prices increase to levels last seen in 2008 and this has offset some of the negative impacts of the stronger rand.

The satisfactory performance of the financial year under review can be attributed to:

- Price increases in some commodities;
- Improved market conditions in certain industries and increased commodity demand;
- Effective management of working capital; and
- The performance of Metlite.

It is worth noting that the very slow market conditions of the preceding years have improved slightly and while certain commodities are still under pressure with regard to pricing and demand, markets have stabilised in certain sectors and this has contributed to our improved performance.

Group revenue for the period was R732,4 million compared to R611,6 million for the corresponding period last year, a 19,8% increase in revenues. This improved performance was achieved on the back of recovering markets and commodity prices. The group has also continued to diversify its portfolio and product offering via organic and acquisitive growth and focus on our continued high quality service offering to our client base.

Demand for some of our products has increased when compared to the corresponding period under review, with the exception of certain divisions which have historically lagged other markets and divisions. A consolidated gross margin of R89,8 million for the period was achieved compared to R76,8 million during the same period last year. This is a 16,9% increase in gross margin and margins have remained resilient at 12,3% (2010: 12,6%). This is very pleasing, considering the relevant strength of the rand in 2011 compared to 2010.

Consolidated operations and administration costs have increased as a result of the following:

- Professional fees;
- Electricity cost;
- Effect of consolidating Metlite's expenditure;
- Travel and communication costs; and
- Unpredictability of the market and therefore increased stock holding costs.

Other than items highlighted above, operating costs have in general, been well controlled. Staff costs remain consistent with inflation and CPIX figures.

Group operating profit for the period was R24,6 million compared to R26,8 million for the corresponding period, an 8,2% decrease in operating profit on the previous corresponding period.

Insimbi achieved earnings and headline earnings per share of 4,63 cents and 3,9 cents per share respectively compared to 4,12 cents and 4,13 cents per share respectively, in the previous comparative period.

Insimbi received numerous enquiries regarding the difference in estimated and assessed Fair Value of the Metlite assets acquired in July 2010 and the resultant effect on Insimbi earnings per share at 28 February 2011.

At the time, the board estimated the fair value of the tangible assets of Metlite as part of the provisional purchase price allocation to be around R12,884 million subject to completion of the valuation required in terms of IFRS 3 (Revised). In terms of IFRS 3 (Revised), this valuation had to be undertaken within 12 months of the effective date of the acquisition.

The required valuations were performed in February 2011 and resulted in two values being obtained:

- Fair Value of R5,836 million; and
- Replacement Value of R13,555 million.

In terms of IFRS 3 paragraph 18 and IAS 16 paragraph 33, the required valuation resulted in the Fair Value Assessment of R5,836 million.

As a result, in the February 2011 reviewed results released on SENS on 30 May 2011, this reduction had a direct impact on the after tax attributable earnings of R5,075 million (1,95 cents per share) at the year end.

Working capital management and cash flow have remained key focus factors for Insimbi and we have responded to changing market conditions effectively. This has ensured strong cash flows throughout the period with cash generated from operations of R26,1 million compared to R24,9 million in the previous interim period. Our net asset value per share increased to 30,71 cents per share from 28,09 cents per share and our tangible net asset value per share has increased to 15,91 cents per share from 12,71 cents in the prior year.

OPERATIONAL REVIEW

Insimbi has remained cash generative throughout the volatile period under review due to the group's diverse product offering, continued profitability and attention to working capital.

Chief Executive Officer's Review *(continued)*

Some divisions have showed signs of recovery although there was and is still some uncertainty in most markets. However we remain confident that the recovery will be sustainable.

The cement industry has experienced difficult trading conditions and SA's construction sector is feeling a post-2010 World Cup "hangover". We did anticipate a slow down in this industry and budgeted accordingly for the 2012 financial year.

PROSPECTS

Although certain markets have shown a slight improvement in the beginning of 2011, indications are that the next six months will continue to be volatile and challenging in certain market sectors. The strong rand, together with increased fuel and electricity prices, will have a negative effect on certain industries and we expect this to have an impact on demand for certain commodities as prices increase due to increased costs of production. Notwithstanding this, Insimbi remains focused on expanding our "basket" of products and remaining as the market leader in the ferro-alloys, refractories and mechanical maintenance arenas. Cost and working capital management remain a priority.

As a group, we will continue to evaluate strategic acquisitions in various industries which will bring synergies and add value to the group.

OUR PEOPLE

Our workforce is our most valuable asset and we are committed to continued training and upliftment of our workforce and to develop future management from within the Insimbi Group. We also continue our commitment to provide world-class technical support to our customer base.

We are committed to a safe, healthy and rewarding work environment for all our employees.

APPRECIATION

In closing, I extend my gratitude to our loyal customers for their support over the last year under these difficult conditions. We will continue to provide them with our best possible service and quality products at all times.

To our suppliers, thank you very much for your support and on time deliveries during this past year. Your contribution to our continued success is much appreciated.

Thank you to each member of our staff and my fellow directors for their dedication, commitment and hard work throughout the year. I know I can rely on their continuing loyalty and effort to make 2012 a better year for all.

PJ Schutte
Chief Executive Officer
18 July 2011

Corporate Governance

INTRODUCTION

Insimbi maintains a listing of its ordinary shares on the AltX Board of the Johannesburg Securities Exchange. The board of directors of Insimbi recognises the importance of exercising sound corporate governance principles as a critical factor in achieving its goal of sustainable value creation for its shareholders. We recognise that we act as officers of the company on behalf of the shareholders.

STATEMENT OF COMPLIANCE

Insimbi confirms that it is the board of directors and its prescribed officers fiduciary duty to discharge their legislative responsibility to adhere to the increasing regulatory and legislative requirements and reporting.

The directors believe that Insimbi complies with provisions of the JSE Listings Requirements for Companies Listed on AltX and the Companies Act. Insimbi fully endorses the application of King III. There are elements of King III that are in the process of being reviewed. Further details are available on page 2 of this Report, "Scope and Boundaries of the Integrated Report".

Governance development

New requirement in terms of governance framework

Proper Corporate Governance practices and citizenship are reviewed on a regular basis to ensure that the company complies with legislative and regulatory amendments.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Structure, independence and board balance

The board of directors of the company (the board) is based on a unitary structure and retains full and effective control and management of the group. The Memorandum of Incorporation ("MOI") does not impose an upper limit on the number of directors, but stipulate that there may not be less than five directors.

At the year end, there were five executive directors on the board and three non-executive directors with the positions of non-executive chairperson and chief executive officer being separate in order to ensure a balance of power and authority. Ms FBB Abdul Gany resigned for personal reasons effective 31 January 2011. Mr F Botha was appointed as the acting Financial Director in the interim. Mr JA Vieira-Pereira was appointed as the Financial Director on 3 May 2011. No one director has unfettered powers of decision-making and there is a policy in place to ensure a clear division of responsibilities at board level. A formal policy has been established in terms of which levels of authority have been delegated to members of the management.

The non-executive directors offer independent judgement and, apart from their fees, there are no extraneous factors that could materially affect their judgement. If there is an actual or potential conflict of interest, the director (executive and non-executive) concerned, after declaring his/her interest in terms of the Companies Act is excluded from the related decision-making process. The board is chaired by a non-executive independent chairperson and is scheduled to meet at least four times a year, but meets more frequently if circumstances so require.

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 directors' statement of responsibilities is set out in the Director's Responsibilities and Approval statement.

Appointments to the board

The non-executive directors and the executive directors do not have fixed-term service contracts. In terms of the company's MOI, one third of the directors (or if their number is not a multiple of three, then the number nearest to one third but not less than one third) shall retire from office at the annual general meeting. The directors to retire shall, firstly, be those who were appointed since the previous annual general meeting and thereafter be those who have been longest in office since their last election. Retiring directors shall be eligible for re-election. Except for the financial director, all current directors have completed the required AltX Directors' Induction Programme, and all new directors will be required to do the same.

Although there currently is no formal nominations committee as such, directors' appointments are made in terms of formal and transparent procedures. Non-executive directors are evaluated based on their expertise and experience.

Advice

Each director has the right to seek independent professional advice on matters relating to his position as a director of the company at the company's expense, subject to prior approval of the chairperson, which shall not be unreasonably withheld.

None of the directors have actual or potential political connections or exposure. Internal appraisals of the board and its committees have been conducted and we are satisfied with their performance.

BOARD COMMITTEES

Audit Committee

Terms of reference and functions

The Audit Committee 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.

Corporate Governance *(continued)*

In terms of its charter, the functions of the Audit Committee include:

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

Internal controls

Internal audit function

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

Risk management

The board opted to delegate the risk management processes to the Audit Committee in the ensuing financial year as per Principle 4.3 in King III. Management is accountable to the Audit Committee for designing, implementing and monitoring the process of risk management in the day-to-day activities of the group.

Management is committed to developing, implementing and maintaining the best possible strategies to minimise our risks and to ensure the growth of our company for the best benefit or our employees and shareholders.

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

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

Membership and meetings

The membership of the Audit Committee consists of two of the non-executive directors of the company, namely Dr GS Mahlati and Ms LY Mashologu, and, by invitation, a representative of the company's Designated Advisors, PricewaterhouseCoopers Corporate Finance (Pty) Limited.

The Committee and board are cognisant of the requirement of the Companies Act, No 71 of 2008 as well as Principle 3.2 of King III whereby it recommends that the Audit Committee should consist of at least three independent non-executive directors. Accordingly, Mr DJ O'Connor has been appointed to the Audit Committee on 17 May 2011.

In terms of its charter, the financial director and members of the executive management may be invited to attend meetings of the Committee. The charter stipulates that no less than two meetings will be held each year. In the year under review the meetings were held on 11 March 2010 and 7 May 2010. Both members of the Committee attended all of these meetings.

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 are Mr PJ Schutte, Mr F Botha and Ms FBB Abdul Gany representing Insimbi. Mr N Beeslaar, Ms N Mohamed and Ms M Samons represent the employees. Two meetings were held during the year, the first on 16 April 2010 and the second on 8 October 2010. Mr JA Viera-Pereira replaced Ms FBB Gany on 4 March 2011.

Information technology

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

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.

Remuneration Philosophy

The company currently does not have a remuneration committee.

Annual increases are set by management in March related to CPIx. In addition, management's objectives to attract and retain talented staff and encourage and reward superior performance, are addressed in the increases.

Executive employment contracts have no termination dates but include a two month's notice period. The restraints are for 24 months.

King III recommends that the salaries of the top three executives, excluding directors, should be disclosed. Due to their specialised skills and the employees' value to Insimbi, the individual remuneration has not been disclosed. The combined remuneration was R1,89 million (2010: R1,84 million).

COMPANY SECRETARY

The Company Secretary is accountable to the board on all governance and statutory matters and in this respect all directors have access to the services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the board as a whole. Details of the Company Secretary appear in the Directors' Report.

STAKEHOLDER RELATIONSHIP

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.

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 communication officer and is responsible for liaising with the board to ensure that the company complies with its requirements. There were no requests for information

Corporate Governance *(continued)*

that was lodged with the company in terms of the Promotion of Access to Information Act 2000.

CODE OF CONDUCT

The company has a Human Resources Policies and Procedures manual, which provides a code of conduct for employees and directors to ensure that the business of the company is conducted in an ethical and legal manner.

MANAGEMENT REPORTING

Insimbi's performance is monitored continuously and issues arising are addressed at monthly management meetings that have board representation present. This is supported by management reporting disciplines, which include preparation of annual budgets and monthly variance reporting. Working capital and borrowing levels are monitored on a continuous basis.

CODE OF CONDUCT AND ETHICS

We believe in trust, respect and in dealing honestly and with integrity with all our stakeholders. All directors and employees are required to maintain the highest levels of professionalism and integrity in conducting its business and in dealing with all stakeholders. Insimbi's policies ensure free enterprise, compliance with generally accepted principles regarding ethical behaviour and to ensure that all business is conducted in a manner which is beyond reproach. There was one incident of minor fraud during the year which was detected by internal controls.

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

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

ATTENDANCE AT MEETINGS

Attendance at board meetings

Name	11 March 2010	10 June 2010	16 September 2010	18 November 2010
FBB Abdul Gany*	Yes	Apology	Apology	Yes
CF Botha	Yes	Yes	Yes	Yes
F Botha	Yes	Yes	Yes	Yes
EP Liechti	Yes	Yes	Yes	Yes
CS Mahlati	Yes	Yes	Apology	Yes
LY Mashologu	Yes	Yes	Yes	Apology
DJ O'Connor	Yes	Yes	Yes	Yes
PJ Schutte	Yes	Yes	Apology	Yes
LG Tessendorf (alternate to CF Botha)	Yes	Yes	Yes	Yes

** Resigned effective 31 January 2011*

Audit Committee Report

The Insimbi group Audit Committee ("Committee") is composed of independent non-executive directors.

The Committee derives its authority and responsibilities from a board-approved charter with which it has complied during the year ended 28 February 2011. The Committee met twice during the year and there was 100% attendance by members at the meetings. The functions of the Committee are detailed in the corporate governance review.

The Committee reports that it is satisfied with the independence and objectivity of the external auditor, PricewaterhouseCoopers Inc. The Committee has considered and recommended the fees payable to the external auditor.

The Committee has satisfied itself that the group financial director has appropriate expertise and experience as required by the JSE Listings Requirement 3.84 (h).

Based on the information and explanations supplied by management and discussions with the independent external auditor, the Committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review.

The Committee has evaluated the group financial statements for the year ended 28 February 2011 and, based on the information provided to the Committee, considers that it complies, in all material respects, with the requirement of the Act, International Financial Reporting Standards (IFRS) and certain elements of King III.

LY Mashologu
Chairperson

18 July 2011

Directors' Responsibilities and Approval

The directors are required by the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company 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 financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors 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 company and all employees are required to maintain the highest ethical standards in ensuring the company'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, control systems and ethical behaviour are applied and managed within pre-determined 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 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 company's cash flow forecast for the year to 29 February 2012 and, in the light of this review and the current financial position, they are satisfied that the company 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 company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 13.

The financial statements set out on pages 14 to 55, which have been prepared on the going concern basis, were approved by the board of directors on 18 July 2011 and were signed on its behalf by:

DJ O'Connor
Director

PJ Schutte
Director

Certificate by Company Secretary

I certify that the company has lodged with the Companies Intellectual Property Commission (formerly Companies Intellectual Property Office) in respect of the year ended 28 February 2011, all such returns as required to be lodged by a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

K Holtzhauzen
Company Secretary
18 July 2011

Independent Auditors' Report

for the year ended 28 February 2011

TO THE MEMBERS OF INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

We have audited the group annual financial statements and annual financial statements of Insimbi Refractory and Alloy Supplies Limited, which comprise the consolidated and separate statements of financial position as at 28 February 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 14 to 55.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Insimbi Refractory and Alloy Supplies Limited as at 28 February 2011, 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 in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc
Director: FJ Lombard
Registered Auditor

Johannesburg
18 July 2011

Directors' Report

The directors submit their report for the year ended 28 February 2011.

1. REVIEW OF ACTIVITIES

With effect from 13 July 2010, the group acquired 100% of the issued share capital of Metlite Alloys (Proprietary) Limited and Metlite Alloys Properties (Proprietary) Limited and was fully consolidated from this date.

Insimbi continues to operate out of our offices in Johannesburg, Durban, Atlantis and Kitwe and we are actively represented in the Democratic Republic of the Congo and Zimbabwe via our agents there. In addition, we continue to service most sub-Saharan and central African countries, as well as certain north, west and east African countries. We are also active in South America, Eastern Europe, certain Middle East countries and the UAE, Japan and Korea as well as India.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not, in our opinion require any further comment other than what has been disclosed in both the Chairman's and CEO's report on prevailing market conditions during the period under review.

2. POST BALANCE SHEET EVENTS

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

3. AUTHORISED AND ISSUED SHARE CAPITAL

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

4. DIVIDENDS

Interim dividend Number 4 of 2 cents per share was declared on 8 October 2010 payable on 1 November 2010 to shareholders registered on 29 October 2010. The total payout was R5 200 000 (2010: R5 200 000).

No final dividend has been declared. (2010: R0).

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	
G S Mahlati	appointed 1 January 2009	
LY Mahologu	appointed 19 March 2008	
DJ O'Connor	appointed 11 June 2004	
PJ Schutte	appointed 11 June 2004	
LG Tessendorf (alternate to CF Botha)	appointed 29 July 2005	
JA Vieira-Pereira	appointed 03 May 2011	
FBB Abdul Gany	appointed 01 December 2008	resigned 31 January 2011

6 SECRETARY

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

7. SPECIAL RESOLUTIONS

At the Annual General Meeting held on 9 July 2010 it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.

8. DIRECTORS' INTERESTS IN CONTRACTS

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

9. ADDRESS

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

10. AUDITORS

PricewaterhouseCoopers Inc was appointed on 11 March 2010.

Directors' Report *(continued)*

11. INTERESTS IN SUBSIDIARIES

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

Name of subsidiary	Par value of issued shares	Percentage holding 2011 %	Percentage holding 2010 %	Indebtedness 2011 R'000	Indebtedness 2010 R'000
Insimbi Alloy Supplies (Proprietary) Limited	100 ordinary shares of R1 each	100	100	(20 509)	(19 753)
Insimbi Alloy Properties (Proprietary) Limited	1 000 ordinary shares of R0,01 each	100	100	5 360	5 360
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	10 ordinary shares of K1 000 each	10	10	–	–

INTEREST IN SUBSIDIARIES THROUGH INSIMBI ALLOY SUPPLIES (PROPRIETARY) LIMITED

Name of associate	Par value of issued shares	Percentage holding 2011 %	Percentage holding 2010 %	Indebtedness 2011 R'000	Indebtedness 2010 R'000
Insimbi Aluminium Alloys (Proprietary) Limited	100 ordinary shares of R1 each	100	100	30 576	31 891
Insimbi Bulk Commodities (Proprietary) Limited	120 ordinary shares of R1 each	100	100	–	1
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	90 ordinary shares of K1 000 each	90	90	2 824	2 159
Insimbi Thermal Insulation (Proprietary) Limited**	404 ordinary shares of R1 each	49,50	49,50	6 987	6 304
Metlite Alloys (Proprietary) Limited	52 ordinary shares of R1 each	100	–	134	–

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

INTEREST IN SUBSIDIARIES THROUGH INSIMBI ALLOY PROPERTIES (PROPRIETARY) LIMITED

Name of subsidiary	Par value of issued shares	Percentage holding 2011 %	Percentage holding 2010 %	Indebtedness 2011 R'000	Indebtedness 2010 R'000
Metlite Alloys Properties (Proprietary) Limited	100 ordinary shares of R1 each	100	–	–	–

12. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

13. DIRECTORS' INTERESTS

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

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

* *Resigned effective 31 January 2011*
** *PJ Schutte acquired 40 000 shares subsequent to year end, changing the direct beneficial shareholding to 44 525 000 shares (17,13%)*

13. DIRECTORS' INTERESTS (continued)

2010 Name	Direct beneficial	Percentage	Indirect beneficial	Percentage	Associates	Percentage
FBB Abdul Gany	–	–	–	–	–	–
CF Botha	44 375 000	17,07	–	–	250 000	0,10
F Botha	44 461 300	17,10	–	–	250 000	0,10
EP Liechti	44 375 000	17,07	–	–	250 000	0,10
LY Mashologu	–	–	–	–	–	–
GS Mahlati	–	–	–	–	–	–
D O'Connor	7 500 000	2,88	–	–	–	–
PJ Schutte	44 485 000	17,11	–	–	312 500	0,12
LG Tessendorf	187 500	0,07	–	–	–	–
	185 383 800	71,30	–	–	1 062 500	0,42

14. DIRECTORS' REMUNERATION AND BENEFITS

The table below sets out remuneration and benefits paid to the executive and non-executive directors for the year ended 28 February 2011.

Name	Salary R'000	Vehicle allowance R'000	Medical aid contribution R'000	Pension fund contribution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 448	218	43	–	121	–	1 830
F Botha	1 133	469	89	–	94	–	1 785
CF Botha	1 343	284	55	–	112	–	1 794
E Liechti	1 365	239	67	–	114	–	1 785
FBB Abdul Gany*	451	290	23	80	41	–	885
LG Tessendorf	514	108	38	58	43	–	761
	6 254	1 608	315	138	525	–	8 840
Non-executive							
D O'Connor	78	–	72	–	–	–	150
GS Mahlati	126	–	–	–	–	–	126
L Mashologu	126	–	–	–	–	–	126
	330	–	72	–	–	–	402
Directors of subsidiary company							
Executive							
JD Beeslaar	481	117	39	58	40	–	735
BL Homann	453	174	17	59	38	–	741
M Volschenk	462	131	44	57	39	–	733
RD Makkink**	410	159	69	60	41	–	739
	1 806	581	169	234	158	–	2 948
TOTAL	8 390	2 189	556	372	683	–	12 190

Reconciliation	Salary R'000	Vehicle allowance R'000	Medical aid contribution R'000	Pension fund contribution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
Paid by subsidiary							
Executive	2 771	979	230	372	242	–	4 594
Non-executive	252	–	–	–	–	–	252
	3 023	979	230	372	242	–	4 846
Paid in the form of a management fee							
Executive	5 289	1 210	254	–	441	–	7 194
Non-executive	78	–	72	–	–	–	150
	5 367	1 210	326	–	441	–	7 344
TOTAL	8 390	2 189	556	372	683	–	12 190

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

**Resigned effective 31 January 2011*

***Resigned effective 31 July 2010*

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 2010.

Name	Salary R'000	Vehicle allowance R'000	Medical aid contribution R'000	Pension fund contribution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
Directors of Insimbi Refractory and Alloy Supplies Limited							
Executive							
PJ Schutte	1 275	148	35	–	106	–	1 564
F Botha	963	403	82	–	80	–	1 528
CF Botha	1 174	209	47	–	98	–	1 528
E Liechti	1 194	173	61	–	100	–	1 528
FBB Abdul Gany	402	300	26	77	34	–	839
LG Tessendorf	449	90	72	51	37	–	699
	5 457	1 323	323	128	455	–	7 686
Non-executive							
D O'Connor	240	–	–	–	–	–	240
GS Mahlati	123	–	–	–	–	–	123
L Mashologu	123	–	–	–	–	–	123
	486	–	–	–	–	–	486
Directors of subsidiary company							
Executive							
JD Beeslaar	418	92	34	50	35	–	629
BL Homann	381	143	23	51	31	–	629
M Volschenk	378	108	40	48	33	–	607
RD Makkink	496	127	62	61	41	–	787
	1 673	470	159	210	140	–	2 652
TOTAL	7 616	1 793	482	338	595	–	10 824

Reconciliation	Salary R'000	Vehicle allowance R'000	Medical aid contribution R'000	Pension fund contribution R'000	13th cheque R'000	Incentive bonus R'000	Total R'000
Paid by subsidiary							
Executive	2 524	860	257	338	211	–	4 190
Non-executive	246	–	–	–	–	–	246
	2 770	860	257	338	211	–	4 436
Paid in the form of a management fee							
Executive	4 606	933	225	–	384	–	6 148
Non-executive	240	–	–	–	–	–	240
	4 846	933	225	–	384	–	6 388
Total	7 616	1 793	482	338	595	–	10 824

Statement of Comprehensive Income

for the year ended 28 February 2011

	Notes	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
Revenue	8	732 453	611 631	–	–
Cost of sales	4	(642 665)	(534 854)	–	–
Gross profit		89 788	76 777	–	–
Other net income	3	5 791	1 205	1 200	–
Other operating expenses	4	(38 946)	(30 093)	(2 230)	(794)
Administration expenses	4	(32 054)	(21 092)	–	–
Operating profit/(loss)		24 579	26 797	(1 030)	(794)
Finance income	7	1 186	1 087	5 200	18 200
Finance costs	6	(8 771)	(10 142)	(1)	(2)
Profit before taxation		16 994	17 742	4 169	17 404
Taxation	9	(5 001)	(7 100)	(232)	(1 597)
Profit for the year		11 993	10 642	3 937	15 807
Other comprehensive income:					
Foreign currency translation differences		20	56	–	–
Other comprehensive income for the year net of tax		20	56	–	–
Total comprehensive income for the year		12 013	10 698	3 937	15 807
Attributable to:					
Equity holders		12 013	10 698	3 937	15 807
Basic and fully diluted earnings per share (cents)	31	4,63	4,12		

Statement of Financial Position

at 28 February 2011

	Notes	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
Assets					
Non-current assets					
Property, plant and equipment	10	33 700	23 277	–	–
Investments in subsidiaries	11	–	–	23 574	23 574
Intangible assets	12	38 438	39 938	–	–
Deferred taxation	9	3 827	4 180	511	223
		75 965	67 395	24 085	23 797
Current assets					
Inventories	14	62 982	54 883	–	–
Other financial assets	17	495	453	–	–
Taxation		389	283	373	253
Trade and other receivables	15	112 495	101 570	1 170	1 730
Cash and cash equivalents	16	37 763	27 177	–	–
Amounts owing from group companies	13	–	–	5 360	5 360
		214 124	184 366	6 903	7 343
Total assets		290 089	251 761	30 988	31 140
Equity and liabilities					
Equity					
Share capital and premium	18	44 442	44 442	44 442	44 442
Reserves		154	134	–	–
Retained earnings		35 391	28 598	(34 318)	(33 055)
Treasury shares	18	(238)	(238)	–	–
		79 749	72 936	10 124	11 387
Liabilities					
Non-current liabilities					
Borrowings	19	35 172	42 222	–	–
		35 172	42 222	–	–
Current liabilities					
Amounts owing to group companies	13	–	–	20 509	19 753
Current portion of borrowings	19	58 966	32 174	–	–
Taxation		1 850	6 094	–	–
Trade and other payables	20	114 352	98 335	355	–
		175 168	136 603	20 864	19 753
Total liabilities		210 340	178 825	20 864	19 753
Total equity and liabilities		290 089	251 761	30 988	31 140

Statement of Changes in Equity

for the year ended 28 February 2011

	Notes	Share capital R'000	Share premium R'000	Treasury shares R'000	Reserves R'000	Retained earnings R'000	Total equity R'000
Group							
Balance at 01 March 2009		**–**	**44 442**	**(8)**	**78**	**36 156**	**80 668**
Changes in equity							
Total comprehensive income for the year							
– Profit for the year		–	–	–	–	10 642	10 642
– Foreign currency differences		–	–	–	56	–	56
Dividends		–	–	–	–	(18 200)	(18 200)
Purchase of shares by subsidiary	18	–	–	(230)	–	–	(230)
Total changes for the year		–	–	(230)	56	(7 558)	(7 732)
Balance at 28 February 2010		**–**	**44 442**	**(238)**	**134**	**28 598**	**72 936**
Changes in equity							
Total comprehensive income for the year							
– Profit for the year		–	–	–	–	11 993	11 993
– Foreign currency differences		–	–	–	20	–	20
Dividends	32	–	–	–	–	(5 200)	(5 200)
Total changes for the year		–	–	–	20	6 793	6 813
Balance at 28 February 2011		**–**	**44 442**	**(238)**	**154**	**35 391**	**79 749**

	Notes	Share capital R'000	Share premium R'000	Treasury shares R'000	Reserves R'000	Retained earnings R'000	Total equity R'000
Company							
Balance at 01 March 2009		**–**	**44 442**	**–**	**–**	**(30 662)**	**13 780**
Changes in equity							
Total comprehensive income for the year		–	–	–	–	15 807	15 807
Dividends		–	–	–	–	(18 200)	(18 200)
Total changes for the year		–	–	–	–	(2 393)	(2 393)
Balance at 28 February 2010		**–**	**44 442**	**–**	**–**	**(33 055)**	**11 387**
Changes in equity							
Total comprehensive income for the year		–	–	–	–	3 937	3 937
Dividends	32	–	–	–	–	(5 200)	(5 200)
Total changes for the year		–	–	–	–	(1 263)	(1 263)
Balance at 28 February 2011		**–**	**44 442**	**–**	**–**	**(34 318)**	**10 124**

Statement of Cash Flows

for the year ended 28 February 2011

	Notes	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
Cash flows from operating activities					
Cash generated from/(utilised in) operations	21	26 122	24 907	(117)	(2 254)
Investment revenue		1 186	1 087	–	–
Finance costs		(8 771)	(10 142)	(1)	(2)
Tax paid	9	(11 488)	(12 898)	(640)	(1 820)
Net cash generated from/(utilised in) operating activities		7 049	2 954	(758)	(4 076)
Cash flows from investing activities					
Purchase of property, plant and equipment	10	(4 350)	(8 060)	–	–
Sale of property, plant and equipment		486	240	–	–
Acquisition of businesses	34	(9 775)	–	–	–
Loans advanced to group companies		–	–	758	3 630
Purchase of treasury shares		–	(230)	–	–
Dividends received		–	–	5 200	18 200
Net cash (utilised in)/generated from investing activities		(13 639)	(8 050)	5 958	21 830
Cash flows from financing activities					
Increase in borrowings		19 742	10 733	–	–
Dividends paid		(5 200)	(18 200)	(5 200)	(18 200)
Net cash (utilised in)/generated from financing activities		14 542	(7 467)	(5 200)	(18 200)
Total cash movement for the year		7 952	(12 563)	–	(446)
Cash at the beginning of the year		21 285	33 848	–	446
Total cash at the end of the year	16	29 237	21 285	–	–

Notes to the Annual Financial Statements

for the year ended 28 February 2011

Insimbi Refractory and Alloy Supplies Limited is a listed company incorporated in South Africa. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report.

1. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, its interpretations adopted by the International Accounting Standards Board and the Companies Act 61 of 1973 (as amended) of South Africa. The annual financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities (including derivative financial instruments) that are shown at fair value, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period, unless otherwise indicated.

1.1 Consolidation

Basis of consolidation of financial results

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

Business combinations

The revised IFRS 3 Business Combinations became effective and is applied prospectively.

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

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

1.2 Investments in subsidiaries

Group annual financial statements

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

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

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

Company annual financial statements

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

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

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

1.3 Intangible assets and goodwill

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

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

Goodwill is tested annually for impairment.

For the purpose of impairment testing, goodwill is allocated to those cash-generating units or groups of cash-generating units expected to benefit from the synergies of the combination in which the goodwill arose, identified according to operating segment. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised on goodwill is not reversed in a subsequent period.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 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.

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.

Property, plant and equipment are initially carried at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit and loss during the financial reporting period in which they are incurred.

Land is not depreciated.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset. Assets held under instalment sales are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant agreement.

The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually and adjusted if appropriate. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives 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

1.5 Impairment of non-financial assets

The group assesses at each statement of financial position date 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 goodwill acquired in a business combination for impairment annually (refer to accounting policy on goodwill as stated above).

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 cash-generating unit is considered to be the lowest level for which there are separately identifiable cash flows (CGU).

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 which is recognised in profit/(loss).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.6 Inventories

Inventories are measured at the lower of weighted average cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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

When inventories are sold, the carrying amount of those inventories 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, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Provisions and contingencies

Provisions are recognised when:

- The group has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

1.8 Leases

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of reducing the remaining balance of the liability.

Operating leases – lessee

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

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

1.9 Foreign currency translation

Items included in the financial results of each entity are measured using the functional currency of that entity, being the currency of the primary economic environment in which the entity operates. The consolidated financial results are presented in rand, which is Insimbi Refractory and Alloy Supplies Limited's functional and presentation currency.

Foreign currency transactions

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities are translated into the functional currency of the entity at the rate of exchange ruling at the statement of the financial position date. Foreign exchange gains and losses resulting from the translation and settlement of monetary assets and liabilities are charged to profit and loss.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in other comprehensive income.

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the year (unless the average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenditure are translated at the rate on the dates of the transactions). All assets and liabilities are translated at the rate of exchange ruling at the statement of financial position date. Differences arising on translation are recognised in other comprehensive income as a currency translation reserve.

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the currency translation reserve are included in determining the profit or loss on disposal of that investment charged to profit and loss.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Employee benefits

Defined contribution plans

The group contributes towards retirement benefits of employees by means of a defined contribution pension fund. A defined contribution plan is a plan under which the group pays fixed contributions into a separate fund. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees. Contributions to defined contribution pension plans in respect of service in a particular period are recognised as an expense in that period.

1.11 Financial instruments

Initial recognition

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 assets and financial liabilities are recognised on the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

The effective interest method is a method of calculating the amortised cost of a financial asset and financial liability by allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset and financial liability, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, cash and cash equivalents, other receivables and loans.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, plus transaction costs 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. 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 group's financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the asset has been impacted.

Trade receivables that are assessed not to be individually impaired are subsequently assessed for impairment on a collective basis. Objective evidence for impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Loans receivables

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

At subsequent reporting dates this is measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. The group does not make use of an allowance account for loans receivable. Impairments are processed directly to the loan receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at cost, which equates to fair value. Bank overdrafts are recognised in the statement of financial position as a part of borrowings.

Trade and other payables

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Financial instruments (continued)

Borrowings

Borrowings are initially measured at fair value plus direct transaction costs, 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 using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Loans to (from) group companies

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

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that the loan is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

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

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise. Derivatives are classified as financial assets at fair value through profit or loss – held for trading.

1.12 Revenue

Revenue recognition

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

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

Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and all risks and rewards associated with them, there is no further group management involvement in the products and collectability of the related receivables is reasonably assured.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Revenue (continued)

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.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Other income

Dividend income is recognised when the right to receive payment is established.

Commission and rental income is recognised when earned.

1.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised to the cost of the asset.

1.14 Taxation

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 or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities

Deferred tax is provided for using the liability method, on temporary differences between the carrying value of assets and liabilities for accounting purposes and the amounts used for tax purposes. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. However no deferred tax is provided on temporary differences relating to:

- The initial recognition of goodwill; or
- The initial recognition (other than in a business combination) of an asset or liability at the time of the transaction affects neither accounting profit nor taxable profit (tax loss); and
- Investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

The provision for deferred tax is calculated using enacted or substantively enacted tax rates at statement of financial position date that are expected to apply when the asset is realised or liability settled.

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

The provision for deferred tax assets and liabilities reflects the tax consequences that would follow from the expected recovery or settlement of the carrying amount of its assets and liabilities.

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, directly in equity; or
- A business combination.

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 to equity.

Secondary taxation on companies (STC) is recognised as part of the current tax charge in profit and loss when the related dividend is declared.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Earnings per share

The group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

1.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee ("chief operating decision maker"). The committee is responsible for allocating resources and assessing performance of the operating segments.

1.17 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.18 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

Impairment of goodwill

The group determines if goodwill is impaired at least on an annual basis. The recoverable amounts of CGUs have been determined based on value in use calculations. Refer to note 12 for more details. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and a market related pre-tax discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence of significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments.

Estimation of useful lives of property, plant and equipment

The assets' residual values and estimated useful lives are reviewed annually, considering market conditions and projected disposal values. Uniform depreciation and amortisation rates are established based on the straight-line method which may not represent the actual usage of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Inventory net realisable value

Inventory net realisable value is based on estimates of future market conditions and the ability to recover the cost of inventory.

Deferred tax assets

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

Notes to the Annual Financial Statements
for the year ended 28 February 2011

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2011

2.1 Accounting policy developments include new standards issued, amendments to standards and interpretations issued on current standards. The developments resulted in the first time adoption of new standards and revised and additional disclosures required that are effective for the first time for the group's accounting period:

Number	Title	Effective date*	Executive summary
Amendments to IAS 27	Consolidated and Separate Financial Statements	1 July 2009	The amendment requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
Amendment to IAS 32	Financial Instruments: Presentation – Classification of Rights Issues	1 February 2010	The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
Amendment to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009	The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of: a one-sided risk in a hedged item; and inflation in a financial hedged item.
Amendment to IFRS 2	Share-based Payments – Group Cash-settled Share-based Payment Transactions	1 January 2010	The amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment provides guidance on how to account for group share-based payment schemes in entities' separate financial statements. The amendment incorporates guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.
IFRS 3 Revised	Business Combinations	1 July 2009	The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	This interpretation clarifies that: (1) A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (2) An entity should measure the dividend payable at the fair value of the net assets to be distributed; and (3) An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit and loss. The interpretation also requires an entity to provide additional disclosure if the net assets being held for distribution to owners meet the definition of a discontinued operation. The interpretation does not apply to common control transactions.
Improvements to IFRSs 2009	Improvements to IFRS 2009	'Either' 1 July 2009 'or' 1 January 2010	Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the board reached on proposals made in its annual improvements project.
Improvements to IFRSs 2008	Improvements to IFRSs 2008 IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary	1 July 2009	This improvement clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS 2011 (continued)

2.2 Certain new standards, amendments and interpretations to existing standards have been published, but are not effective for the group's accounting period and have not been early adopted:

Number	Title	Effective date*	Executive summary	Expected impact
Amendment to IAS 12	Income Taxes – Deferred Tax: Recovery of Underlying Assets	1 January 2012	The amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 Investment property. Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model in IAS 40. To provide a practical approach in such cases, the amendments introduce a presumption that the investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.	N/A
Amendment to IAS 24	Related Party Disclosures	1 January 2011	The revision simplifies the disclosure requirements for government-related entities and clarifies the definition of related party.	Minimal
Amendment to IFRS 7	Financial Instruments: Disclosures – Transfer of Financial Assets	1 July 2011	The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. It will also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period.	Minimal
IFRS 9	Financial Instruments	1 January 2013	IFRS 9 addresses classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard requires a single impairment method to be used, replacing the numerous impairment methods in IAS 39 that arose from the different classification categories. The standard also removes the requirement to separate embedded derivatives from financial asset hosts.	Minimal
Amendment to IFRS 9	Financial Instruments	1 January 2013	The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 Financial Instruments: Recognition and Measurement, without change, except for financial liabilities that are designated at fair value through profit or loss. The amendment introduces new requirements that address the problem of volatility in profit or loss (P&L) arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within P&L.	Moderate
Amendment to IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction-Prepayment of Minimum Funding Requirements	1 January 2011	This amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.	N/A
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. It clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.	N/A

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

2. INTERNATIONAL FINANCIAL REPORTING STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2011 (continued)

Number	Title	Effective date*	Executive summary	Expected impact
Improvements to IFRSs 2010	Improvements to IFRS 2010	Each improvement has its own effective date, generally 1 July 2010 or 1 January 2011	Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the board reached on proposals made in its annual improvements project.	Moderate
IAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012	The amendment requires entities to separate items presented in other comprehensive income (OCI) into two groups based on whether or not they may be recycled to profit or loss in the future.	Moderate
IAS 19 (Amendment)	Employee Benefits	1 January 2013	The amendments eliminate the option to defer the recognition of actuarial gains and losses, streamline the presentation of changes in assets and liabilities arising from defined benefit plans including the requirement that remeasurements be presented in other comprehensive income, and enhance the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.	N/A
IAS 27 (Amended)	Separate Financial Statements	1 January 2013	IFRS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments.	Minimal
IAS 28 (Amended)	Investments in Associates and Joint Ventures	1 January 2013	The new IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	Moderate
IFRS 10	Consolidated Financial Statements	1 January 2013	IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes IAS 27 Consolidated and Separate Financial Statements. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. The Standard provides additional guidance to assist in determination of control where this is difficult to assess.	Moderate
IFRS 11	Joint Arrangements	1 January 2013	IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and supersedes IAS 31 Interests in Joint Venture. IFRS 11 classifies joint arrangements into joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The focus is no longer on the legal structure. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.	N/A
IFRS 12	Disclosure of Interest in Other Entities	1 January 2013	IFRS 12 is a comprehensive Standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The new Standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risk and financial effects associated with the entity's interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.	Moderate
IFRS 13	Fair Value Measurement	1 January 2013	IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value, and sets out disclosure requirements on fair value measurements.	Moderate

* *Annual periods beginning on or after*

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

		2011 R'000	2010 R'000	2011 R'000	2010 R'000
3.	**OTHER NET INCOME**				
	Gain on bargain purchase (negative goodwill – Note 33)	5 791	–	–	–
	Management fee and other income	–	1 205	1 200	–
4.	**EXPENDITURE BY NATURE**				
4.1	**Cost of sales**				
	Cost of inventories expensed during the year	642 665	534 854	–	–
4.2	**Operating and administration expenses**				
	Administration fees	6 438	5 717	–	–
	Advertising	408	370	–	–
	Auditors' remuneration	681	1 012	112	122
	Bank charges	349	362	1	1
	Computer expenses	179	220	–	20
	Depreciation and amortisation	5 203	3 907	–	–
	Donations	109	48	–	–
	Electricity	1 327	840	–	–
	Employee costs – directors	4 846	4 436	–	–
	Employee costs – salaried staff	32 854	24 502	–	–
	Foreign exchange loss/(profit)	1 397	(835)	–	–
	Impairment of goodwill (note 12)	4 000	–	–	–
	Decrease in provision for impairment of trade receivables	(335)	(538)	–	–
	Insurance	628	502	–	–
	Legal expenses	2 392	1 584	478	436
	Motor vehicle expenses	618	312	–	–
	Operating lease charges	1 413	1 237	–	–
	Other expenses	1 429	1 163	1 271	–
	Petrol and oil	1 043	835	–	–
	Postage	42	45	1	–
	Printing and stationery	763	588	361	187
	Repairs and maintenance	1 606	1 609	–	5
	Security	751	641	–	–
	Subscriptions	124	103	6	23
	Telephone and fax	1 196	1 106	–	–
	Travel – local	1 261	1 094	–	–
	Travel – overseas	278	325	–	–
		71 000	51 185	2 230	794
4.2.1	**Employee costs – directors** (Refer Directors' Report)				
	Paid by subsidiary				
	Executive directors				
	Salaries	2 771	2 524	–	–
	Vehicle allowance	979	860	–	–
	Medical aid contribution	230	257	–	–
	Pension fund contribution	372	338	–	–
	13th cheque	242	211	–	–
	Non-executive directors	252	246	–	–
		4 846	4 436	–	–
4.2.2	**Foreign exchange loss/(profit)**				
	– realised	1 066	1 793	–	–
	– unrealised	331	(2 628)	–	–
		1 397	(835)	–	–
4.2.3	**(Profit)/loss on sale of property, plant and equipment** (Included in other expenses)	(126)	30	–	–
4.2.4	**Pension fund contributions** (Included in employee costs)	2 319	2 065	–	–

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

		GROUP		COMPANY	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
5.	**AUDITORS' REMUNERATION**				
	Fees	**681**	1 012	**112**	122
6.	**FINANCE COSTS**				
	Nedbank term loans	**8 771**	10 142	**1**	2
		8 771	10 142	**1**	2
7.	**INVESTMENT INCOME**				
	Dividend				
	Subsidiaries	**–**	–	**5 200**	18 200
	Finance income				
	Bank interest	**1 186**	1 087	**–**	–
		1 186	1 087	**5 200**	18 200
8.	**REVENUE**				
	Sale of goods	**728 556**	608 121	**–**	–
	Commission received	**3 603**	3 223	**–**	–
	Rental income	**294**	287	**–**	–
		732 453	611 631	**–**	–

		GROUP		COMPANY	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
9.	**INCOME TAXES**				
	Income tax recognised in profit or loss				
	Current				
	Local income tax – current period	**6 618**	6 736	**–**	–
	Secondary tax on companies	**520**	1 820	**520**	1 820
		7 138	8 556	**520**	1 820
	Deferred				
	Originating and reversing temporary differences	**408**	1 168	**–**	–
	Benefits of recognised tax loss	**(2 545)**	(2 624)	**(288)**	(223)
		(2 137)	(1 456)	**(288)**	(223)
		5 001	7 100	**232**	1 597
	Reconciliation of the tax expense				
	Reconciliation between accounting profit and tax expense				
	Accounting profit	**16 994**	**17 742**	**4 168**	**17 404**
	Tax at the applicable tax rate of 28% (2010: 28%)	**4 758**	4 968	**1 167**	4 873
	Tax effect of adjustments on taxable income				
	Disallowable expenses	**224**	312	**–**	–
	Income not subject to tax	**(501)**	–	**(1 455)**	(5 096)
	Secondary tax on companies	**520**	1 820	**520**	1 820
		5 001	7 100	**232**	1 597
	Tax paid				
	Balance at the beginning of the year	**(5 811)**	(10 153)	**253**	253
	Current tax for the year recognised in Statement of Comprehensive Income	**(7 138)**	(8 556)	**(520)**	(1 820)
	Balance at the end of the year	**1 461**	5 811	**(373)**	(253)
		(11 488)	(12 898)	**(640)**	(1 820)
	Deferred tax				
	Deferred tax assets and liabilities comprise the following:				
	Accelerated capital allowances for tax purposes	**(1 128)**	(720)	**–**	–
	Tax losses available for set off against future taxable income	**7 445**	4 900	**511**	223
	Deferred taxation on fair value adjustment of Metlite	**(2 490)**	–	**–**	–
		3 827	4 180	**511**	223
	Reconciliation of deferred tax asset/(liability)				
	At the beginning of the year	**4 180**	2 724	**223**	–
	Deferred taxation on fair value adjustment of acquisition	**(2 490)**	–	**–**	–
	Increase in tax losses available for set off against future taxable income	**2 545**	2 624	**288**	223
	Originating temporary difference on property, plant and equipment	**(408)**	(1 168)	**–**	–
		3 827	4 180	**511**	223

Recognition of deferred tax asset

The deferred tax asset arises predominantly from estimated tax losses generated by the aluminium business in Benoni. This asset will be utilised against future taxable income that management expects the company to start generating, mainly as a result of expected improvement in aluminium prices, increased revenue, volumes and improved capacity utilisation.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

10. PROPERTY, PLANT AND EQUIPMENT

	Cost R'000	2011 Accumulated depreciation R'000	Carrying value R'000
Group			
Land and buildings	21 759	(4 723)	17 036
Plant and machinery	22 029	(7 862)	14 167
Furniture and fixtures	2 928	(2 434)	494
Motor vehicles	5 411	(3 747)	1 664
IT equipment	2 823	(2 484)	339
	54 950	(21 250)	33 700

	Cost R'000	2010 Accumulated depreciation R'000	Carrying value R'000
Group			
Land and buildings	15 959	(4 005)	11 954
Plant and machinery	13 874	(5 221)	8 653
Furniture and fixtures	2 733	(2 208)	525
Motor vehicles	4 237	(2 530)	1 707
IT equipment	2 521	(2 083)	438
	39 324	(16 047)	23 277

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
Reconciliation of property, plant and equipment – Group – 2011						
Land and buildings	11 954	–	5 800	–	(718)	17 036
Plant and machinery	8 653	2 566	5 836	(247)	(2 641)	14 167
Furniture and fixtures	525	254	–	(59)	(226)	494
Motor vehicles	1 707	1 213	–	(39)	(1 217)	1 664
IT equipment	438	317	–	(15)	(401)	339
	23 277	4 350	11 636	(360)	(5 203)	33 700
Reconciliation of property, plant and equipment – Group – 2010						
Land and buildings	6 434	6 185	–	–	(664)	11 954
Plant and machinery	9 143	1 573	–	(192)	(1 871)	8 653
Furniture and fixtures	573	158	–	–	(206)	525
Motor vehicles	2 664	–	–	(73)	(884)	1 707
IT equipment	580	145	–	(5)	(282)	438
	19 394	8 060	–	(270)	(3 907)	23 277

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the group. Land and buildings situated on Stand 359, Crocker Road, Wadeville, Extension 4 are valued at R32,3 million based on cash-flow projections discounted at 22% with a 2,50% annual growth rate. Certain property, plant and equipment are pledged as security for a term loan (note 19).

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
Assets subject to finance lease (Net carrying amount)				
Motor vehicles	755	1 141	–	–

11. INVESTMENTS IN SUBSIDIARIES

Name of company	Held by	GROUP % holding 2011	% holding 2010	Carrying amount 2011 R'000	Carrying amount 2010 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 Aluminium Alloys (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	**100,00**	100,00	**–**	–
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 Thermal Insulation (Proprietary) Limited*	Insimbi Alloy Supplies (Proprietary) Limited	**49,50**	49,50	**–**	– –
Metlite Alloys (Proprietary) Limited	Insimbi Alloy Supplies (Proprietary) Limited	**100,00**	–	**–**	–
Metlite Alloys Properties (Proprietary) Limited	Insimbi Alloy Properties (Proprietary) Limited	**100,00**	–	**–**	–
				23 574	23 574

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

Insimbi Alloy Properties (Proprietary) Limited 1 000 ordinary shares of R0,01 each	**R10**	R10
Insimbi Alloy Supplies (Proprietary) Limited 100 ordinary shares of R1 each	**R100**	R100
Insimbi Aluminium Alloys (Proprietary) Limited 100 ordinary shares of R1 each	**R100**	R100
Insimbi Refractory and Alloy Supplies Limited – Zambia 100 ordinary shares of K1 000 each	**K100 000**	K100 000
Insimbi Bulk Commodities (Proprietary) Limited 120 ordinary shares of R1 each	**R120**	R120
Insimbi Thermal Insulations (Proprietary) Limited 404 ordinary shares of R1 each	**R404**	R404
Metlite Alloys (Proprietary) Limited 52 ordinary share of R1,00 each	**R52**	–
Metlite Alloys Properties (Proprietary) Limited 100 ordinary shares of R1 each	**R100**	–

* *Effectively 100% controlled and is fully consolidated into the group*
** *Reclassification from Goodwill to Investment in Subsidiary. There is no impact on the balance sheets or results for the prior year and 2009 comparatives.*

	2011 Cost R'000	2011 Accumulated amortisation and impairment R'000	2011 Carrying value R'000	2010 Cost R'000	2010 Accumulated amortisation and impairment R'000	2010 Carrying value R'000
12. INTANGIBLE ASSETS						
Regulatory Permit	2 500	–	2 500	–	–	–
Goodwill	39 938	(4 000)	35 938	39 938	–	39 938
Total	42 438	(4 000)	38 438	39 938	–	39 938

Group	Opening balance R'000	Amortisation and impairment R'000	Carrying value R'000
Reconciliation of goodwill – 2011			
Goodwill	39 938	(4 000)	35 938
Reconciliation of goodwill – 2010			
Goodwill	39 938	–	39 938

Impairment test for goodwill

During the financial year, the group impaired R4 000 000 relating to the Foundry cash-generating unit. The impairment test for goodwill identifies the recoverable amount of a cash-generating unit and is determined based on value-in-use calculations.

Goodwill is allocated to the group's cash-generating unit identified at an operating segment level, as follows:

Segment	GROUP 2011 R'000	GROUP 2010 R'000
Foundry	19 629	23 629
Steel	11 885	11 885
Refractory	4 424	4 424
	35 938	39 938

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 companies operate and are materially similar to assumptions of external market sources. The cash-generating unit's recoverable amount is most sensitive to the growth rate assumptions applied. Growth rates for impairment testing purposes beyond five years were assumed at 3 percent. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted gross margin based on past performance and its expectations of market developments. The discount rates used are pre-tax and reflect the appropriate risk associated with the industry and its respective businesses.

12. GOODWILL (continued)

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

	2011			2010		
	Foundry %	Steel %	Refractory %	Foundry %	Steel %	Refractory %
Gross margin[1]	13,80	6,50	14,50	16,50	7,80	17,40
Growth rate[2]	3	3	3	5	5	5
Discount rate[3]	22,00	22,00	22,00	16,83	16,83	16,83

[1] *Budgeted gross margin*
[2] *Minimum growth rate used to extrapolate cash flows beyond the budget period*
[3] *Pre-tax discount rate applied to the cash-flow projections*

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

Sensitivity analysis

A decrease in the growth rate by 1% or an increase of 1% in the discount rate assumed, will result in an additional impairment of R1,3 million in the group.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
13. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiaries				
Insimbi Alloy Properties (Proprietary) Limited	–	–	5 360	5 360
Insimbi Alloy Supplies (Proprietary) Limited	–	–	(20 509)	(19 753)
	–	–	(15 149)	(14 393)
The loans are unsecured, interest free and have no fixed terms of repayment				
14. INVENTORIES				
Merchandise at cost	62 503	54 614	–	–
Goods in transit	3 067	2 784	–	–
	65 570	57 398	–	–
Inventories write-downs	(2 588)	(2 515)	–	–
	62 982	54 883	–	–
Inventory pledged as security				
Inventory was pledged as security for the term loans (note 19)				
15. TRADE AND OTHER RECEIVABLES				
Trade receivables	103 446	98 664	–	–
Provision for impairment of trade receivables	(75)	(409)	–	–
Trade receivable net	103 371	98 255		
Prepayments and deposits	5 816	3 228	1 143	1 643
VAT	–	87	27	87
Sundry debtors	3 308	–	–	–
	112 495	101 570	1 170	1 730

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

		GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
16.	**CASH AND CASH EQUIVALENTS**				
	Cash and cash equivalents consist of:				
	Cash on hand	17	41	–	–
	Bank balances	37 746	27 136	–	–
	Bank overdraft	(8 526)	(5 892)	–	–
		29 237	21 285	–	–
	Current assets	37 763	27 177	–	–
	Bank overdraft included in current portion of borrowings	(8 526)	(5 892)	–	–
		29 237	21 285	–	–
17.	**OTHER FINANCIAL ASSETS**				
	At fair value through profit or loss				
	Foreign exchange contract (FECs)	495	453	–	–
	Current assets	495	453	–	–

Fair values are determined annually at statement of financial position date by translation of open FECs to market rates, such as the use of observable market data and rely as little as possible on entity specific estimates. These instruments are categorised as "level 2".

The group holds various foreign exchange contracts with various financial institutions at variable maturity dates (notes 25 and 30.)

		GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
18.	**SHARE CAPITAL**				
	Authorised				
	12 000 000 000 ordinary shares of 0,000025 cents each	3	3	3	3
		3	3	3	3

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last Annual General Meeting. This authority remains in force until the next Annual General Meeting.

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
Issued				
Ordinary – 260 000 000 of 0,000025 cents each	–	–	–	–
Share premium	46 533	46 533	46 533	46 533
Share issue costs written off against share premium	(2 091)	(2 091)	(2 091)	(2 091)
Treasury shares held by subsidiary	(238)	(238)	–	–
	44 204	44 204	44 442	44 442
Reconciliation of number of shares issued: (000's)				
Shares purchased by subsidiaries	342	342	342	342
Issue of shares – ordinary shares	73 212	73 212	73 212	73 212
Issue of shares to directors – ordinary shares	186 446	186 446	186 446	186 446
	260 000	260 000	260 000	260 000

Shares repurchased by a subsidiary and held in treasury amounted to 341 700 at year end which are disclosed as a reduction of equity in the statement of changes in equity. Subsequent to year end 1 689 125 shares were bought, changing the number of shares held in treasury to 2 030 825.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
19. BORROWINGS				
Non-current				
Interest-bearing borrowings				
Held at amortised cost				
Nedbank Limited – Term Loan	4 575	–	–	–
Nedbank Limited – Loan Number two	26 297	37 322	–	–
Nedbank Mortgage Bond	4 300	4 900	–	–
Total Non-current Borrowings	35 172	42 222	–	–
Current				
Interest-bearing borrowings				
Held at amortised cost				
Nedbank Limited – Term Loan	331	–	–	–
Nedbank Limited – Loan Number two	10 750	9 518	–	–
Nedbank Mortgage Bond	600	601	–	–
Nedbank Instalment Sale	879	1 463	–	–
Nedbank Limited – Overnight Loan	37 880	14 700	–	–
Bank Overdraft	8 526	5 892	–	
Total Current Borrowings	58 966	32 174	–	–

The fair value of borrowings approximate carrying amounts:

Nedbank Limited – Term Loan – interest rate – prime less 2%

The monthly instalment is R63 428. This loan is unsecured. Interest at year end was 7%. The last capital repayment falls due on 1 November 2020.

Nedbank Limited – Loan number two – interest fixed at 9% (2010: 12,03%)

The monthly instalment is R1 150 729 (2010: R1 210 144) which includes capital and interest with the last repayment falling due on 31 March 2014.

Nedbank instalment sale agreements – interest rates vary between 11% and 15,50% (2010: 12,50% and 14,50%)

Secured by motor vehicles and plant and equipment with a net book value of R1 329 719 (2010: R1 141 000) and repayable in monthly instalments of R74 996 (2010: R60 750).

Nedbank Mortgage Bond – interest rate – prime less 0,5%

The monthly capital repayment is R50 000 (2010: 50 000). This loan is secured by the property acquired in Atlantis, Cape Town. Interest at year end was 8.5% (2010: 10%). The last repayment falls due on 30 March 2019.

Nedbank Limited – Overnight Loan – interest rate – prime less 1,5%

The maximum amount that the group is permitted by Nedbank is R55 000 000, after taking any overdraft into account. The balance varies from month to month depending on the cash flow of the group and company and there are no fixed repayment terms. Interest at year end was 7,75% (2010: 9,25%).

Bank overdraft

The overdraft facility is split into R10 million (2010: R10 million) for Insimbi Aluminium Alloys (Proprietary) Limited and R45 million (2010: R45 million) for Insimbi Alloy Supplies (Proprietary) Limited.

Security

All the facilities are secured by general notarial bond of R70,0 million (2010: R70,0 million) over inventories, plant and equipment, a mortgage bond for R15,0 million over Stand 359, Crocker Road, Wadeville and a mortgage bond for R6,00 million over the property in Atlantis, Cape Town.

The fire insurance policy entered into between the company and Alexander Forbes Risk Services has been endorsed in respect of Nedbank Limited's interest in regard to the general notarial covering bond of R70,0 million.

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

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

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
19. BORROWINGS ((continued)				
The carrying amount of assets pledged as security is detailed as follows:				
Property plant and equipment	33 700	23 277	–	–
Inventories	62 982	54 883	–	–
Trade and other receivables	112 495	101 570		
	209 177	179 730	–	–

Covenants

In the prior year, the group did not fulfil its senior debt service ratio.
This has been rectified in the current reporting period by management.

Borrowing powers

In terms of the articles of association, article 61, the borrowing powers of the company are unlimited.

Borrowing facilities

The group has drawn the following from its facilities:

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
Fixed rate				
Expiring within one year	10 750	9 518	–	–
Expiring beyond one year	26 297	37 322	–	–
	37 047	46 840	–	–
Floating rate				
Expiring within one year	48 216	22 656	–	–
Expiring beyond one year	8 875	4 900	–	–
	57 091	27 556	–	–
Total interest-bearing borrowings	94 138	74 396	–	–
20. TRADE AND OTHER PAYABLES				
Trade payables	105 067	89 362	–	–
Accrued expenses and other payables	9 285	8 973	355	–
	114 352	98 335	355	–

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

Accrued leave pay

Employee benefits in the form of annual leave are provided for when they accrue to employees with reference to services rendered to statement of financial position date.

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
21. CASH GENERATED FROM/(USED IN) OPERATIONS				
Profit before taxation	16 994	17 742	4 169	17 404
Adjustments for:				
Depreciation	5 203	3 907	–	–
(Profit)/loss on sale of assets	(126)	30	–	–
Dividends received	–	–	(5 200)	(18 200)
Impairment of goodwill	4 000	–	–	–
Investment revenue	(1 186)	(1 087)	–	–
Finance costs	8 771	10 142	(1)	2
Fair value adjustment on foreign exchange contracts	1 397	(835)	–	–
Movement in foreign currency translation reserve	20	56	–	–
Negative goodwill – gain on bargain purchase	(5 791)	–	–	–
Changes in working capital:				
Inventories	(8 099)	20 951	–	–
Trade and other receivables	(10 925)	(12 173)	560	(820)
Trade and other payables	15 864	(13 826)	355	(640)
	26 122	24 907	(117)	(2 254)

22. FOREIGN CURRENCY EXPOSURE

The group entered into forward exchange contracts to buy specified amounts of foreign currency in the future at predetermined rates. The contracts are entered into to manage the group's exposure to fluctuations in foreign currency exchange rates on specific transactions. These contracts will mature within three months of year end.

Contracts entered into but not matured at year end were valued as follows:

Currency	2011 Foreign amount 000	2011 Rand R'000	2010 Foreign amount 000	2010 Rand R'000
US Dollars	2 802	19 767	1 377	10 744
British Pounds	58	662	201	2 398
Euro	1 302	12 653	1 042	11 050
		33 082		24 192

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
23. CONTINGENCIES				
Guarantees	932	932	–	–
All guarantees are performance guarantees held for Insimbi Alloy Supplies(Proprietary) Limited on behalf of various government beneficiaries.				
Tax consequences of undistributed reserves				
STC on remaining reserves	4 443	3 655	–	–

24. EMPLOYEE BENEFITS

Pension obligations

The group employees are members of a defined contribution plan which is administered by Alexander Forbes Retirement Fund.
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 employee benefit expense when they are due.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
25. CAPITAL AND LEASE COMMITMENTS				
Capital commitments				
Capital commitments relating to the acquisition in March 2010 of the fixed assets and business of Metalloy Fibres (Proprietary) Limited	–	1 000	–	–
	–	1 000	–	–
JLL Properties (Proprietary) Limited				
Rental payable for period March 2011 to February 2012 – due within 1 year	559	518	–	–
Rental payable for period March 2012 to February 2016 – due within 2 – 5 years	2 723	2 520	–	–
Rental payable for period March 2016 to February 2018 – due after 5 years	1 809	2 571	–	–
	5 091	5 609	–	–
The lease with JLL Properties (Proprietary) Limited expires on 28 February 2018 but we have an option to renew for a further ten-year period.				
Insimbi Alloy Properties (Proprietary) Limited				
Rental payable in the subsequent period – due within 1 year	899	832	–	–
Insimbi Alloy Properties (Proprietary) Limited leases premises to Insimbi Alloy Supplies (Proprietary) Limited, which is eliminated on consolidation.				
In terms of the lease, rentals increase by 8% with effect from March of each year. There is no fixed expiry date in regard to this lease.				
Instalment sale agreements: Motor vehicles				
Minimum lease payments due				
– within one year	813	905	–	–
– in second to fifth year inclusive	619	1 001	–	–
Less: Future finance charges	(553)	(443)	–	–
Present value of minimum lease payments due	879	1 463	–	–
Metlite Alloy Properties (Proprietary) Limited				
Rented payable to – the subsequent period – due within 1 year	958	–		
Insimbi Alloy Properties (Proprietary) Limited leases premises to Metlite Alloys (Proprietary) Limited, which is eliminated on consolidation.				
In terms of the lease, rentals increase by 10% with effect from March of each year. The lease expires on 28 February 2013.				
1st African Group				
Rental payable for period March 2011 to February 2012 – due within 1 year	1 849	–		
Rent payable for period March 2012 to February 16 – due within 2 –5 years	827	–		
The lease with 1st African Group expires on 30 July 2012, but there is an option to renew for a period to be determined.				

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
26. RELATED PAR(TIES				
Relationships				
Subsidiaries	Refer to note 11 – Investments in subsidiaries			
Members of key management	Directors of the group per directors' report meet the definition of key management personnel. Key management personnel consist of directors only.			
Related party balances				
Loan accounts – Owing (to)/by related party to Insimbi Refractory and Alloy Supplies Limited				
Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)	–	–	5 360	5 360
Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	–	–	(20 509)	(19 753)
Owing by related party to Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	6 987	6 304	–	–
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	30 576	31 891	–	–
*Insimbi Refractory and Alloy Supplies Limited – Zambia (100% subsidiary)	2 824	2 159	–	–
*Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)	815	755	–	–
*Insimbi Bulk Commodities (Proprietary) Limited (100% subsidiary)	–	1	–	–
Metlite Alloys (Proprietary) Limited (100%) subsidiary)	134	–	–	–
Receivables from related parties				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	–	30	–	–
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	–	1	–	–
Payables to related parties				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	2 033	3 323	–	–
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	332	226	–	–
Related party transactions				
Dividends paid to/(received from)				
**Insimbi Holdings (Proprietary) Limited	3 736	13 051	–	–
*Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	(5 200)	(18 200)	(5 200)	(18 200)
Administration fee paid to/(received from)				
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	(180)	(363)	–	–
*Insimbi Holdings (Proprietary) Limited	7 203	5 718	–	–
Rent paid to/(received from) Insimbi Alloy Properties (Proprietary) Limited (100% subsidiary)				
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	(310)	(234)	–	–
*Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)	(1 107)	(965)	–	–

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
26. RELATED PARTIES (continued)				
Rent paid to/(received from)				
Metlite Alloys Properties (Proprietary) Limited (100% subsidiary) (100% subsidiary)	–	–	–	–
*Metlite Alloys (Proprietary) Limited (100% subsidiary)	(581)	–	–	–
Purchase of goods and services from Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	492	461	–	–
*Insimbi Refractory and Alloy Suppliers Limited – Zambia (100% subsidiary)	3 327	–	–	–
*Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	494	336		–
*Metlite Alloys (Proprietary) Limited (100% subsidiary)	298	–	–	–
Sale of goods and services to Insimbi Alloy Supplies (Proprietary) Limited (100% subsidiary)				
*Insimbi Aluminium Alloys (Proprietary) Limited (100% subsidiary)	25 456	29 187	–	–
Insimbi Refractory and Alloy Suppliers Limited – Zambia (100% subsidiary)	54	–	–	–
Insimbi Thermal Insulation (Proprietary) Limited (100% subsidiary)	5 344	–	–	–
Metlite Alloys (Proprietary) Limited (100% subsidiary)	3 200	–	–	–
Key management compensation				
Salaries and other employee benefits	4 846	4 436	–	–

* *These balances/transactions have been eliminated on consolidation*

** *The five major shareholders of Insimbi Refractory and Alloy Supplies Limited are the shareholders of Insimbi Holdings (Proprietary) Limited*

27. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT

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

The group is exposed to risks from its use of financial instruments. This note describes the group's objective, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. The group is currently exposed to credit risk, liquidity risk and market risk, which comprises currency risk and cash flow interest rate risk. The carrying amounts of current financial instruments approximate their fair values due to the short-term maturities of these financial instruments. Remaining long-term borrowings bear interest at market related interest rates and at fixed rates which results in the current carrying amount being approximate to its current fair value.

There have been no substantive changes to the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Information disclosed has been disaggregated, where the financial instruments used by the company have 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 certain other receivables
Cash and cash equivalents
Forward exchange assets
Loans receivable
Long-term borrowings
Variable rate instalment sale liabilities
Trade and certain other payables

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

27. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)

The directors have an overall responsibility for the determination of the group's risk management, objectives and policies, and whilst retaining ultimate responsibility for them, they ensure that excess cash as generated from the operations is invested with financial institutions of good standing, finance is provided by reputable financial institutions and customers of good quality are accepted. The main purpose of financial liabilities is to raise finance to fund the acquisition of property, plant and equipment, and future acquisitions. The directors on a monthly basis monitor their collections from the company's debtors, movement in prime lending rates, movements in exchange rates and the risks that the group is exposed to based on current market conditions. All currency risks are hedged directly through the use of foreign exchange contracts. The group does not speculate with derivative financial instruments.

The overall objective of the board is to set policies that seek to reduce risk that the group is exposed to directly as far as possible without unduly affecting the company's general business operation. Further details regarding these policies are set out below:

Procedures for mitigating risk

Procedures for mitigating risk include:
Performing credit checks on potential customers
The preparation of cash flow forecasts. Cash flow forecasts are prepared regularly for three-month periods and are reviewed daily.
Forward exchange contracts are entered into with financial institutions in order to minimise the group's exposure to exchange rate fluctuations. Forward exchange contracts are taken for both import of material as well as the export of material. These contracts are reviewed on a regular basis and where necessary are extended due to changes in business conditions.

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

Liquidity risk arises from the group's management of trade payables, lease payments, overdrafts and principal repayments on its debt instruments. It is the risk that the group will experience financial difficulty in meeting financial obligations as they fall due. 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. To achieve this it seeks to maintain agreed facilities with reputable financial institutions. This is also achieved by monitoring the economy to ensure that necessary price increases are effected. 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. This is further described in note 19.

Contractual maturity analysis

	Payable within one year/ on demand R'000	Payable within 2 to 5 years R'000	Payable after 5 years R'000
Group 2011			
At 28 February 2011			
Undiscounted cash flows arising from financial liabilities due			
Trade payables			
– Local	101 065	–	–
– Foreign	4 002	–	–
Bank overdraft	8 526	–	–
Nedbank Limited – term loan	761	3 045	3615
Nedbank Limited – loan number two	13 809	28 768	–
Nedbank Mortgage Bond	600	2 400	1 850
Nedbank Limited – instalment sale	813	619	–
Nedbank Limited – overnight loan	37 880	–	–
	167 456	34 832	5 465

27. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)

	Payable within one year/ on demand R'000	Payable within 2 to 5 years R'000	Payable after 5 years R'000
Group 2010			
At 28 February 2010			
Undiscounted cash flows arising from financial liabilities due			
Trade payables			
– Local	83 720	–	–
– Foreign	5 642	–	–
Bank overdraft	5 892	–	–
Nedbank Limited – loan number two	14 522	44 775	–
Nedbank Mortgage Bond	1 126	5 477	1 446
Nedbank Limited – instalment sale	1 803	–	–
Nedbank Limited – overnight loan	14 700	–	–
	127 405	50 252	1 446

At year end the group had R39 million available in the form of unutilised facilities. This amount can be utilised to settle trade payables should customers not settle their debts. This facility can also be utilised for future expansion of the business.

Management of liquidity risk in regard to financial liabilities

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

Sensitivity analysis

The group is predominantly exposed to the metal price risk. Fluctuations in the metal price as quoted on the LME will have an insignificant net effect on profit as any fluctuations in the metal price are effectively passed on to the consumer immediately. This represents no change from the prior period in the method and assumptions used. This analysis represents management's best estimate of the effect on profit.

Interest rate risk

Market risk arises from the group's use of variable interest rate instalment sale liabilities and fixed and variable long-term borrowings and bank accounts that are carried at amortised cost. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligation. The risk remains un-hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis. The benefits of fixing or capping interest rates on the group's various financing activities are considered on a case-by-case basis and project-by-project basis, taking the specific and overall risk profile into consideration.

Interest rates on certain loans are fixed for the period of the loan while the interest rates on other loans are linked to the overdraft rate. The prime rate as at year end was 9%.

Interest rates applicable to interest bearing liabilities are disclosed in the Borrowings note.

27. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)

Interest rate risk (continued)

The group also holds cash and cash equivalents, which earns interest at variable rates and has variable rate debt in issue. Consequently, the group is exposed to cash flow interest rate risk.

Cash and cash equivalents comprise cash in hand and bank balances. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the group earns the most advantageous rates of interest available.

Sensitivity analysis

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

	2011 After tax effect on profit and loss		2010 After tax effect on profit and loss	
	2% increase R'000	1% decrease R'000	2% increase R'000	1% decrease R'000
Group (Rands)				
South African lending rate				
Variable rate instalment sale liabilities	(19)	10	(31)	15
Cash and cash equivalents – Local	530	(265)	301	(150)
Other variable rate liabilities	(1 284)	642	(662)	331

	2011 After tax effect on profit and loss		2010 After tax effect on profit and loss	
	3% increase R'000	3% decrease R'000	3% increase R'000	3% decrease R'000
United States of America lending rate				
Cash and cash equivalents – US Dollar	(20)	20	(15)	15

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, trade receivables and loans to group entities. With respect to cash and cash equivalents, cash is only invested with recognised and reputable financial institutions. The credit quality of customers is assessed by taking into account their financial position, past experience and other factors. Individual risk limits are set internally and are regularly monitored. Sales to retail customers are settled in cash.

The group sells material to customers who are considered to be credit worthy. It is the group's policy that all customers be subjected to a credit verification procedure before material is sold. In addition, the age analysis is reviewed monthly with the intention of minimising the group's exposure to bad debts. The maximum exposure of financial assets to credit risk is the carrying value of related financial assets as reflected on the face of the statement of financial position.

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.

27. FINANCIAL INSTRUMENT RISK EXPOSURE 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.

	GROUP		COMPANY	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Reconciliation of movement of provision for impairment of trade and other receivables for individually assessed trade debtors:				
Balance brought forward	(410)	(1 378)	–	–
Increase in provision	–	(275)	–	–
Decrease in provision	335	–	–	–
Debts written off against provision	–	1 243	–	–
Balance carried forward	(75)	(410)	–	–

Trade receivables past due but not yet impaired	Fully performing R'000	Past due and not impaired R'000	Impaired and provided for R'000	Total R'000
Group				
2011				
Trade receivables	83 633	19 663	75	103 371
– Foreign	773	481	17	1 271
– Local	82 860	19 182	58	102 100
2010				
Trade receivables	74 087	24 168	409	98 664
– Foreign	4 410	353	–	4 763
– Local	69 677	23 815	409	93 901

The debtor's book of Insimbi Alloy Supplies (Proprietary) Limited amounting to R87,1 million (2010: R86,0 million) has been ceded as security in respect of total borrowing facility.

Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities or future commercial transactions are denominated in a currency that is not the entity's functional currency. The group trades internationally and is therefore directly exposed to foreign exchange risk through its foreign currency denominated trade receivables, trade payables and forward exchange contracts.

Currency risk

Foreign currency monetary items are restated at each reporting date to incorporate the underlying foreign exchange movements, as prescribed by IAS 21 – The Effects of Changes in Foreign Exchange Rates. The group is predominantly exposed to currency risk that arises from US Dollar, Euro and British Pound denominated financial instruments. The following table indicates the group's sensitivity at year end to the indicated movements in the US Dollar, Euro and British Pound on financial instruments excluding forward exchange contracts.

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous strengthening or weakening in the rand, as detailed in the table below, against the US Dollar, Euro and British Pound with reference to the closing exchange rates and foreign currency balances outstanding as at year end, for each class of financial instrument with all other variables remaining constant. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in foreign currency exchange rates. This analysis considers the impact of changes in foreign exchange rates on profit or loss.

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

	After tax effect on profit and loss arising from US Dollar		After tax effect on profit and loss arising from Euro		After tax effect on profit and loss arising from British Pound	
	5% increase R'000	5% decrease R'000	7% increase R'000	7% decrease R'000	5% increase R'000	5% decrease R'000
27. FINANCIAL INSTRUMENT RISK EXPOSURE MANAGEMENT (continued)						
Group *nominal						
2011						
Foreign trade payables	(79)	79	(84)	81	–	–
Foreign trade receivables	277	(277)	81	(81)	–	–
Foreign bank	87	(87)	76	(76)	9	(9)
	16% increase R'000	16% decrease R'000	11% increase R'000	11% decrease R'000	11% increase R'000	11% decrease R'000
2010						
Foreign trade payables	(6)	6	(267)	267	(5)	5
Foreign trade receivables	218	(218)	13	(13)	–	–
Foreign bank	(22)	22	44	(44)	2	(2)

Forward exchange contracts

The group operates in the global business environment and many transactions are priced in a currency other than the South African Rand. Accordingly the group is exposed to the risk of fluctuating exchange rates and manages this exposure through the use of financial instruments. These instruments typically comprise forward exchange contracts. Forward exchange contracts are entered into in respect of both imports and exports in order to minimise the effect of fluctuations in exchange rates. Fair value foreign exchange risk arises upon mark to marketing of the forward exchange contracts.

Sensitivity analysis

The group is predominantly exposed to the currency of the European Union (Euro), the currency of the United States (Dollar) and the British Pound when taking out forward exchange contracts. All other currencies do not result in significant foreign exchange risk. The table below details the group's sensitivity to a fluctuation in the rand against the US Dollar, the Euro and the British Pound. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in foreign currency exchange rates.

	After tax effect on profit and loss arising from US Dollar		After tax effect on profit and loss arising from Euro		After tax effect on profit and loss arising from British Pound	
	5% increase R'000	5% decrease R'000	7% increase R'000	7% decrease R'000	5% increase R'000	5% decrease R'000
Group (Rands)						
2011						
Financial assets	16	(16)	5	(5)	–	–
Financial liabilities	–	–	–	–	(1)	1
	16% increase R'000	16% decrease R'000	11% increase R'000	11% decrease R'000	11% increase R'000	11% decrease R'000
2010						
Financial assets	–	–	203	(203)	8	(8)
Financial liabilities	(111)	111	–	–	–	–

28. 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			
2011			
Foreign exchange contract asset			
Trade and other receivables	–	495	495
– Local	102 100	–	102 100
– Foreign	1 271	–	1 271
Cash and cash equivalents (refer note 16)	29 237	–	29 237
	132 608	495	133 103
2010			
Foreign exchange contract asset	–	453	453
Trade and other receivables			
– Local	96 807	–	96 807
– Foreign	4 763	–	4 763
Cash and cash equivalents (refer note 16)	21 285	–	21 285
	122 855	453	123 308

Notes to the Annual Financial Statements *(continued)*

for the year ended 28 February 2011

29. FINANCIAL LIABILITIES BY CATEGORY

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

	At amortised cost R'000	Fair value through profit or loss – designated R'000	Total R'000
Group			
2011			
Nedbank Limited – term loan	4 906	–	4 906
Nedbank Limited – loan number two	37 047	–	37 047
Nedbank Limited – overnight loan	37 880	–	37 880
Nedbank Limited – Mortgage Bond	4 900	–	4 900
Nedbank instalment sale	879	–	879
Trade and other payables			
– Local	101 065	–	101 065
– Foreign	4 002	–	4 002
	190 679	–	190 679
2010			
Nedbank Limited – loan number two	46 840	–	46 840
Nedbank Limited – overnight loan	14 700	–	14 700
Nedbank Limited – Mortgage Bond	5 500	–	5 500
Nedbank instalment sale	1 465	–	1 465
Trade and other payables			
– Local	92 693	–	92 693
– Foreign	5 642	–	5 642
	166 840	–	166 840
Company			
2011			
Net loans from subsidiary companies (refer note 13)	15 149	–	15 149
	15 149	–	15 149
2010			
Net loans from subsidiary companies (refer note 13)	14 393	–	14 393
	14 393	–	14 393

30. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders and 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.

The gearing ratios at 28 February 2011 and 28 February 2010 were as follows:

	GROUP	
	2011 R'000	2010 R'000
Total borrowings (refer note 19)	94 138	74 396
Less: Cash and cash equivalents (refer note 16)	(29 237)	(21 285)
Net debt	64 901	53 111
Total equity	79 749	72 936
Total capital	144 650	126 047
Gearing ratio (%)	44,87	42,14

This is within the group's long-term target range, between 40% and 50%.

	GROUP 2011 R'000	GROUP 2010 R'000
31. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Basic attributable earnings per share are calculated by dividing the net profit attributable to shareholders by the number of shares in issue during the year.		
Number of shares in issue at the end of the year	260 000	260 000
Less: treasury shares held in a subsidiary at the end of the year	(342)	(342)
	259 658	259 658
Headline earnings for the group have been computed as follows:		
Profit attributable to ordinary shareholders	12 013	10 698
Adjusted for the after tax effect of:		
– Profit/(loss) on sale of property, plant and equipment	(91)	22
– Impairment of goodwill	4 000	–
– Negative goodwill (gain from bargain purchase)	(5 791)	–
Headline earnings for the group	10 131	10 720
Basic and fully diluted:		
Earnings per share (cents)	4,63	4,12
Headline earnings per share (cents)	3,90	4,13

	GROUP 2011 R'000	GROUP 2010 R'000	COMPANY 2011 R'000	COMPANY 2010 R'000
32. DIVIDENDS PAID				
Dividends				
– 7 cents per ordinary share	–	(18 200)		(18 200)
– 2 cents per ordinary share	(5 200)	–	(5 200)	–
	(5 200)	(18 200)	(5 200)	(18 200)

33. BUSINESS COMBINATIONS

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

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

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

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

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

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

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

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

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

34. BUSINESS ACQUISITION

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

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

Transaction costs to the value of R100,0 thousand were incurred and are included in administration expenses in the income statement.

Segmental Report

for the year ended 28 February 2011

	Foundry R'000	Steel R'000	Refractory R'000	Total R'000
2011				
Revenue				
Sale of goods	411 430	219 012	98 113	728 555
Commission	273	15	3 316	3 604
Rent received	–	–	294	294
	411 703	219 027	101 723	732 453
Cost of sales	(354 789)	(204 758)	(83 118)	(642 665)
Gross profit	56 914	14 269	18 605	89 788
Gain on bargain purchase	5 791	–	–	5 791
Profit before operating and administration expenses	62 705	14 269	18 605	95 579
Operating and administration expenses				
Communication	(824)	(150)	(263)	(1 237)
Consulting and professional fees	(1 937)	(422)	(714)	(3 073)
Impairment	(4 000)	–	–	(4 000)
Depreciation and amortisation	(4 043)	(457)	(702)	(5 202)
Employee costs	(24 047)	(4 166)	(9 487)	(37 700)
Motor vehicle expenses	(1 004)	(172)	(486)	(1 662)
Other expenses	(10 566)	(780)	(1 684)	(13 030)
Occupancy	(4 062)	(450)	(584)	(5 096)
	(50 483)	(6 597)	(13 920)	(71 000)
Operating profit before finance income	12 222	7 672	4 685	24 579

	Foundry R'000	Steel R'000	Refractory R'000	Total R'000
2010				
Revenue				
Sale of goods	296 314	205 987	112 877	615 178
Commission	339	–	3 060	3 399
Discounts taken	(5 361)	(1 543)	(42)	(6 946)
	291 292	204 444	115 895	611 631
Cost of sales	(250 782)	(185 163)	(98 909)	(534 854)
Gross profit	40 510	19 281	16 986	76 777
Other income	1 205	–	–	1 205
Profit before operating and administration expenses	41 715	19 281	16 986	77 982
Operating and administration expenses				
Communication	(709)	(203)	(276)	(1 188)
Consulting and professional fees	(1 500)	(583)	(837)	(2 920)
Depreciation, amortisation and impairments	(2 810)	(584)	(586)	(3 980)
Employee costs	(19 861)	(5 949)	(8 740)	(34 550)
Motor vehicle expenses	(707)	(156)	(365)	(1 228)
Other expenses	(1 535)	(438)	(1 018)	(2 991)
Occupancy	(3 713)	(327)	(288)	(4 328)
	(30 835)	(8 240)	(12 110)	(51 185)
Operating profit before finance income	10 880	11 041	4 876	26 797

Management considered various factors, including geographical, product and managerial structure to determine the operating and reporting segments. Management has determined the operating segments based on the reports reviewed and this is supported by management reporting disciplines, which include monthly variance reporting. The segments reported on in the annual report are identical to the operating segments identified and management is satisfied that the operating segments are appropriately aggregated. The group's reportable segments have changed as a result of changes in the internal reporting structure. The comparative figures have been restated to reflect these changes. The reportable segments are determined as Foundry, Steel and Refractory, after applying quantitative thresholds from IFRS 8.

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

Major customers: 8,8% (2010: 8,0%) of total revenue results from sales to a single external customer.

Refer to note 12 for the details on the impairment of goodwill in the Foundry segment.

Shareholder Analysis

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	142	24,83	339 614	0,13
5 001– 50 000 shares	261	45,62	5 340 485	2,05
50 001 – 100 000 shares	43	7,52	3 351 999	1,29
100 001 – 250 000 shares	73	12,76	11 394 069	4,38
250 001 – 500 000 shares	28	4,90	9 353 874	3,60
500 001 – 1 000 000 shares	8	1,40	5 752 760	2,21
1 000 001 shares and over	17	2,97	224 467 199	86,34
Totals	572	100,00	260 000 000	100,00
Distribution of shareholders				
Banks	5	0,88	4 521 740	1,74
Close corporations	6	1,05	496 000	0,19
Endowment funds	2	0,35	60 000	0,02
Individuals	495	86,54	217 369 533	83,60
Investment companies	3	0,53	3 320 000	1,28
Mutual fund	1	0,17	1 373 374	0,53
Nominees and trusts	32	5,59	9 980 387	3,84
Other corporations	8	1,40	309 515	0,12
Own holdings	1	0,17	341 700	0,13
Private companies	18	3,15	21 962 751	8,45
Public company	1	0,17	265 000	0,10
Totals	572	100,00	260 000 000	100,00
Non-public shareholders	11	1,92	186 788 000	71,84
Directors and associates of the company	10	1,75	186 446 300	71,71
Treasury shares*	1	0,17	341 700	0,13
Public shareholders	561	98,08	73 212 000	28,16
Totals	572	100,00	260 000 000	100,00

		%
Beneficial shareholding, other than directors, holding 5% or more		
TP Hentiq 6064 (Pty) Limited	15 000 000	5,77
Beneficial shareholding by directors holding 5% or more		
Schutte, PJ**	44 797 500	17,23
Botha, F	44 711 300	17,20
Liechti, EP	44 625 000	17,16
Botha, CF	44 625 000	17,16
Totals	178 758 800	68,75

Refer to the directors' report for details of directors' associates shareholding.

** Subsequent to year end 1 689 125 shares were bought, changing the shareholding to 2 030 825 (0,78%)*
*** PJ Schutte acquired 40 000 shares subsequent to year end, changing the beneficial shareholding to 44 837 500 shares (17,25%)*

Notice of Annual General Meeting

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED

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

Notice is hereby given that the 4th Annual General Meeting of Insimbi Refractory and Alloy Supplies Limited will be held at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Friday, 26 August 2011 at 11:30.

The Companies Act, No. 71 of 2008, as amended came into effect on 1 May 2011. Accordingly, the company's Memorandum and Articles of Association, are now referred to as Memorandum of Incorporation.

For purposes of the holding of the general and Annual General Meetings, the Companies Act, No. 71 of 2008 requires that a Record Date be determined by the directors to establish those shareholders of the company that are entitled to attend and to vote at the relevant general or Annual General Meeting.

Accordingly, for purposes of the 4th Annual General Meeting of the company, the Record Date is hereby set at close of business on Monday, 22 August 2011 with the Last Day to Trade in the shares of the company on the JSE Limited being Monday, 15 August 2011.

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

ORDINARY RESOLUTIONS

Ordinary resolution number 1
Approval of the annual financial statements
"To receive and adopt in terms of item 2(7) of Schedule 5 of the Companies Act, No. 71 of 2008 read with section 286 of the Companies Act, No. 61 of 1973, as amended, the annual financial statements of the company and its subsidiaries for the year ended 28 February 2011."

Ordinary resolution number 2
The appointment of auditor of the company for the ensuing year ending 28 February 2012
To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

"To re-appoint, on recommendation of the Audit Committee,

2.1 PricewaterhouseCoopers Inc. as the auditors of the company, and

2.2 Mr FJ Lombard is hereby re-appointed as the designated auditor to hold office for the ensuing year in compliance with the requirements of S90(2) of the Companies Act, No. 71 of 2008."

Ordinary resolution number 3
Reappointment of directors
To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

Ms LY Mashologu, Messrs EP Liechti and PJ Schutte retire in accordance with the company's MOI and, being eligible, offer themselves for re-election:

3.1 Re-election of LY Mashologu
"Resolved that LY Mashologu be re-elected as director of the company."
CV on page 4 of the Annual Report

3.2 Re-election of EP Liechti
"Resolved that EP Liechti be re-elected as director of the company."
CV on page 4 of the Annual Report

3.3 Re-election of PJ Schutte
"Resolved that PJ Schutte be re-elected as director of the company."
CV on page 4 of the Annual Report

Ordinary resolution number 4
Appointment of Audit Committee members for the year ending 28 February 2012
To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

"RESOLVED AS AN ORDINARY RESOLUTION that Ms LY Mashologu (Chairperson), Dr G Mahlati and Mr DJ O'Connor be appointed as the company's Audit Committee members for the year ending 28 February 2012."

4.1 Re-appointment of LY Mashologu as Chairperson
"Resolved that LY Mashologu be re-appointed as chairperson of the Audit Committee."

4.2 Re-appointment of G Mahlati as a member of the Audit Committee
"Resolved that G Mahlati be re-appointed as a member of the Audit Committee."

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

Ordinary resolution number 5
Remuneration report for the year ended 28 February 2011
To consider and, if deemed fit, to pass, without modification, the following ordinary resolution:

"To approve, by way of a non-binding, advisory vote, the remuneration philosophy of the company as set out on page 10 of the integrated report of which this notice forms part."

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

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 Companies Act, No. 71 of 2008, directors are authorised to allot and issue the unissued shares of the company, unless otherwise provided in the company's Memorandum of Incorporation or in instances as listed in the Companies Act, No. 71 of 2008. The JSE requires that the Memorandum of Incorporation should provide that shareholders in a general meeting may authorise the directors to issue unissued shares and/or grant options to subscribe for unissued shares as the directors in their discretion think fit, provided that such transaction(s) has/have been approved by the JSE and are subject to the JSE Listings Requirements.

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 Companies Act, No. 71 of 2008, as amended, the Memorandum of Incorporation of the company and the JSE Listings Requirements as presently constituted and which may be amended from time to time and, provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 15% (fifteen percent) of the number of shares of the relevant class of shares issued prior to such issue."

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

- **a.** the shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity shares or rights that are convertible into a class already in issue;
- **b.** the general authority shall only be valid until the company's next Annual General Meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;
- **c.** that issues in the aggregate in any 1 (one) financial year may not exceed 10% (ten percent) of the number of the shares of the company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity shares and options in accordance with the JSE Listings Requirements;
- **d.** in determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the company and the party/ies subscribing for the shares; and
- **e.** any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

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

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."

SPECIAL RESOLUTIONS

Special resolutions number 1
Directors' fees for the year ending 28 February 2012
To consider and, if deemed fit, to pass, without modification, the following special resolution:

"RESOLVED AS A SPECIAL RESOLUTION that the non-executive directors' fees, to be paid to the non-executive directors in their capacity as non-executive directors only, for the year ending 28 February 2012 be as follows:

Chairman, at R153 750
Non-executive directors, at R129 150

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the company for the year ending 28 February 2012 in accordance with section 66(9) of the Companies Act, No. 71 of 2008.

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.

Special resolutions number 2
General approval to repurchase company shares
To consider and, if deemed fit, to pass, without modification, the following special resolution:

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

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

- **a.** any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company or its subsidiaries and the counterparty or in any other manner approved by the JSE;
- **b.** authorisation thereto being given by its articles;
- **c.** the general approval shall only be valid until the company's next Annual General Meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;

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

e. the company's Designated Advisor shall confirm the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase; and

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

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

Statement by the board of directors of the company

Pursuant to, and in terms of, the JSE Listings Requirements and Section 4 and Section 48 of the Companies Act, No. 71 of 2008, the board of directors of the company hereby state that:

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

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

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

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

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

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

Reason for and effect of special resolution number 2

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

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

The following additional information, some of which may appear elsewhere in the Annual Report of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of this general authority:

- Directors – page 4;
- Major shareholders – page 56;
- Directors' interests in ordinary shares – page 15; and
- Share capital of the company – page 20.

Litigation statement

The directors, whose names appear on page 4 of the Annual Report of which this notice forms part, are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened that may have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

Directors' responsibility statement

The directors whose names appear on page 4 of the Annual Report collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required in the terms of the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the Annual Report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report for the year ended 28 February 2011 and up to the date of this notice.

Special resolution number 3: Financial assistance

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

"Resolved as a special resolution, in accordance with sections 45 (2) and 45(3) of the Companies Act, No 71 of 2008, it is hereby resolved that the directors of the company be and they are hereby authorised to provide direct or indirect financial assistance to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, subject to

Notice of Annual General Meeting *(continued)*

subsections (3) and (4) of the Companies Act, No 71 of 2008 and the Listings Requirements of the JSE Limited (JSE Listings Requirements); and resolved further, in accordance with sections 44(2) and 44(3) of the Companies Act, No 71 of 2008, the company's board of directors be and they are hereby authorised to provide financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any shares, issued or to be issued by the company or a related or inter-related company, or for the purchase of any shares of the company or a related or inter-related company, subject to subsection (3) of the Companies Act, No 71 of 2008 and the JSE Listings Requirements."

Explanatory note on special resolution number 3

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

ACTION REQUIRED

Certificated shareholders and "own name" dematerialised shareholders

If you are unable to attend the Annual General Meeting of the company to be held at Insimbi's offices at 359 Crocker Road, Wadeville, Extension 4, Germiston on 26 August 2011 at 11:30, 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 11:30 on 24 August 2011.

Dematerialised shareholders

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

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

A form of proxy, which sets out the relevant instructions for use, is attached for those members who wish to be represented at the Annual General Meeting of members. Duly completed forms of proxy must be lodged with the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown 2017), to be received by not later than 11:30 on 24 August 2011.

By order of the board

K Holtzhausen
Company Secretary
Germiston

18 July 2011

Administration

Directors
CF Botha
F Botha
EP Liechti
GS Mahlati*
LY Mashologu*
DJ O'Connor*
PJ Schutte
LG Tessendorf
JA Vieira-Pereira

**Non-executive*

Company Secretary and registered office
K Holtzhausen

359 Crocker Road, Wadeville, Extension 4
Germiston 1428
(PO Box 14676, Wadeville 1422)
Telephone: (011) 902-6930
Facsimile: (011) 902-5749

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)

Ground Floor
70 Marshall Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

Attorneys
Eversheds
(Registration number 1992/006150/21)
(PO Box 78333, Sandton 2146)

Designated advisor
PricewaterhouseCoopers Corporate Finance (Pty) Limited
(Registration number 1970/003711/07)
2 Eglin Road
Sunninghill 2157
(Private Bag X36, Sunninghill 2157)

Auditors and reporting accountants
PricewaterhouseCoopers Inc.
Registration number 1998/012055/21
2 Eglin Road
Sunninghill
2157
(Private Bag X36, Sunninghill 2157)

Commercial banker
Nedbank Limited
(Registration number 1951/00009/06)

SHAREHOLDERS' DIARY

Last day to trade	15 August 2011
Record date	22 August 2011
Proxy date and time	24 August 2011 at 11:30
Annual General Meeting	26 August 2011 at 11:30
Reports and financial statements	
Reviewed results announcement	31 May 2011
Publication of annual reports (mailed to shareholders)	22 July 2011
Interim results announcement	21 October 2011
Financial year end	Last day of February

Notes:

Form of proxy

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

(for use by certificated shareholders and own name dematerialised shareholders)
Form of proxy for the Annual General Meeting of Insimbi's to be held at their offices at 359 Crocker Road, Wadeville, Extension 4, Germiston on 26 August 2011 at 11:30, (the Annual General Meeting).

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

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

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

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

Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the Annual General Meeting.
Please also note that section 63(1) of the Companies Act, No. 71 of 2008, requires that persons wishing to participate in the Annual General Meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

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

I/We (name in block letters)

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

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

1. or failing him/her

2. or failing him/her

3. The Chairman of the Annual General Meeting

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

My/our proxy may delegate to another person his/her authority to act on my behalf at the Annual General Meeting, provided that my/our proxy:
- May only delegate his/her authority to act on my behalf at the general meeting to a director of the company; and
- Must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, of the delegation by my/our proxy of his/her authority to act on my behalf at the general meeting by no later than 11:30 on Wednesday, 24 August 2011, being 48 (forty-eight) hours before the general meeting to be held at 11:30 on Friday, 26 August 2011; and
- Must provide to his/her delegee a copy of his/her authority to delegate his/her authority act on my behalf at the general meeting.

	Number of votes on a poll (one vote per ordinary share)		
	In favour	Against	Abstain
To pass ordinary resolutions			
1. Approval of Annual Financial Statements			
2. Appointment of Auditors			
2.1 Appointment of PricewaterhouseCoopers			
2.2 Appointment of F Lombard as the Designated Auditor			
3. Appointment of Directors			
3.1 LM Mashologu			
3.2 EP Liechti			
3.3 PJ Schutte			
4. Appointment of Audit Committee Members			
4.1 LM Mashologu			
4.2 G Mahlati			
4.3 DJ O'Connor			
5. Approval of the Remuneration Report			
6. Placing unissued shares under the control of directors			
7. General authority to issue shares/convertible securities or operations for cash			
8. Directors' and Company Secretary authority to implement company resolutions			
Special resolution number 1: Approval of directors' fees for 2012 financial year			
Special resolution number 2: General authority to purchase company shares			
Special resolution number 3: Financial assistance to directors and to all related and inter-related companies within Insimbi group of companies			

Signed at on 2011

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

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 11:30 on Wednesday, 24 August 2011, being no later than 48 (forty-eight) hours before the Annual General Meeting to be held at 11:30 on Friday, 26 August 2011.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting. CSDPs or brokers registered in the company's subregister voting on instructions from beneficial owners of shares registered in the company's subregister, are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but may not be accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Summary of Shareholders' Rights in Respect of Proxy Appointments as Contained in Section 58 of the Companies Act, No. 71 of 2008

Please note that in terms of section 58 of the Companies Act, No. 71 of 2008:

- This proxy form must be dated and signed by the shareholder appointing the proxy;
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at a shareholders' meeting on our behalf;
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- This proxy form must be delivered to the company, or to the transfer secretaries of the company, namely Computershare Investor Services (Proprietary) Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid;
- If this proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act, No. 71 of 2008 or the company's Memorandum of Incorporation to be delivered by the company to you will be delivered by the company to you or your proxy or proxies, if you have directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so;
- Your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this proxy form; and
- The appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof or for a period of six months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

INSIMBI

Insimbi Refractory and Alloy Supplies Ltd
Reg. No. 2002/029821/06

www.insimbi-alloys.co.za