

FOSKOR ZIRCONIA (PTY) LIMITED

ANNUAL REPORT 2009 – 2010

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Manufacturing
Registered office	27 Selati Road Phalaborwa South Africa 1390
Postal address	PO Box 1 Phalaborwa South Africa 1390
Auditors	PricewaterhouseCoopers Inc. Registered Auditor
Secretary	Middel & Partners
Company registration number	2007/025096/07

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010

Directors' Report

The directors submit their report for the year ended 31 March 2010.

1. Review of activities

Main business and operations

The company is engaged in manufacturing zirconia products and operates principally in South Africa. It supplies a sizeable proportion of internationally traded stabilised zirconia for continuous casting refractories.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements.

Net loss of the company was R 631 515 (Rs. 3858,557) (2009: profit R 11 891 843), after taxation of R (412 845) (Rs.72659161) Rs. (2,522,483) (2009: R 4 709 876) Rs (28,777,342). Sales of the company were R 132 326 308 Rs.(808,513,742) (2009: R124 393 308) Rs.(760,043,112)

The company's sales grew by 6% in the current year. The company increased its customer base. The new customers reduced the risk of the company being dependant on only a few customers. More efforts were made during the year to enter into new industries and new markets. This has yielded better results to marginally combat recession which has severely affected various industries across the globe.

Subsequent to the economic downturn, the majority of the company's customers cut down their production. This affected the company's operations, particularly in the first quarter. Operations gradually increased and stabilised in the second half of the current year. In addition to this, the South African Rand strengthened against the US Dollar. This resulted in lower sales realisations in comparison to prior years. The above resulted a negative profit before tax.

The company has taken several measures to improve productivity and reduce costs in order to be more cost competitive in the market. The measures are yielding and the company is planning to increase production in the ensuing year by optimizing usage of existing facilities.

Foskor Zirconia (Pty) Ltd is committed to training and development. Interaction with technical teams of the holding company provides ample opportunity to the operations team to fill the technological gap and adopt best practices. The company ensures the highest standard of work place safety by way of training and following stringent safety norms. This enables the company to achieve accident free continuous working hours in the factory. The company maintains a pleasant working atmosphere and the relationship with its employees was cordial during the year.

2. Dividends

No dividends were declared to shareholders during the year. A dividend of R3 636 000 (Rs. 22,215,960) that was declared in 2009 was paid during the year.

3. Directors

The directors of the company during the year and to the date of this report are as follows:

Directors	Appointment date
Mr MM Murugappan	40,029
Mr MA Pitse	1-Apr-08
Mr JW Horn	1-Apr-08
Mr S Sibisi	27-Oct-09
Mr PR Ravi	4-Aug-09
Mr V Ramesh	4-Aug-09
Ms A Khanyile	4-Aug-09

(Resigned 27 October 2009)

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010

Directors' Report

4. Secretary

The secretary of the company is Middel & Partners. Appointment date 23-Jan-09
Business address

27 Selati Road
Phalaborwa
South Africa
1390

Postal address

PO Box 1
Phalaborwa
South Africa
1390

5. Auditors

PricewaterhouseCoopers Inc. will continue to serve in the office in accordance with section 270(2) of the Companies Act of South Africa.

6. Appreciation

The Board appreciates the cooperation and support received from its customers, bankers, suppliers, employees, Carborundum Universal Ltd and Foskor (Pty) Ltd.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FOSKOR ZIRCONIA (PTY) LTD**

We have audited the financial statements of Foskor Zirconia (PTY) Ltd, which comprise the directors' report, the balance sheet as at 31 March 2010, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 21.

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 South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 the directors, 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 financial position of the company as of 31 March 2009, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: G Malan
Registered Auditor
Polokwane

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010
Statement of Financial Position

BALANCE SHEET	Notes	March 2010 R	March 2010 Rs.	March 2009 R	March 2009 Rs.
ASSETS					
Non-current assets					
Property, plant, equipment	4	29,375,010	179,430,034	28,892,676	176,483,815
Deferred Tax	7	412,845	2,521,762	-	-
		29,787,855	181,951,796	28,892,676	176,483,815
Current Assets					
Inventories	9	34,952,965	213,501,602	60,915,857	372,089,551
Other financial assets	6	1,796,808	10,975,360	-	-
Trade and Other receivables	10	31,871,912	194,681,747	24,358,623	148,788,666
Prepayments		422,711	2,582,026	472,968	2,889,009
		69,044,396	421,740,736	85,747,448	523,767,226
Total Assets		98,832,251	603,692,532	114,640,124	700,251,042
Equity and Liabilities					
Equity					
Share capital	12	53,072,817	324,182,268	53,072,817	324,182,268
Retained income		7,624,328	46,571,335	8,255,843	50,428,789
		60,697,145	370,753,603	61,328,660	374,611,057
Non Current Liabilities					
Retirement benefit obligation	8	2,679,843	16,369,163	3,065,843	18,726,949
Current liabilities					
Loans from shareholders	5	15,125,319	92,389,296	25,248,897	154,226,686
Current tax payable		-	-	4,709,876	28,769,121
Trade and other payables	13	20,083,089	122,672,617	16,240,434	99,200,702
Dividend payable		-	-	3,636,000	22,209,613
Bank overdraft	11	246,855	1,507,853	410,414	2,506,913
Total Liabilities		35,455,263	216,569,766	50,245,621	306,913,035
Total equity and liabilities		38,135,106	232,938,929	53,311,464	325,639,984
		98,832,251	603,692,532	114,640,124	700,251,042

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010
Statement of Comprehensive Income

INCOME STATEMENT	Notes	2010 31-Mar-10 R	2010 31-Mar-10 Rs	2009 31-Mar-09 R	2009 31-Mar-09 Rs
Revenue	14	132,326,308	808,282,753	124,393,662	759,828,133
Cost of sales	16	(83,863,825)	(512,261,578)	(91,045,242)	(556,127,500)
Gross profit		48,462,483	296,021,175	33,348,420	203,700,633
Other income	15	567,715	3,467,748	-	-
	16	(48,604,192)	(296,886,770)	(18,432,350)	(112,589,483)
Operating profit		426,006	2,602,153	14,916,070	91,111,150
Finance income		225,047	1,374,644	3,028,382	18,498,128
Finance costs		(1,695,413)	(10,356,014)	(1,342,734)	(8,201,761)
(Loss) profit before taxation		(1,044,360)	(6,379,217)	16,601,718	101,407,517
Taxation	19	412,845	2,521,762	(4,709,876)	(28,769,121)
(Loss) profit for the year		(631,515)	(3,857,454)	11,891,842	72,638,396
Other comprehensive income		-	-	-	-
(Loss) profit for the year		(631,515)	(3,857,454)	11,891,842	72,638,396

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010
Statement of Changes in Equity

	Share capital R	Share Premium R	Retained Income R	Total equity R	Share capital Rs.	Share Premium Rs.	Retained Income Rs.	Total equity Rs.
Balance at 01 April 2008	-	-	-	-	-	-	-	-
Profit for the year	-	-	11,891,843	11,891,843	-	-	72,638,402	72,638,402
Issue of shares	1,000	53,071,817	(3,636,000)	53,072,817	6,108	324,176,160	(22,209,613)	324,182,268
Dividends	-	-	8,255,843	(3,636,000)	-	-	50,428,789	(22,209,613)
Balance at 01 April 2009	1,000	53,071,817	8,255,843	61,328,660	6,108	324,176,160	50,428,789	374,611,057
Loss for the year	-	-	(631,515)	(631,515)	-	-	(3,857,454)	(3,857,454)
Balance at 31 March 2010	1,000	53,071,817	7,624,328	60,697,145	6,108	324,176,160	46,571,335	370,753,603
Notes	12	12			12	12		

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010
Statement of Cash Flows

	Notes	2010 31-Mar-10 R	2010 31-Mar-10 Rs.	2009 31-Mar-10 R	2009 31-Mar-10 Rs.
Cash flows from operating activities					
Cash receipts from customers		123,592,764	754,936,044	100,035,039	611,039,467
Cash paid to suppliers and employees		(102,615,205)	(626,799,777)	(150,052,072)	(916,556,229)
Cash generated from (used in) operations	20	20,977,559	128,136,267	(50,017,033)	(305,516,762)
Interest income		225,047	1,374,644	3,028,383	18,498,134
Finance costs		(1,695,413)	(10,356,014)	(1,342,734)	(8,201,761)
Tax paid	21	(4,709,876)	(28,769,121)	-	-
Net cash from operating activities		14,797,317	90,385,777	(48,331,384)	(295,220,389)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(2,094,435)	(12,793,342)	(30,400,745)	(185,695,484)
Cash flows from financing activities					
Proceeds on share issue	12	-	-	53,072,818	324,182,274
Repayment of shareholders' loan		(8,903,323)	(54,383,762)	25,248,897	154,226,686
Dividend paid	22	(3,636,000)	(22,209,613)	-	-
Cash flows from financing activities		(12,539,323)	(76,593,375)	78,321,715	478,408,960
		-	-	-	-
Total cash movement for the year		163,559	999,060	(410,414)	(2,506,913)
Cash at the beginning of the year		(410,414)	(2,506,913)	-	-
Cash equivalents at the end of the period	11	(246,855)	(1,507,853)	(410,414)	(2,506,913)

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa. The annual financial policies set out below.

These accounting policies are consistent with the previous period.

1.1 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. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included i

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Buildings	40 years
Production equipment	20 years
Machines and other equipment	10 years
Furniture and fittings	10 years
Motor vehicles	5 years
Computers	3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

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

Notes to the Annual Financial Statements

3. Risk management

Capital risk management

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

Financial risk management

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

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2010	Less than 1 year		Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	R	Rs.	R and Rs.	R and Rs.	R and Rs.
Trade and other receivables	31,871,912	194,737,382	-	-	-
Prepayments	422,711	2,582,026	-	-	-
Other financial assets	1,796,808	10,975,360	-	-	-
Trade and other payables	20,083,089	122,672,617	-	-	-
Loans from shareholders	15,125,319	92,389,296	-	-	-
Bank overdraft	246,855	1,507,853	-	-	-

At 31 March 2009	Less than 1 year		Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	R	Rs.	R and Rs.	R and Rs.	R and Rs.
Trade and other receivables	24,358,623	148,788,666	-	-	-
Prepayments	472,968	2,889,009	-	-	-
Bank overdraft	(410,414)	(2,506,913)	-	-	-
Trade and other payables	(16,240,434)	(99,200,702)	-	-	-
Loans from shareholders	(25,248,897)	(154,226,686)	-	-	-
Current tax payable	(4,709,876)	(28,769,121)	-	-	-
Dividend payable	(3,636,000)	(22,209,613)	-	-	-

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
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Notes to the Annual Financial Statements

3. Risk management (continued)

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company's interest rate risk arises from borrowings. Borrowings at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Cash flow interest rate risk

Borrowings	2010 R	2010 Rs.	2009 R	2009 Rs.
Increase of 1%	(14,704)	(89,816)	(16,857)	(102,967)
Decrease of 1%	14,704	89,816	16,857	102,967

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

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

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

Financial instrument	2010 R	2010 Rs.	2009 R	2009 Rs.
Trade and other receivables	31,871,912	194,681,747	24,358,623	148,788,666
Prepayments	422,711	2,582,026	472,968	2,889,009
Other financial assets	1,796,808	10,975,360	-	-

Foreign exchange risk

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

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Foskor Zirconia (Pty) Ltd
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Annual Financial Statements for the year ended 31 March 2010

Notes to the Annual Financial Statements

3. Risk management (continued)

Shareholders have set up a policy that requires group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the company use forward contracts, transacted with company treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The company reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

Price risk

The company is exposed to variability in the price of commodities used in the production and packaging of finished products. These prices are managed by contracting with international suppliers through fixed price contracts.

4. Property, plant and equipment

	2010 R			2010 Rs.		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	7,880,196	(704,462)	7,175,734	48,134,242	(4,303,033)	43,831,209
Plant and machinery	23,450,674	(4,143,695)	19,306,979	143,242,683	(25,310,743)	117,931,939
Furniture and fixtures	129,140	(54,816)	74,324	788,820	(334,830)	453,990
Motor vehicles	391,840	(70,127)	321,713	2,393,458	(428,354)	1,965,105
IT equipment	660,585	(416,472)	244,113	4,035,021	(2,543,917)	1,491,104
Other property, plant and equipment	2,252,147	-	2,252,147	13,756,687	-	13,756,687
Total	34,764,582	(5,389,572)	29,375,010	212,350,911	(32,920,877)	179,430,034

	2009 R			2009 Rs.		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	6,930,703	(509,821)	6,420,882	42,334,497	(3,114,116)	39,220,381
Plant and machinery	22,592,887	(2,940,928)	19,651,959	138,003,101	(17,963,936)	120,039,165
Furniture and fixtures	129,140	(41,112)	88,028	788,820	(251,123)	537,697
Motor vehicles	184,475	(22,947)	161,528	1,126,820	(140,166)	986,654
IT equipment	578,897	(262,664)	316,233	3,536,050	(1,604,419)	1,931,632
Other property, plant and equipment	2,254,046	-	2,254,046	13,768,286	-	13,768,286
	32,670,148	(3,777,472)	28,892,676	199,557,575	(23,073,760)	176,483,815

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Annual Financial Statements for the year ended 31 March 2010
Notes to the Annual Financial Statements (Cont.)

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010					In R
	Opening Balance	Additions	Transfers	Depreciation	Total
Buildings	6,420,882	-	949,492	(194,640)	7,175,734
Plant and machinery	19,651,959	-	857,787	(1,202,767)	19,306,979
Furniture and fixtures	88,028	-	-	(13,704)	74,324
Motor vehicles	161,528	207,366	-	(47,181)	321,713
IT equipment	316,233	-	81,688	(153,808)	244,113
Other property, plant and equipment	2,254,046	1,887,068	(1,888,967)	-	2,252,147
	<u>28,892,676</u>	<u>2,094,434</u>	<u>-</u>	<u>(1,612,100)</u>	<u>29,375,010</u>

Reconciliation of property, plant and equipment - 2009					In Rs.
	Opening Balance	Additions	Transfers	Depreciation	Total
Buildings	39,220,381	-	5,799,739	(1,188,911)	43,831,209
Plant and machinery	120,039,165	-	5,239,581	(7,346,807)	117,931,939
Furniture and fixtures	537,697	-	-	(83,708)	453,990
Motor vehicles	986,654	1,266,644	-	(288,194)	1,965,105
IT equipment	1,931,632	-	498,971	(939,498)	1,491,104
Other property, plant and equipment	13,768,286	11,526,691	(11,538,291)	-	13,756,687
	<u>176,483,815</u>	<u>12,793,336</u>	<u>-</u>	<u>(9,847,117)</u>	<u>179,430,034</u>

Reconciliation of property, plant and equipment - 2009					In R
	Opening Balance	Additions	Depreciation	Total	
Buildings	-	6,593,339	(172,457)	6,420,882	
Plant and machinery	-	20,809,649	(1,157,690)	19,651,959	
Furniture and fixtures	-	101,732	(13,704)	88,028	
Motor vehicles	-	184,367	(22,839)	161,528	
IT equipment	-	457,612	(141,379)	316,233	
Other property, plant and equipment	-	2,254,046	-	2,254,046	
	<u>-</u>	<u>30,400,745</u>	<u>(1,508,069)</u>	<u>28,892,676</u>	

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

Foskor Zirconia (Pty) Ltd
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Notes to the Annual Financial Statements

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009		In Rs.		
	Opening Balance	Additions	Depreciation	Total
Buildings	-	40,273,792	(1,053,411)	39,220,381
Plant and machinery	-	127,110,630	(7,071,465)	120,039,165
Furniture and fixtures	-	621,405	(83,708)	537,697
Motor vehicles	-	1,126,161	(139,506)	986,654
IT equipment	-	2,795,211	(863,579)	1,931,632
Other property, plant and equipment	-	13,768,286	-	13,768,286
	-	185,695,484	(9,211,669)	176,483,815

5. Loans to (from) shareholders

	2010 R	2010 Rs.	2009 R	2009 Rs.
Foskor (Pty) Ltd	15,125,319	92,389,296	25,248,897	154,226,686

The loan bears no interest and has no fixed terms of repayment.

Fair value of loans to and from shareholders

Loans from shareholders	15,125,319	92,389,296	25,248,897	154,226,686
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6. Other financial assets

At fair value through profit or loss - held for trading Foreign exchange contract	1,796,808	10,975,360	-	-
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The principal amount outstanding on the foreign exchange contracts at 31 March 2010 was R27 638 247 (Rs.168,869,689) (2009: nil).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses are recognised to the income statement in the period during which the transaction affects the income statement.

Current assets

At fair value through profit or loss - held for trading	1,796,808	10,975,360	-	-
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The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

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7. Deferred tax	2010	2010	2009	2009
	R	Rs.	R	Rs.
Deferred tax asset				
Accelerated capital allowances for tax purposes	412,845	2,521,762	-	-
Reconciliation of deferred tax asset (liability)				
Increase in tax losses available for set off against future taxable income	1,749,243	10,684,821	-	-
Temporary difference on property, plant and equipment	(1,906,817)	(11,647,323)	-	-
Temporary difference on accruals	570,419	3,484,264	-	-
	<u>412,845</u>	<u>2,521,762</u>		
8. Retirement benefit obligation				
Post-employment health care liabilities				
It is the policy of the company to provide post employment healthcare benefits to some of its retirees who were employed by the company on or before 1 July 2005. The same benefits are provided to a specific group of employees employed before 1 July 1996.				
Carrying value	2010	2010	2009	2009
	R	Rs.	R	Rs.
Present value of unfunded liability	<u>2,679,843</u>	<u>16,369,163</u>	<u>3,065,843</u>	<u>18,726,949</u>
Movements for the year				
Opening balance	3,065,843	18,726,949	-	-
Net expense recognised in the income statement	(386,000)	(2,357,786)	3,065,843	18,726,949
	<u>2,679,843</u>	<u>16,369,163</u>	<u>3,065,843</u>	<u>18,726,949</u>
Net expense recognised in the income statement				
Service costs	55,099	336,559	55,099	336,559
Interest costs	265,993	1,624,753	265,993	1,624,753
Contribution payments	(51,835)	(316,621)	(51,835)	(316,621)
Actuarial (gains) losses	(655,257)	(4,002,476)	2,796,586	17,082,259
	<u>(386,000)</u>	<u>(2,357,786)</u>	<u>3,065,843</u>	<u>18,726,949</u>
Key assumptions used				
Assumptions used on last valuation at 31 March 2010.				
Normal retirement age in years	60		60	
Consumer Price Inflation	0		0	
Salary inflation	6.75%		6.25%	
Health care cost inflation	7.25%		6.75%	
Discount rate	9.25%		8.75%	
Real discount rate	1.86%		1.87%	
Expected contributions to the post employment health plan for the year ending 31 March 2011 is R 55 600 (Rs.339,716).				
The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825				

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	2010 R	2010 Rs.	2009 R	2009 Rs.
9. Inventories				
Raw materials, components	5,402,806	33,001,714	15,116,015	92,332,465
Work in progress	11,262,114	68,791,857	6,597,269	40,297,797
Finished goods	15,288,036	93,383,213	38,274,281	233,789,045
Production supplies	801,503	4,895,784	928,292	5,670,244
Tile stock	2,198,506	13,429,034	-	-
	34,952,965	213,501,602	60,915,857	372,089,551
10. Trade and other receivables				
Trade receivables	28,093,843	171,604,340	17,198,692	105,053,986
VAT	3,777,072	23,071,317	7,114,840	43,459,253
Other receivables	997	6,090	45,091	275,427
	31,871,912	194,681,747	24,358,623	148,788,666
Fair value of trade and other receivables				
Trade and other receivables	31,871,912	194,681,747	24,358,623	148,788,666
Trade and other receivables past due, but not impaired				
Trade and other receivables which are less than 60 days past due are not considered to be impaired. At 31 March 2010, R 558 836 (Rs. 3,414,488) (2009: R 2 276 549) (Rs. 13,909,714) were past due, but not impaired.				
The ageing of amounts past due, but not impaired is as follows:				
60 days past due	404,622	2,471,534	735,578	4,493,098
More than 90 days past due	154,214	941,978	1,540,971	9,412,643
	558,836	3,413,512	2,276,549	13,905,740
Trade and other receivables impaired				
As of 31 March 2010, no trade and other receivables were impaired and provided for. All amounts are seen as recoverable.				
The carrying amount of trade and other receivables are denominated in the following currencies:				
Rand	2,938,903	17,951,567	4,466,514	27,282,604
US Dollar	15,000,807	91,628,745	4,609,858	28,158,185
UK Pound	843,879	5,154,628	3,192,681	19,501,708
Euro	9,310,254	56,869,400	4,929,639	30,111,489
11. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Bank overdraft	(246,855)	(1,507,853)	(410,414)	(2,506,913)
The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825				

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	2010 R	2010 Rs.	2009 R	2009 Rs.
12. Share capital				
Issued				
Ordinary	1,000	6,108	1,000	6,108
Share premium	53,071,817	324,176,160	53,071,817	324,176,160
13. Trade and other payables				
Trade payables	10,737,312	65,586,233	4,685,576	28,620,690
Accrued leave pay	1,928,474	11,779,610	1,224,916	7,482,099
Accrued bonus	319,167	1,949,553	257,099	1,570,426
Accrued expenses	2,654,411	16,213,818	5,815,567	35,522,963
Accrued management fees	4,397,968	26,863,907	3,197,996	19,534,173
Other payables	45,757	279,495	1,059,280	6,470,352
	20,083,089	122,672,617	16,240,434	99,200,702
14. Revenue				
Sale of goods	132,326,308	808,282,753	124,393,662	759,828,133
15. Other income				
Commissions received	19,921	121,683	-	-
Discount received	38,063	232,498	-	-
Reversal of prior year accrued expenses	490,731	2,997,510	-	-
Other income	19,000	116,057	-	-
	567,715	3,467,748	-	-
16. Expenses by nature				
Consumption of raw materials	57,988,901	354,210,960	44,676,098	272,892,972
Employee benefit expense	30,111,367	183,927,890	26,849,397	164,002,947
Depreciation, amortisation and impairment charges	1,612,101	9,847,123	1,508,069	9,211,669
Transportation expenses	8,889,795	54,301,129	18,432,350	112,589,483
Advertising costs	219,812	1,342,668	104,295	637,060
Foreign exchange losses/(gains)	1,409,327	8,608,528	(4,693,346)	(28,668,151)
Other expenses	32,236,714	196,910,050	22,600,729	138,051,002
	132,468,017	809,148,347	109,477,592	668,716,983
17. Finance income				
Bank	225,047	1,374,644	3,028,383	18,498,134
18. Finance costs				
Bank	1,695,413	10,356,014	1,342,734	8,201,761

The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825

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19. Taxation				
Major components of the tax (income) expense	2010	2010	2009	2009
	R	Rs.	R	Rs.
SA normal income tax				
- current year	-	-	4,709,876	28,769,121
Deferred tax				
- current year	(392,427)	(2,397,044)	-	-
- prior year	(20,418)	(124,718)	-	-
	(412,845)	(2,521,762)	-	-
	(412,845)	(2,521,762)	-	-
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	28.00%	28.00%	28.00%	28.00%
	9.57%	9.57%	0.24%	9.57%
Permanent differences	1.95%	1.95%	0.12%	1.95%
Deferred tax previously not provided for	39.52%	39.52%	28.36%	39.52%
20. Cash generated from (used in) operations				
(Loss) profit before taxation	(1,044,360)	(6,379,217)	16,601,719	101,407,523
Adjustments for:				
Depreciation and amortisation	1,612,101	9,847,123	1,508,069	9,211,669
Interest received	(225,047)	(1,374,644)	(3,028,383)	(18,498,134)
Finance costs	1,695,413	10,356,014	1,342,734	8,201,761
Movements in retirement benefit assets and liabilities	(386,000)	(2,357,786)	3,065,843	18,726,949
Movement in financial assets - forward exchange contract	(1,796,808)	(10,975,360)	-	-
Changes in working capital:				
Inventories	25,962,892	158,587,949	(60,915,857)	(372,089,551)
Trade and other receivables	(7,513,289)	(45,893,081)	(24,358,623)	(148,788,666)
Prepayments	50,257	306,983	(472,968)	(2,889,009)
Trade and other payables	3,842,655	23,471,914	16,240,433	99,200,696
	22,197,814	135,589,895	(50,017,033)	(305,516,762)
21. Tax paid				
Balance at beginning of the year	4,709,876	28,769,121	-	-
Current tax for the year recognised in income statement	-	-	(4,709,876)	(28,769,121)
Balance at end of the year	-	-	4,709,876	28,769,121
	4,709,876	28,769,121	-	-

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Notes to the Annual Financial Statements	2010	2010	2009	2009
	R	Rs.	R	Rs.
22. Dividends paid				
Balance at beginning of the year	(3,636,000)	(22,209,613)	-	-
Dividends	-		(3,636,000)	(22,209,613)
Balance at end of the year	-		3,636,000	22,209,613
	<u>(3,636,000)</u>	<u>(22,209,613)</u>	-	-
23. Related parties				
Holding company		Carborundum Universal Ltd		
		Foskor (Pty) Ltd		
Related party balances				
Loan accounts - Owing to related parties				
Foskor (Pty) Ltd	15,125,319	92,389,296	25,248,897	154,226,686
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Foskor (Pty) Ltd - accounts receivable	268,977	1,642,980	1,050,506	6,416,758
Foskor (Pty) Ltd - accounts payable	(6,417,560)	(39,200,089)	(280,040)	(1,710,556)
Carborundum Universal Ltd - accounts payable	(2,700,749)	(16,496,862)	-	-
Related party transactions				
Purchases from (sales to) related parties				
Carborundum Universal Ltd	5,492,645	33,550,473	-	-
The Indian Rupee equivalent of the figures given in foreign currency have been converted at 1 Rand = INR 6.10825				