FOSKOR ZIRCONIA (PTY) LTD
(REGISTRATION NUMBER 2007/025096/07)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Manufacturing
Directors	Mr MM Murugappan Mr J Morotoba Mr K Srinivasan Mr S Kostrov Ms M Mapanzela Mr S Sibisi
Registered office	27 Selati Road Phalaborwa South Africa 1390
Holding company	CUMI International incorporated in Cyprus
Auditors	PricewaterhouseCoopers Inc. Chartered Accountants (S.A.) Registered Auditors PricewaterhouseCoopers
Company registration number	2007/025096/07
Preparer	The financial statements were internally compiled by: Hannelize van der Westhuizen

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Financial Statements for the year ended 31 March 2015

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The reports and statements set out below comprise the financial statements presented to the shareholder:

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The following supplementary information does not form part of the financial statements and is unaudited:

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the 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 financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 31 March 2016 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing 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 pages 6 to 7.

The financial statements and additional schedules set out on pages 8 to 40, which have been prepared on the going concern basis, were approved by the directors on 11/05/15 and were signed on its behalf by:

M M [signature]

Director

Directors' Report

1. Incorporation

The company was incorporated in South Africa on 09 April 2007 and obtained its certificate to commence business on the same day.

The directors have pleasure in submitting their report on the financial statements of Foskor Zirconia (Pty) Ltd and the company for the year ended 31 March 2015.

2. Secretary

The company secretary is Mrs A Khanyile.

3. Review of activities

Main business and operations

The company is engaged in manufacturing Monoclinic and Calcia Stabilised Zirconia and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net loss of the company was R 4 054 552 (2014: R 8 956 859 loss), after taxation of R 1 576 992 (2014: R 3 002 149).

4. Directorate

The directors in office at the date of this report are as follows:

Mr MM Murugappan
Mr J Morotoba
Mr S Sibisi
Mr K Srinivasan
Mr S Kostrov
Ms M Mapanzela

5. Holding company

The company's holding company is CUMI International which holds 51% (2014: 51%) of the company's equity. CUMI International is incorporated in Cyprus.

6. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the company.

Directors Report Continued

The company is in the process of restructuring where CUMI will purchase the Bosele plant equipment in the near future and Foskor (Pty) Ltd will purchase the Bosele plant building. These non-current assets have been classified as held for sale in the current financial year as it is a discontinued operation. The aim of the restructuring is to repay the HSBC loan in the 2016 financial year.

During the financial year an amount of R 45 101 372 owed to Foskor (Pty) Ltd was written off and a total impairment loss on the Bosele plant amouting to R 20 409 257 has been accounted for.

8. Acknowledgements

Thanks and appreciation are extended to all of our shareholders, staff, suppliers and consumers for their continued support of the company.

9. Auditors

PricewaterhouseCoopers Inc. continued in office in accordance with section 90 of the Companies Act of South Africa.

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS' OF FOSKOR ZIRCONIA (PTY) LTD

We have audited the financial statements of Foskor Zirconia (Pty) Ltd set out on pages 8 to 38, which comprise the statement of financial position as at 31 March 2015, and the statements of profit and loss and comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of Foskor Zirconia (Pty) Ltd as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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Africa Senior Partner: S P Kana
Management Committee: H Boegman, T P Blandin de Chalain, B M Deegan, J G Louw, S N Madikane, P J Mothibe, T D Shango, S Subramoney, A R Tilakdari, F Tonelli
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2015, we have read the Directors' Report, for the purpose of identifying whether there are material inconsistencies between the report and the audited financial statements. The report is the responsibility of the respective preparers. Based on reading the report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited the report and accordingly do not express an opinion on the report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: GS Malan
Registered Auditor
11/05/2015

Foskor Zirconia (Pty) Ltd
(Registration number 2007/025096/07)
Financial Statements for the year ended 31 March 2015

Statement of Financial Position as at 31 March 2015

	Note	2015 R	2014 R
Assets			
Non-Current Assets			
Property, plant and equipment	4	27 192 153	135 891 842
Deferred income tax asset	10	14 281 054	12 511 982
		41 473 207	**148 403 824**
Current Assets			
Inventories	11	55 696 905	61 714 430
Trade and other receivables	7	44 015 858	50 886 340
Prepayments		494 890	542 247
Current income tax receivable		-	1 080 361
FEC asset		341 290	-
Cash and cash equivalents	8	13 568 897	8 358 549
Non-current assets held for sale	12	76 934 978	-
		191 052 818	**122 581 927**
Total Assets		**232 526 025**	**270 985 751**
Equity and Liabilities			
Equity			
Share capital	13	53 072 817	53 072 817
Reserves		133 921	627 841
Accumulated loss		(25 179 946)	(21 125 393)
		28 026 792	**32 575 265**
Liabilities			
Non-Current Liabilities			
Other financial liabilities	14	-	100 000 000
Retirement benefit obligation	6	4 375 000	3 602 000
Provision for long service award	15	528 000	-
		4 903 000	**103 602 000**
Current Liabilities			
Other financial liabilities	14	100 000 000	-
Trade and other payables	16	73 386 869	105 006 095
Provision for long service award	15	102 000	2 141 285
Bank overdraft	8	26 107 364	27 661 106
		199 596 233	**134 808 486**
Total Liabilities		**204 499 233**	**238 410 486**
Total Equity and Liabilities		**232 526 025**	**270 985 751**

Foskor Zirconia (Pty) Ltd
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Financial Statements for the year ended 31 March 2015

Statement of Profit or Loss and Other Comprehensive Income

		2015 R	2014 R
Continuing operations			
Revenue	17	176 768 398	170 230 031
Cost of sales		(180 391 760)	(150 419 267)
Gross (loss) profit		**(3 623 362)**	**19 810 764**
Other income	18	56 227 061	6 887 800
Operating expenses		(13 796 072)	(20 328 746)
Operating profit (loss)		**38 807 627**	**6 369 818**
Finance income	19	198 988	29 971
Finance costs	20	(12 525 330)	(8 483 967)
Profit / (Loss) before taxation		**26 481 285**	**(2 084 178)**
Income tax expense	21	1 576 992	3 002 149
Profit (loss) from continuing operations		**28 058 277**	**917 971**
Discontinued operations			
Loss from discontinued operations	12	(32 112 830)	(9 874 262)
Loss for the year		**(4 054 553)**	**(8 956 291)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (losses) / profit on defined benefit plan		(686 000)	872 000
Taxation related to components disclosed in other comprehensive income		192 080	(244 160)
Total items that will not be reclassified to profit or loss		**(493 920)**	**627 840**
Other comprehensive income / (loss) for the year net of taxation		**(493 920)**	**627 840**
Total comprehensive loss for the year		**(4 548 473)**	**(8 328 451)**
Loss attributable to:			
From continuing operations		28 058 277	917 971
From discontinued operations		(32 112 830)	(9 874 262)
		(4 054 553)	**(8 956 291)**

The accounting policies on page 12 to 24 and notes on page 25 to 39 form an integral part of the financial statements.

Statement of Changes in Equity

	Share capital R	Share premium R	Total share capital R	Reserves R	Accumulated loss R	Total equity R
Balance at 01 April 2013	**1 000**	**53 071 817**	**53 072 817**	**-**	**(8 675 188)**	**44 397 629**
Loss for the year	-	-	-	-	(8 956 291)	(8 956 291)
Other comprehensive income	-	-	-	627 840	-	627 840
Total comprehensive Loss for the year	**-**	**-**	**-**	**627 840**	**(8 956 291)**	**(8 328 451)**
Prior period adjustment	-	-	-	-	(3 493 914)	(3 493 914)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**(3 493 914)**	**(3 493 914)**
Balance at 01 April 2014	**1 000**	**53 071 817**	**53 072 817**	**627 840**	**(21 125 393)**	**32 575 264**
Loss for the year	-	-	-	-	(4 054 553)	(4 054 553)
Other comprehensive loss	-	-	-	(493 921)	-	(493 921)
Total comprehensive Loss for the year	**-**	**-**	**-**	**(493 921)**	**(4 054 553)**	**(4 548 474)**
Balance at 31 March 2015	**1 000**	**53 071 817**	**53 072 817**	**133 921**	**(25 179 946)**	**28 026 792**
Note	13	13	13			

Statement of Cash Flows

	Note	2015 R	2014 R
Cash flows from operating activities			
Cash receipts from customers		183 638 880	172 174 508
Cash paid to suppliers and employees		(152 516 879)	(174 243 212)
Cash generated from operations	22	31 122 001	(2 068 704)
Finance income		198 988	29 971
Finance costs		(12 525 330)	(8 483 967)
Tax received	23	1 080 361	-
Cash flows from held for sale / discontinued operations		(11 771 307)	(11 100 865)
Net cash flows from operating activities		**8 104 713**	**(21 623 565)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(999 333)	(2 584 194)
Sale of property, plant and equipment	4	-	749 276
Sale of financial assets		-	109 300
Addition FEC Asset		(341 290)	-
Net cash flows from investing activities		**(1 340 623)**	**(1 725 618)**
Cash flows from financing activities			
Proceeds from other financial liabilities		-	36 725 018
Net cash flows from financing activities		**-**	**36 725 018**
Total cash movement for the year		**6 764 090**	**13 375 835**
Cash and cash equivalents at the beginning of the year		(19 302 557)	(32 678 392)
Total cash and cash equivalents at the end of the year	8	**(12 538 467)**	**(19 302 557)**

The accounting policies on page 12 to 24 and the notes on page 25 to 39 form a integral part of the financial statements.

Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and loans and receivables

The company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

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

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

1.2 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight line	40 years
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5 years
IT equipment	Straight line	3 years
Plant and machinery - production	Straight line	20 years
Plant and machinery - other	Straight line	10 years

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

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

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.3 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
REACH Registration Membership	3 years

1.4 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - held for trading
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Derecognition

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

1.4 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or company of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset'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 financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

1.4 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method . If collection is expected in one year or less (or in normal operating cycle of business if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value net of transaction costs incurred, 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 in the income statement over the term of the borrowings using the effective interest method.

Bank overdrafts and borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Effects of exchange rate changes

Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency are reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities. It also includes the differences, if any, had those cash flows been reported at period-end exchange rates.

1.5 Income tax

Current income tax assets and liabilities

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

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

Deferred income tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Income tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.6 Leases

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

1.6 Leases (continued)

Operating leases – lessee

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

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

1.7 Inventories

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

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

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

Raw materials is measured at weighted average cost.

The cost of work in progress and finished goods is assigned using the standard costing formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.8 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.