

FOSKOR 



ANNUAL FINANCIAL STATEMENTS

2017

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BOARD AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Board Audit and Risk Committee (BARC) in respect of the 2017 financial year of Foskor (Pty) Limited in compliance with Section 94 of the Companies Act 71 of 2008, as amended (the Act). The BARC's function is guided by a detailed charter which is informed by the Act and the King Report on Corporate Governance (King IV) and approved by the Board.

MEMBERSHIP

The BARC was appointed by the Board of Directors in respect of the 2017 financial year. The committee is a committee of the Board of Directors with specific statutory responsibilities to the shareholders in terms of the Companies Act.

The members are:

- Mr Nkosemntu Nika (Chairman) – Independent
- Ms Nondumiso Medupe – Independent
- Mr Gerrit van Wyk – IDC representative
- Ms L Sennelo – Manyoro Consortium representative

PURPOSE

The purpose of the BARC is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.

EXECUTION OF FUNCTIONS

The BARC has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal control and financial reporting practices.

During the year under review the committee, among other matters:

- In respect of the external auditor and the external audit, the committee amongst other matters:
 - Appointment of KPMG Inc. and Ngubane & Co. (Jhb) Inc. as the external auditor for the financial year ended 31 March 2017, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The BARC confirms that the auditor is accredited.

- Approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor.
- Reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures.
- Determined the nature and extent of all non-audit services provided by the external auditor and approved all non-audit services undertaken.
- Considered whether any reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 2005, and determined that there were none.
- In respect of the financial statements, the Committee amongst other matters:
 - Confirmed the going concern as the basis of preparation of the annual financial statements.
 - Examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the Board.
 - Ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year as well as the results of operations and cash flows for the financial year, and considered the basis on which the Company and the Group was determined to be a going concern.
 - Reviewed the external auditor's audit report.
 - Reviewed the representation letter relating to the Group financial statements which was signed by management.
 - Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- In respect of internal control and internal audit, the Internal Audit function provides a written assessment on the effectiveness of internal controls and internal financial controls to the BARC for recommendation to the Board. For the year under review, there were no material breakdowns in internal control, including

internal financial controls, corporate governance, risk management and in maintaining effective material control systems.

- In respect of forensic audit, the fraud prevention and ethics programme approach implemented includes prevention, detection, investigation and resolution through the Internal Audit function. Fraud and other irregular activities are reported through the tip-offs anonymous hotline or directly to the Internal Audit function. Effective implementation of the recommendations and outcomes emanating from the investigations are continuously monitored and reported to the Executive Committee and the BARC.
- In respect of risk management and information technology, the BARC, insofar as relevant to its functions:
 - Reviewed the Group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound.
 - Considered and reviewed the findings and recommendations of the Internal Audit and Risk Committee.
 - Monitored and evaluated significant IT investments, delivery of services, IT governance and the management of IT.
- In respect of sustainability issues contained in the Integrated Report, the BARC has overseen the implementation process of sustainability reporting.
- In respect of legal and regulatory requirements to the extent that it may have an impact on the financial statements, the BARC:
 - Reviewed with the company's internal legal team the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities.
 - Monitored complaints and concerns received via the Group's tip-off line regarding accounting matters, internal audit, internal accounting controls, and contents of the financial statements, potential violations of the law and questionable accounting or auditing matters.

BOARD AUDIT AND RISK COMMITTEE REPORT CONTINUED

- In respect of the co-ordination of assurance activities, the Board Audit and Risk Committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business. There is ongoing collaboration between Internal Audit, External Audit, Compliance and Risk Management functions to ensure co-ordination of combined assurance activities.
- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate, and considered the experience and expertise of the Chief Financial Officer and concluded that these were appropriate.

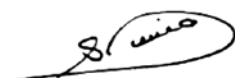
ANNUAL FINANCIAL STATEMENTS

Following the review by the Board Audit and Risk Committee of the annual financial statements of Foskor (Pty) Ltd for the year ended 31 March 2017, the Committee is of the view that in all material respects they comply with the relevant provisions of the Act and the International Financial Reporting Standards, and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The Committee has also satisfied itself of the integrity of the remainder of the integrated report. Having achieved its objectives, the Committee recommended the financial statements and Integrated Annual Report for the year ended 31 March 2017 for approval to the Foskor (Pty) Ltd Board of Directors. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

CONCLUSION

The Board Audit and Risk Committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference during the year under review.

On behalf of the Board Audit and Risk Committee



Mr NG Nika

Chairman of the Board Audit and Risk Committee

Johannesburg
23 June 2017

DIRECTORS' DECLARATION

Directors' responsibility and approval of the group and company annual financial statements for the year ended 31 March 2017

TO THE MEMBERS OF FOSKOR (PTY) LTD

The directors are responsible for the preparation and fair presentation of the Group and Company Annual Financial Statements, comprising the statements of financial position at 31 March 2017, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these Financial Statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The independent auditors are responsible for expressing an opinion on whether the Group and Company Annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Group and Company Annual Financial Statements, as identified in the first paragraph, were approved by the Board of directors on 23 June 2017 and are signed on its behalf by:



Mr U Khumalo
President/Chief Executive Officer



Mr MG Qhena
Chairman

CERTIFICATE BY COMPANY SECRETARY

I certify, in accordance with the Companies Act No 71 of 2008, as amended, that for the year ended 31 March 2017 Foskor (Pty) Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns and notices as are required of a private company in terms of this Act, and that all such returns and notices appear to be true, correct and up to date.



Ms AUS Khanyile
Company Secretary

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of the Foskor group for the year ended 31 March 2017.

NATURE OF BUSINESS

Foskor's core business is the beneficiation of phosphate rock at the Mining Division and the manufacture and supply of standard merchant grade phosphoric acid and related granular fertiliser products at the Acid Division. Approximately 87% of the phosphate rock concentrate is railed to the Acid Division for processing into phosphoric acid, which is then used as a raw material in the production of granular fertiliser. About 60% of the phosphoric acid sales are exported, while granular fertiliser sales are mainly to the local market.

Further information on Foskor's business activities is provided in the CEO's review (pages 29 to 32 of the Integrated Annual Report).

ENVIRONMENTAL RESPONSIBILITIES

Management continually assesses and monitors the various environmental threats to the Group. Foskor's environmental provision strategy prescribes the use of a special purpose vehicle (Section 37A, Environmental Rehabilitation Trust) for scheduled mine closures, and bank guarantees for unscheduled or premature mine closure, as per Department of Mineral Resources (DMR) regulations. The environmental impact of emissions and other hazardous materials at the Acid Division is closely monitored. A significant portion of the capital expenditure at the division is dedicated to minimising harmful effects on the environment, such as groundwater contamination.

FINANCIAL RESULTS

The Group achieved turnover of R5.6 billion, a 5% decrease year-on-year, mainly due to pressure on commodity prices offset by higher sales volume. This also led to an increase in the EBIT loss from R296 million in 2016 to R1.2 billion in 2017. The Group recognised an impairment loss of R520 million compared to R200 million in 2016. The Group net finance costs decrease by 51% from R290 million in 2016 to R141 million in the current year. The Group net loss after tax increase from R568 million to R902 million. The Group had a positive cash balance of R664 million (2016: R249 million) and a long-term interest-bearing loan balance of R630 million (2016: R700 million) and a short-term interest-bearing loan balance of R484 million (2016: R564 million). A detailed report on the Group's financial performance is contained on pages 57 to 60 of the Integrated Annual Report.

GENERAL REVIEW OF OPERATIONS

As at 31 March 2017, Foskor produced 1.69 million tons (2016: 1.88 million tons) of phosphate rock concentrate; 450 thousand tons (2016: 307 thousand tons) of phosphoric acid; and 324 thousand tons (2016: 198 thousand tons) of granular fertiliser (MAP/DAP). A detailed operational review of the Mining and Acid Divisions is contained in the report on pages 68 to 83 of the Integrated Annual Report.

ACCOUNTING POLICIES, RESTATEMENTS AND RECLASSIFICATIONS

The Group has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2016.

STRATEGICALLY IMPORTANT INVESTMENTS

Subsidiaries

Details of subsidiaries of the company are set out in Note 6 and 35 of the Annual Financial Statements.

DIVIDENDS

Dividends are approved by the Board subject to the performance and affordability of the Company. No dividends were declared for the year under review due to the financial results and cash flow constraints.

INSURANCE AND RISK MANAGEMENT

The Group's philosophy is to manage its risks in order to protect its assets and earnings against unacceptable financial loss and to avoid legal liabilities. In this regard, possible catastrophic type risks are insured with satisfactory cover, while non-catastrophic type risks are self-insured. The management of risk is further supported by the group's health and safety programmes, and maintenance of the ISO 9001 (quality) and ISO 14001 (environmental) standards.

The policy loss limit is restricted to R2 billion per event, with sub-limits for each cover and a R10 million deductible for property damage for local and international cover. The deductible for local business interruption for material and property damage is 30 days average daily value minimum of R30 million (MD and BI combined). The deductible for international business interruption for Material and property damage is 30 days average daily value minimum of R20 million (MD and BI combined). The insured value of the assets is R15.8 billion. Risk surveys and assessments are integral to the Group's risk management policy and are performed as part of the integrated group risk management system. Risks identified during these surveys are eliminated, reduced or transferred to the insurers.

SHARE CAPITAL

The authorised and issued share capital as at 31 March 2017 was 9,157,647 ordinary shares with a par value of R1 per share of R1 each.

Foskor's shareholding is as follows:

- 59% – The Industrial Development Corporation of South Africa Ltd (IDC);
- 15% – The Manyoro Consortium;
- 11.82% – CFL Mauritius Ltd (a Mauritius-based company owned by CIL);
- 6% – The Kopano Foskor Employees Trust;
- 5% – The Ba-Phalaborwa and Umhlathuze Community Trusts;
- 2.18% – Coromandel International Ltd (CIL – based in India); and
- 1% – Sun International FZE (a company based in India).

Foskor issued 830 (2016: 2 177) Class B shares during the year at R1 million per share. Class B shares have a preferential right to dividends over ordinary shares and the required rate of return is an after tax IRR of 10.5%. All issued shares are fully paid.

The directors are authorised, until the next Annual General Meeting, to issue unissued ordinary shares. There have been no changes in shareholding in the period under review.

PUBLIC FINANCE MANAGEMENT ACT

Foskor was granted full exemption by the Minister of Finance for compliance with the Public Finance Management Act (No. 1 of 1999, as amended by Act No. 2 of 1999) until 31 October 2019. There are no monetary exchanges with the government.

RESOLUTIONS

No special resolution was passed during the financial year ended 31 March 2017.

LOANS BY AND TO THE FOSKOR GROUP

Foskor has a subordinated loan funding facility of R700 million with Industrial Development Corporation (IDC), which was drawn down for working capital purposes. During the year, a total facility of R830 million with IDC was converted into Class B shares. Foskor also has short-term overnight facilities of R683 million available from other commercial banks with R414 million utilised as at 31 March 2017.

During the year no loans were granted by Foskor to its directors or any other persons related to them.

MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENCIES

The Group's head office in Midrand leases a building and accounts for the lease as an operating lease. The lease has been renewed for two years ending 30 June 2019. The Acid Division leases a pipeline from the Umhlathuze Water Board (Richards Bay Municipality) to discharge effluent. The lease has been accounted for as a finance lease. The remaining period of the lease is 9 years.

CAPITAL EXPENDITURE

Capital expenditure of R930 million has been approved for the next financial year.

GOING CONCERN

The directors believe that Foskor has sufficient resources and expected cash flows to continue operating as a going concern.

Full details on going concern are disclosed in Note 3 of the Annual Financial Statements

EVENTS AFTER REPORTING PERIOD

No material events have occurred between the date of these financial statements and the date of approval thereof, the knowledge of which would affect the ability of the users of these statements to make proper evaluations and decisions.

CORPORATE GOVERNANCE

Full details on the corporate governance policies and procedures are set out in the Corporate Governance section of the Integrated Annual Report on pages 44 to 49.

CHANGES TO THE BOARD

Biographical details of directors currently serving on the Board are provided on pages 10 and 11 of the Integrated Annual Report. Mr B Mawasha was appointed to the Board on 1 June 2016. Mr U Khumalo was appointed as an executive director on 1 April 2016.

PRESCRIBED OFFICERS

The executive director and the executive managers are deemed to be prescribed officers of Foskor (Pty) Ltd as contemplated in the Companies Act, 71 of 2008. The directors and prescribed officers' emoluments are disclosed in Note 35 of the Annual Financial Statements.

SERVICE CONTRACTS WITH DIRECTORS AND EXECUTIVE MANAGEMENT

The Chief Executive Officer (CEO) and the executive management of Foskor have signed contracts of employment with the Company. There are no service contracts between the Company and any of its non-executive directors having a notice period exceeding one month, or providing for compensation and benefits in excess of one month's salary.

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

All Foskor employees (including executive management) are entitled to receive units in the ESOP Trust which holds 6% of the company's equity through a special purpose vehicle. The ESOP Trust is part of the BBBEE ownership deal and the purchase of the shares was financed by means of a loan from the IDC. The ESOP Trust holds ordinary shares and will have the same rights as other ordinary shareholders. The initial allocation was made to employees in 2011. The number of specified units allotted during the current financial year amounted to 528 995 (2016: 549 459).

The ESOP Trust will be wound up on 30 March 2018 and the details are disclosed in Note 17 of the Annual Financial Statements.

DIRECTORS' INTERESTS

The non-executive directors, with the exception of Mr A Vellayan and V Ravichandran of CIL and VS Sahney of Sun International, have no interest in the Company.

The shareholder representatives were as follows:

- MG Qhena, RJ Gaveni and G van Wyk – IDC
- VD Mazibuko and L Sennelo – Manyoro Consortium

INDEPENDENT AUDITORS

KPMG Inc. and Ngubane & Co. (Jhb) Inc. will continue in office in accordance with Section 30 of the Companies Act 71 of 2008 of South Africa, as amended.

ANNUAL GENERAL MEETING

The Annual General Meeting was held on Friday, 23 June 2017.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FOSKOR PROPRIETARY LIMITED

Report on the audit of the consolidated and separate financial statements

OPINION

We have audited the consolidated and separate financial statements of Foskor Proprietary Limited (the group and company) set out on pages 8 to 65, which comprise the statements of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Foskor Proprietary Limited as at 31 March 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs).

Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa and the Directors' Responsibility Statement. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL

Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.

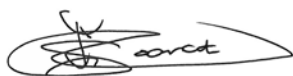
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. and Ngubane & Co. (Jhb) Inc. have been the auditors of Foskor Proprietary Limited for two years and a year respectively.

KPMG Inc.



Safeera Loonat

Chartered Accountant (SA)
Registered Auditor
Director

85 Empire Road
Parktown
2193

15 August 2017

Ngubane & Co. (Jhb) Inc.



Ephraem Sibanda

Chartered Accountant (SA)
Registered Auditor
Director

Building 1, Midrand Business Park
563 Old Pretoria Main Road
Midrand
1685

15 August 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	5 132 422	5 140 859	5 115 696	5 122 349
Intangible assets	5	22 303	35 428	22 303	35 428
Investments in subsidiaries	6	–	–	116 007	116 007
Loans to subsidiaries	6	–	–	13 182	18 442
Investment in joint venture	7	25	25	25	25
Investment in associate	8	4 589	6 095	9 912	9 914
Financial investments	9	200 658	189 725	200 658	189 725
Deferred tax assets	14	142 003	–	141 088	–
		5 502 000	5 372 132	5 618 871	5 491 890
Current assets					
Inventories	10	1 576 576	2 016 550	1 576 576	2 016 550
Trade and other receivables	11	686 686	961 318	674 111	950 569
Derivative financial instruments	12	1 801	3 970	1 801	3 970
Cash and cash equivalents	13	664 214	249 206	654 473	238 434
		2 929 277	3 231 044	2 906 961	3 209 523
Total assets		8 431 277	8 603 176	8 525 832	8 701 413
EQUITY AND LIABILITIES					
Equity attributable to owners					
Share capital	15	3 015 962	2 185 962	3 015 962	2 185 962
Share premium	15	132 013	132 013	132 013	132 013
Retained earnings		1 337 324	2 240 769	1 233 953	2 133 701
Share-based payment reserve	17.1	303 914	303 914	303 914	303 914
Total equity		4 789 213	4 862 658	4 685 842	4 755 590
Liabilities					
Non-current liabilities					
Finance lease liability	18	8 852	10 675	8 852	10 675
Environmental rehabilitation liability	19.1	1 086 076	683 774	1 086 076	683 774
Employee share-based payment liability	17.2	25 772	26 574	25 772	26 574
Long-term interest-bearing loans	30	630 000	700 000	630 000	700 000
Retirement benefit obligations	20	129 776	127 100	129 776	127 100
Deferred tax liabilities	14	–	283 890	–	284 649
		1 880 476	1 832 013	1 880 476	1 832 772
Current liabilities					
Trade and other payables	21	1 221 789	1 309 973	1 203 667	1 298 736
Loans from subsidiaries	6	–	–	221 616	222 490
Short-term interest-bearing loans	30	484 052	564 240	484 052	564 240
Current tax liability		419	751	539	539
Finance lease liability	18	1 823	1 823	1 823	1 823
Derivative financial instruments	12	7 304	5 706	1 643	–
Provisions	22	46 201	26 012	46 174	25 223
		1 761 588	1 908 505	1 959 514	2 113 051
Total liabilities		3 642 064	3 740 518	3 839 990	3 945 823
Total equity and liabilities		8 431 277	8 603 176	8 525 832	8 701 413

The notes on pages 12 to 65 are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Revenue		5 614 459	5 918 060	5 610 815	5 914 006
Cost of sales	24	(4 714 458)	(4 748 015)	(4 710 611)	(4 744 482)
Gross profit		900 001	1 170 045	900 204	1 169 524
Distribution costs	24	(1 323 971)	(1 134 343)	(1 323 971)	(1 134 343)
Administrative expenses	24	(313 150)	(226 975)	(313 429)	(223 994)
Share-based payment expense	17.3	802	833	802	833
Impairment of assets	4.1	(520 467)	(200 000)	(520 467)	(200 000)
Loss on disposal of property, plant and equipment		(22 730)	(11 701)	(22 730)	(11 701)
Other income	23	55 027	105 917	58 109	108 877
Operating loss before interest and tax		(1 224 488)	(296 224)	(1 221 482)	(290 804)
Finance income	26	22 041	17 782	21 331	17 259
Finance costs	26	(163 171)	(307 355)	(163 171)	(307 354)
Share of (loss)/profit of investment in associate, net of tax	8	(1 519)	3 714	-	-
Net foreign exchange profit/(loss)	27	40 250	(130 152)	40 304	(130 171)
Loss before taxation		(1 326 887)	(712 235)	(1 323 018)	(711 070)
Income tax credit	28	425 203	144 021	425 046	144 356
Loss for the year		(901 684)	(568 214)	(897 972)	(566 714)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligation, net of tax	20	(1 776)	(364)	(1 776)	(364)
Share of other comprehensive income/(loss) of investment in associate, net of tax	8	15	(44)	-	-
Other comprehensive loss for the year, net of tax		(1 761)	(408)	(1 776)	(364)
Total comprehensive loss for the year		(903 445)	(568 622)	(899 748)	(567 078)

The notes on pages 12 to 65 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2017

GROUP	Note	Share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Total R'000
Balance at 31 March 2015		9 158	132 013	2 809 391	303 914	3 254 476
Class B Shares		2 176 804	–	–	–	2 176 804
Loss for the year		–	–	(568 214)	–	(568 214)
Other comprehensive income						
Post-employment benefit obligation remeasurements	20	–	–	(506)	–	(506)
Deferred tax	14	–	–	142	–	142
Share of other comprehensive loss of associate	8	–	–	(44)	–	(44)
Total comprehensive loss for the period		–	–	(568 622)	–	(568 622)
Balance at 31 March 2016		2 185 962	132 013	2 240 769	303 914	4 862 658
Class B shares	15	830 000	–	–	–	830 000
Loss for the year		–	–	(901 684)	–	(901 684)
Other comprehensive income						
Post-employment benefit obligation	20	–	–	(2 467)	–	(2 467)
Deferred tax	14	–	–	691	–	691
Share of other comprehensive income of associate	8	–	–	15	–	15
Total comprehensive loss for the period		–	–	(903 445)	–	(903 445)
Balance at 31 March 2017		3 015 962	132 013	1 337 324	303 914	4 789 213

COMPANY	Note	Share capital R'000	Share premium R'000	Retained earnings R'000	Share-based payment reserve R'000	Total R'000
Balance at 31 March 2015		9 158	132 013	2 700 779	303 914	3 145 864
Class B Shares		2 176 804	–	–	–	2 176 804
Loss for the year		–	–	(566 714)	–	(566 714)
Other comprehensive income						
Post-employment benefit obligation	20	–	–	(506)	–	(506)
Deferred tax	14	–	–	142	–	142
Total comprehensive loss for the period		–	–	(567 078)	–	(567 078)
Balance at 31 March 2016		2 185 962	132 013	2 133 701	303 914	4 755 590
Class B shares	15	830 000	–	–	–	830 000
Loss for the year		–	–	(897 972)	–	(897 972)
Other comprehensive income						
Post-employment benefit obligation	20	–	–	(2 467)	–	(2 467)
Deferred tax	14	–	–	691	–	691
Total comprehensive loss for the period		–	–	(899 748)	–	(899 748)
Balance at 31 March 2017		3 015 962	132 013	1 233 953	303 914	4 685 842

The notes on pages 12 to 65 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2017

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash flows from operating activities					
Cash generated from/(utilised by) operations	29	336 396	(51 042)	332 788	(37 518)
Interest received	26	13 082	7 954	12 372	7 431
Interest paid		(141 890)	(134 126)	(141 894)	(134 125)
Realised foreign exchange profit/(loss)	27	40 250	(134 379)	40 304	(134 360)
Income taxes (paid)/received		(332)	1 278	-	(536)
Cash generated from/(utilised by) operations		247 506	(310 315)	243 570	(299 108)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(504 286)	(433 341)	(503 706)	(433 341)
Purchase of intangible assets	5	(7 778)	(613)	(7 778)	(613)
Proceeds from sale of property, plant and equipment		3 552	36 150	3 552	36 150
Purchase of financial investment held in the environmental rehabilitation trust	19.1	(6 975)	(6 975)	(6 975)	(6 975)
Cash used in investing activities		(515 487)	(404 779)	(514 907)	(404 779)
Cash flows from financing activities					
Proceeds from loans from subsidiaries	6	-	-	4 387	5 980
Issuance of class B shares	15	830 000	2 176 804	830 000	2 176 804
Redemption of preference shares	9.3	5 000	-	5 000	-
Repayment of finance lease liability	18	(1 823)	(1 833)	(1 823)	(1 833)
Repayment of long-term interest-bearing loans	30	-	(931 004)	-	(931 004)
Repayment of short-term interest-bearing loans	30	(150 188)	(498 725)	(150 188)	(498 725)
Cash generated by financing activities		682 989	745 242	687 376	751 222
Increase in cash and cash equivalents		415 008	30 148	416 039	47 335
Cash and cash equivalents, beginning of year		249 206	219 058	238 434	191 099
Cash and cash equivalents, end of year	13	664 214	249 206	654 473	238 434

The notes on pages 12 to 65 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements of the Foskor Group have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, and financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period based on management's best knowledge of current events and actions. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The Group did not early adopt any of the IFRS standards.

All amounts in the financial statements are presented in South African rand, rounded to the nearest thousand, unless otherwise stated.

1.1.1 New and amended standards adopted by the Group

During the financial year, the following new and revised accounting standards, amendments to standards and new interpretations were adopted by the Group. These new and revised accounting standards did not have a significant impact on the financial statements.

IAS 1 (Amendment): Presentation of Financial Statements. The amendments clarify materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment did not have any effect on the Group financial statements.

IAS 16 (Amendments): Property, Plant and Equipment and IAS 38 Intangible assets.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate; and the amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for

property, plant and equipment. The amendment did not have any effect on the Group financial statements.

IFRS 11 (Amendment): Joint operations.

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendment did not have any effect on the Group financial statements.

IAS 7 (Amendment): Statement of cash flows.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendment did not have any effect on the Group financial statements.

IAS 12 (Amendment): Income taxes.

The amendments provide additional guidance on the existence of deductible temporary differences; and the amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. The amendment did not have any effect on the Group financial statements.

1.1.2 New standards, amendments and interpretations not yet effective

IFRS 2 (Amendment): Share-based payments

(effective for financial periods beginning on or after 1 January 2018). The amendments cover three accounting areas:

- Measurement of cash-settled share-based payments;
- Classification of share-based payments settled net of tax withholdings; and
- Accounting for a modification of a share-based payment from cash-settled to equity-settled.

The amendment is not considered to have any impact on the Foskor Group.

IFRS 9 (New standard): Financial instruments

(effective for financial periods beginning on or after 1 January 2018). This IFRS is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement; Addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss; The classification and measurement of financial liabilities are the same as per IAS 39 barring two aspects; Adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets

and liabilities to the version issued in November 2009; and Includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The new standard is not considered to have a significant impact on the Foskor Group.

IFRS 15 (New standard): Revenue from contracts with customers (effective for financial periods beginning on or after 1 January 2018). Provides a framework that replaces existing revenue recognition guidance in IFRS. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time; and the model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. Management is in the process of reviewing the requirements of the standard to assess the impact of the standard on the Group.

IFRS 16 (New standard): Leases (effective for financial periods beginning on or after 1 January 2019): This IFRS sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'); IFRS16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations; and IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position. The new standard is not considered to have a significant impact on the Foskor Group.

1.2 Consolidation

1.2.1 Investments in subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the

Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a subsidiary are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Where a business combination is achieved in stages, the previously held equity interest is re-measured at the acquisition-date fair value with the resulting gain or loss recognised in the income statement.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised profits and losses on transactions between Group companies are eliminated. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Changes in ownership interest in a subsidiary which do not result in a loss of control are treated as transactions between equity holders and are reported in equity.

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities.

1.2.2 Joint arrangements

Joint arrangements are where two or more parties either have rights to

The assets, and obligations of the joint arrangement (joint operations) or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

The Group's interest in joint ventures is accounted for by the equity method of accounting. Under this method, the investment in the jointly controlled entity is initially recognised at cost. For subsequent measurement, the Company's share of the post-acquisition profits or losses of joint ventures is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

At each balance sheet date, the Group assesses whether there is any indication of impairment. Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated to the extent of the Group's interest in the joint venture, unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of joint ventures are consistent with the policies adopted by the Group.

In the company's stand-alone accounts, joint ventures are recorded at cost less impairment.

1.2.3 Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits and losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted for against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated to the

extent of the Group's interest in the associates, unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates are consistent with the policies adopted by the Group. Dilution profits and losses arising in investments in associates are recognised in profit or loss.

Investments in associates are accounted for at cost less impairment in the company's stand-alone financial statements.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the resources and assessing performance of the operating segments, has been identified as the Executive Committee.

1.4 Property, plant and equipment

Property, plant and equipment includes mining assets, land and buildings, plant, equipment, vehicles, capital work in progress and aircraft as well as certain essential plant spares that are held to minimise delays arising from plant breakdowns. All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and capital work in progress is stated at cost less accumulated impairment.

Direct costs incurred on major projects during the period of development or construction are capitalised. Subsequent costs are included in the asset's carrying amount 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 de-recognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

1.4.1 Depreciation

- Land and capital work in progress
Land and capital work in progress is stated at cost and is not depreciated.
- Property, plant and equipment (excluding land and capital work in progress)

All other items of property, plant and equipment are depreciated on a straight-line method at cost less estimated residual values over their useful lives as follows:

Mining asset, land and buildings:

Building and structures	30 – 50 years
Mining assets	10 – 20 years

Plant, equipment and vehicles:

Vehicles	4 – 5 years
Heavy plant and machinery	10 – 20 years
Equipment	8 – 10 years
Computer equipment	3 – 5 years
Factory equipment	4 – 5 years
Capital insurance spares	10 – 20 years

1.4.2 Useful lives and residual values

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date.

1.4.3 Impairment

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. (Refer to Policy 1.6)

1.4.4 Capitalisation on borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment that are considered to be 'qualifying assets' are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

1.5 Intangible assets

1.5.1 Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;

- Adequate technical, financial and other resources to complete the development and to use the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as and when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

1.6 Impairment of assets

The carrying amounts of the Group's assets and cash-generating units are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is determined. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Cash-generating units

A cash-generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets. For an asset whose cash flow is largely dependent on that of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the net book value of any goodwill allocated to cash-generating units and then to reduce the net book value of the other assets in the unit on a pro rata basis. Impairment losses are recognised in profit or loss.

Impairment reversals

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

1.7 Leases

The Group is the lessee:

Leases of property, plant and equipment where the Group has substantially transferred all the risks and rewards of ownership are classified as finance leases.

Assets held under finance lease agreements are capitalised. Such assets are depreciated in terms of the lease term relating to the relevant lease agreement, provided that such term of lease is shorter than the assets' useful lives. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum future lease payments. Lease finance charges are allocated to accounting periods over the duration of the leases by the effective rate method, which reflects the extent and cost of the lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rental expenses are recognised in profit or loss on a straight-line basis over the lease term.

Where an arrangement with a supplier includes a component that has the substance of a lease, the lease component is separated from other payments and accounted for as a lease.

The Group is the lessor:

Assets held for the operating leases are presented in the Statement of Financial Position of the Group according to the nature of the asset.

Rental income is recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished.

1.8 Inventories

Spares and consumables

Spares and consumable are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method.

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

Obsolete, redundant and slow-moving items of spares and consumable stores are identified on a regular basis and written down to their net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials, work in progress and finished goods

Raw materials and finished goods consisting of phosphate rock, phosphoric acid, magnetite stock and other minerals are valued at the lower of cost of production and net realisable value.

Cost in respect of raw materials is determined on a first-in-first-out (FIFO) basis. Cost of production in respect of work in progress and finished goods is calculated on a standard cost basis, which approximates the actual cost and includes production overheads and is adjusted to net realisable value at year end when it is below cost. Production overheads are allocated on the basis of normal capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

1.10 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are not recognised for future operating losses. Where the effects of discounting are material, provisions are measured at their present values.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance cost.

1.11 Pension obligation

The Group operates a defined benefit and a defined contribution plan, the assets of which are held in separate trustee-administered funds. The schemes are generally funded through payments to insurance companies or trustee-administered funds as determined by periodic actuarial valuations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and under which the Group will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and previous periods.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions to the defined benefit plans are recognised fully in Other Comprehensive Income.

Past-service costs are recognised immediately in profit or loss when they occur.

1.12 Other post-employment obligations

The Group provides post-employment healthcare benefits to those of its retirees who were employed by the company on or before 1 July 1995. The same benefits are provided to a specific Group of employees employed before 1 July 1996. The entitlement to post-employment healthcare benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the projected unit credit method. Valuations of these obligations are carried out annually by independent, qualified actuaries.

Actuarial gains and losses arising from previous adjustments and the effects of changes in actuarial assumptions to the defined benefit plans are recognised fully in other comprehensive income.

1.13 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date and in instances where companies in the Group generate taxable income.

Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax and deferred capital gains tax are accounted for using the liability method for all temporary differences arising between the net book value of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.14 Foreign currencies

Foreign currency translation

The Group's presentation currency is the same as its functional currency. The Group's presentation currency is South African Rands (ZAR). The functional currency of the Group's operation is the currency of the primary economic environment in which each operation has its main activities.

Foreign currency transactions

Transactions in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses are presented in the statement of comprehensive income under net foreign exchange loss.

1.15 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax (VAT), returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity and 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.

(a) Sale of goods

Sales of goods are recognised when risks and rewards transfer (depending on the International Commercial terms agreed with the customer, that is, Free on Board [FOB], Free on Rail [FOR] or Cost and Freight [CFR]), and when there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Interest income

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

(c) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(d) Dividend income

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

1.16 Financial instruments

1.16.1 Financial instruments consist mainly of borrowings, finance lease liabilities, listed and unlisted investments, cash and cash equivalents, derivative instruments, trade

and other receivables and trade and other payables. Derivative instruments consist of forward exchange contracts and option contracts. At inception the Group classifies its financial assets into the following categories.

Financial assets or financial liabilities at fair value through profit or loss – A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables – These are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the near future.

Available-for-sale financial assets These are non-derivative financial assets that are designated as available for sale or are not classified as:

- Loans and receivables;
- Held-to-maturity investments; or
- Financial assets at fair value through profit or loss.

Impairment losses on available-for-sale equity instruments are not reversed through profit or loss. Any increase in the fair value after an impairment loss has been recognised is treated as a revaluation and is recognised directly in equity.

1.16.2 Initial and subsequent measurement

Financial assets or financial liabilities at fair value through profit or loss

- Initial measurement are at fair value at trade date (excluding transaction costs);
- Subsequent measurement is at fair value with gains or losses from fair value adjustments recognised in profit or loss.

Available-for-sale financial assets

- Initial measurement is at fair value at trade date (including transaction costs);
- Subsequent measurement is at fair value with gains or losses from fair value adjustments recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments that are recognised in profit or loss. The fair value adjustments previously recognised in equity are transferred to profit or loss upon de-recognition;
- Dividends accruing on available-for-sale financial instruments are recognised in profit or loss on right to receive dividends;

- Interest on available-for-sale financial instruments is recognised in profit or loss using the effective interest method.

Loans and receivables

- Initial measurement is at fair value net of transaction costs directly attributable to acquisition of funds;
- Subsequent measurement is at amortised cost, using the effective interest method;
- Provision for impairment of loans and receivables is raised in line with accounting policy 1.9 (above) with write-off of irrecoverable amount approved by the Board of Directors.

1.16.3 Recognition and de-recognition

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

Financial assets are de-recognised when the contractual rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are de-recognised when, and only when, they are extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired.

1.16.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.16.5 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. For debt securities, the Group uses the criteria in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

1.17 Environmental obligations

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date, using a risk-free rate and risk-adjusted cash flows that reflect current market assessments and the risks specific to the provision. Increases due to additional environmental disturbances are capitalised and amortised over the remaining life of the mine.

Annual increases in the provision relating to unwinding of the discount are shown as part of finance costs in the statement of comprehensive income.

The estimated costs of rehabilitation are reviewed on a three-yearly basis or when events suggest that the costs may have changed, and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by

the potential proceeds from the sale of assets, or from planned clean-up at closure, in view of the uncertainty of estimating the potential future proceeds. Changes in the expected costs are capitalised or reversed against the relevant asset.

Contributions are made to a dedicated Environmental Rehabilitation Trust to fund the estimated cost of rehabilitation during and at the end of the life of the mine. The Environmental Rehabilitation Trust is consolidated into the Group financial statements at each reporting date.

1.18 Dividends

Dividends paid are recognised by the Group when the shareholder's right to receive payment is established. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to year end are not recognised at the financial year end, but are disclosed in the notes to the financial statements.

1.19 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents are defined as cash on hand, deposits held on call with banks, short-term liquid investments and original maturities of three months or less and bank overdrafts. Cash and cash equivalents are measured at amortised cost based on the relevant exchange rate at the balance sheet date.

In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

1.20 Share Capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the company's equity holders.

1.21 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest 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 reporting date.

1.23 Share-based payment transactions

The Group operates an equity-settled share-based plan and a cash-settled share-based plan. The equity-settled plan was entered into with Strategic Business Partners (SBPs) and Special Black Groups, under which the company will receive services (BEE credentials) as consideration for its own equity instruments. The equity-settled share-based payments vest immediately; the reserve was recognised in equity at grant date.

The cash-settled plan was entered into with the company's employees, under which the company receives services from employees by incurring the liability to transfer cash to the employees for amounts that are based on the value of the company's shares. The fair value of the transaction is measured using an option pricing model, taking into account all terms and conditions.

The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The services received by the company are recognised as they are received and the liability is measured at fair value. The fair value of the liability is re-measured at each reporting date and at the date of settlement. Any changes in the fair value are recognised in profit or loss for the period.

2. 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, rarely 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 financial year are outlined below.

(a) Income taxes

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

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the post-employment obligations. More detail on these actuarial assumptions is provided in Note 20 to the financial statements.

(d) Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 6.10% (2016: 5.18%) was assumed to increase the rehabilitation liability for the next 20 years, and a rate of 8.84% (2016: 8.66%) to discount that amount to present value. The assumed discount rate of 8.84% is a risk-free rate.

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for the year ended 31 March 2017

(e) Fair value of share-based payments

The fair value of equity instruments on grant date is based on a simulated company value, using the Geometric Brownian Motion model. The valuation technique applied to determine the simulated company value is part of the Monte Carlo simulation methodology. The market conditions relating to the growth in the market value of the Foskor shares have been taken into account in estimating the fair value of the equity instruments granted. The key assumptions used in the calculation are included in Note 17 of the financial statements.

(f) Impairment of assets

The Group follows the guidance of IAS 36 Impairment of Assets to determine when an asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates the impairment indicators that could exist at year end, such as significant decreases in the selling prices of finished goods, significant decreases in sales volumes and changes in the international export regulatory environment.

3. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis assumes that the Company is a going concern for the foreseeable future with neither the intention nor necessity to liquidate or curtail materially the scale of its operations.

The 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.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
4. PROPERTY, PLANT AND EQUIPMENT				
At cost				
Mining asset, land and buildings and decommissioning assets	2 187 195	1 741 880	2 185 068	1 739 752
Plant, equipment and vehicles	5 498 084	5 225 639	5 470 709	5 198 845
Capital work in progress	710 595	598 423	710 595	598 423
Total	8 395 874	7 565 942	8 366 372	7 537 020
Accumulated depreciation and impairment				
Mining asset, land and buildings and decommissioning assets	(410 080)	(384 290)	(408 307)	(382 700)
Plant, equipment and vehicles	(2 132 905)	(1 840 793)	(2 121 902)	(1 831 971)
Impairment of assets ¹	(720 467)	(200 000)	(720 467)	(200 000)
Total	(3 263 452)	(2 425 083)	(3 250 676)	(2 414 671)
Net carrying amount				
Mining asset, land and buildings and decommissioning assets	1 777 115	1 357 590	1 776 761	1 357 052
Plant, equipment and vehicles	2 644 712	3 184 846	2 628 340	3 166 874
Capital work in progress	710 595	598 423	710 595	598 423
Net carrying amount	5 132 422	5 140 859	5 115 696	5 122 349
Plant, equipment and vehicles includes the following lease where Foskor (Pty) Ltd is the lessee under a finance lease. The effluent pipeline is the only asset under finance lease (refer to Note 18). Cost – Capitalised finance lease	41 567	41 567	41 567	41 567
Accumulated depreciation	(26 499)	(24 420)	(26 499)	(24 420)
Net carrying amount	15 068	17 147	15 068	17 147

¹Refer to Note 4.1 for details on impairments of assets.

Details of land and buildings are available for inspection at the registered office of the Company.

	Mining asset, land and buildings and decommissioning assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
12 months ended 31 March 2017				
Movement in carrying value for the year				
Group				
Opening net carrying amount	1 357 590	3 184 846	598 423	5 140 859
Additions	92 507	299 607	112 172	504 286
Decommissioning assets	322 565	–	–	322 565
Adjustment to the mining asset (refer to Note 19)	58 463	–	–	58 463
Depreciation charge	(44 896)	(302 105)	–	(347 001)
Impairment charge	–	(520 467)	–	(520 467)
Disposals	(9 114)	(17 169)	–	(26 283)
Closing net carrying amount	1 777 115	2 644 712	710 595	5 132 422
Company				
Opening net carrying amount	1 357 052	3 166 874	598 423	5 122 349
Additions	92 507	299 027	112 172	503 706
Decommissioning assets	322 565	–	–	322 565
Adjustment to the mining asset (refer to Note 19)	58 463	–	–	58 463
Depreciation charge	(44 712)	(299 925)	–	(344 637)
Impairment charge	–	(520 467)	–	(520 467)
Disposals	(9 114)	(17 169)	–	(26 283)
Closing net carrying amount	1 776 761	2 628 340	710 595	5 115 696

During the year, the Group capitalised borrowing costs of Nil (2016: R71.2 million) on qualifying assets. The borrowing costs were capitalised at the Group general borrowings weighted average annual rate of Nil (2016: 8.66%).

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for the year ended 31 March 2017

	Mining asset, land, buildings and decommissioning assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
4. PROPERTY, PLANT AND EQUIPMENT (continued)				
12 months ended 30 March 2016				
Movement in carrying value for the year				
Group				
Opening net carrying amount	956 160	2 921 261	1 013 097	4 890 518
Additions	106 102	759 899	(414 674)	451 327
Decommissioning assets	450 000	–	–	450 000
Adjustment to the mining asset (refer to Note 19)	(108 686)	–	–	(108 686)
Depreciation charge	(45 986)	(284 577)	–	(330 563)
Impairment charge	–	(200 000)	–	(200 000)
Disposals	–	(11 737)	–	(11 737)
Closing net carrying amount	1 357 590	3 184 846	598 423	5 140 859
Company				
Opening net carrying amount	954 721	2 901 218	1 013 097	4 869 036
Additions	106 819	759 899	(414 674)	452 044
Decommission assets	450 000	–	–	450 000
Adjustment to the mining asset (refer to Note 19)	(108 686)	–	–	(108 686)
Depreciation charge	(45 802)	(282 506)	–	(328 308)
Impairment charge	–	(200 000)	–	(200 000)
Disposals	–	(11 737)	–	(11 737)
Closing net carrying amount	1 357 052	3 166 874	598 423	5 122 349

4.1 Impairment of assets

Foskor assesses the carrying values of its fixed assets on an annual basis as required by IAS 36: *Impairment of assets*.

During the 2016 financial year, an impairment of R200 million was raised.

During the current year, management prepared the discounted cash flow calculation for Foskor using the fair value less cost to sell method.

- The approved budget for the 2018 financial year.
- A discount rate of 15.9% (2016: 18.4%) and a terminal growth rate of 5%.
- Acid Division production volumes will increase from 450 000 tons and gradually build up to 510 000 tons as per the approved strategic plans. Production in the Acid plant improved in the last quarter of the financial year and also in the first month of the new financial year. The plant is now also operating at much better efficiency levels.
- Mining Division has increased its efficiency to an average of 72%.
- The forecasted sales prices for phosphoric acid, granular fertiliser, phosphate and sulphur for period 2017 and beyond are based on the latest CRU International Ltd (The Independent Authority on Mining, Metals and Fertilisers) reports adjusted for management's view on global market dynamics.
- Exchange rate forecasts were based on forecasts for the period 2016 to 2019 obtained from the IDC Research and Information Department.

The current cash flow forecasts do not support the value of Foskor's assets and an impairment of the assets is required.

An impairment of assets of R520 million was therefore raised in the current financial year against the assets.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
5. INTANGIBLE ASSETS				
Computer software	71 496	60 660	71 496	60 660
Accumulated amortisation	(49 193)	(25 232)	(49 193)	(25 232)
Net carrying amount	22 3 03	35 428	22 303	35 428

	Computer software R'000
12 months ended 31 March 2017	
Movement in carrying value	
Group and Company	
Opening net book amount	35 428
Additions	7 778
Amortisation charge	(20 903)
Closing net carrying amount	22 303
12 months ended 30 March 2016	
Movement in carrying value	
Group and Company	
Opening net carrying amount	54 099
Additions	613
Amortisation charge	(19 284)
Closing net carrying amount	35 428

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

	Country of incorporation	Nature of business	Issued ordinary and preference shares				Shares at cost		Indebtedness	
			Number 2017	Number 2016	% 2017	% 2016	R'000 2017	R'000 2016	R'000 2017	R'000 2016
6. INVESTMENTS IN SUBSIDIARIES										
Indian Ocean Fertilizer (Pty) Ltd	South Africa	Previous Acid Division	93 265	93 265	100	100	103 956	103 956	(218 501)	(218 501)
Inter Minerals Holdings AG	Switzerland	Dormant SPV	–	–	–	–	10	10	(10)	(10)
Phosphate Shipping (Pty) Ltd	South Africa	Ship Broker Agency	1 000	1 000	100	100	1	1	(3 105)	(3 979)
Shares in and loans from subsidiaries							103 967	103 967	(221 616)	(222 490)
Phosfert Marine (Pty) Ltd	South Africa	Clearing & Forward Agency	40 000	40 000	100	100	40	40	(117)	5 169
Verdino 174 (Pty) Ltd	South Africa	Storage Tanks	120	120	100	100	12 000	12 000	11 587	11 587
Foskor Social Responsibility Trust	South Africa	Social Responsibility Trust	–	–	–	–	–	–	1 679	1 655
IOF Property Trust	South Africa	Property Trust	–	–	–	–	–	–	33	31
Shares in and loans to subsidiaries							12 040	12 040	13 182	18 442
Total shares at cost/net loans owing							116 007	116 007	(208 434)	(204 048)

The subsidiaries have financial years ending 31 March and are consolidated to that date. Loans to and from subsidiaries are interest-free with no repayment terms. The shares in Indian Ocean Fertilizer (Pty) Ltd previously held by Inter Minerals South Africa (Pty) Ltd are now held directly by Foskor (Pty) Ltd.

Indicators for impairment were considered at 31 March 2017 and no impairment on these investments was deemed necessary.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
7. INVESTMENT IN JOINT VENTURE				
Foskor (Pty) Ltd has a 50% interest in a joint venture, Palfos Aviation (Pty) Ltd.				
Carrying amount	25	25	25	25

The investment consists of 12 500 shares of R2 each, being 50% of the authorised and issued share capital. The Company is currently in the process of being deregistered. The 50% share of the assets, liabilities and results of the joint venture are not significant. Refer to Note 35.1 for the nature of activities and principal place of business.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

	GROUP	
	2017 R'000	2016 R'000
Summarised statement of comprehensive income		
8. INVESTMENT IN ASSOCIATE (continued)		
Revenue	190 742	192 198
Depreciation and amortisation	(2 508)	(2 761)
Interest income	1 600	565
Interest expense	(12 000)	(11 326)
Pre-tax (loss)/profit	(4 118)	18 904
Income tax charged	(964)	(6 481)
Post-tax (loss)/profit	(5 082)	12 423
Total comprehensive (loss)/profit	(5 082)	12 423
Other comprehensive profit/(loss)	50	(146)
Total comprehensive (loss)/profit for the year	(5 032)	12 277

	GROUP	
	2017 R'000	2016 R'000
Reconciliation of summarised financial information		
Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate:		
Opening net assets as at beginning of year	20 385	28 027
Total comprehensive (loss)/profit	(5 082)	12 423
Other comprehensive profit/(loss)	50	(146)
Prior year adjustment	(2)	(13 964)
Impairment of investment	–	(5 955)
Closing net assets at 31 March	15 351	20 385
Interest in associates (29.9%)	4 589	6 095
Carrying value	4 589	6 095

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
9. FINANCIAL INVESTMENTS				
9.1 Environmental Rehabilitation Trust investments				
– At fair value through profit and loss	184 727	168 883	184 727	168 883
Unit trusts	169 028	160 684	169 028	160 684
Rehabilitation guarantee investment	14 764	7 178	14 764	7 178
Sanlam shares	584	594	584	594
Old Mutual shares	351	427	351	427

The unit trust portfolio for these investments is invested in equity (32%), property (7%), bonds (33%), money market and cash (27%) and other (1%). The Environmental Rehabilitation Trust is an irrevocable trust under the Company's control.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
9. FINANCIAL INVESTMENTS (continued)				
9.2 Environmental Rehabilitation Trust investments				
– Other loans and receivables	931	842	931	842
Cash deposits held by the Environmental Rehabilitation Trust	931	842	931	842

The fair value movement in the Environmental Rehabilitation Trust investment of R8.3 million (2016: R9.8 million) was recognised in profit or loss.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
9.3 Preference shares held in Foskor Zirconia (Pty) Ltd – held to maturity				
At beginning of the year	20 000	–	20 000	–
Issued preference shares	–	20 000	–	20 000
Redemption of preference shares	(5 000)	–	(5 000)	–
At 31 March	15 000	20 000	15 000	20 000
Total investments	200 658	189 725	200 658	189 725

Foskor Zirconia (Pty) Ltd issued 12.65% cumulative redeemable preference shares to Foskor (Pty) Ltd in settlement of R20 million long-outstanding debt. The preference shares issued are redeemable in tranches as decided from time to time by the Company's Board of Directors with the final instalment repayment date not later than 31 March 2023.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
10. INVENTORIES				
Phosphate rock	403 608	658 395	403 608	658 395
Raw materials	227 542	519 706	227 542	519 706
Finished goods	504 048	483 608	504 048	483 608
Spares and consumables stores	441 378	354 841	441 378	354 841
Total inventories	1 576 576	2 016 550	1 576 576	2 016 550

The value of inventory write-down to net realisable value in the current year is R18.4 million (2016: R2.9 million).

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
11. TRADE AND OTHER RECEIVABLES				
Trade receivables ¹	488 769	752 777	481 368	743 803
Less: Impairment allowance of trade receivables	(35 474)	(26 082)	(34 550)	(25 686)
Trade receivables – net	453 295	726 695	446 818	718 117
VAT receivable	91 301	67 328	90 242	66 383
Insurance prepaid	32 468	41 292	32 355	41 184
Other receivables ²	109 622	126 003	104 696	124 885
Total trade and other receivables	686 686	961 318	674 111	950 569

¹ Trade receivables are denominated in US Dollar and South African Rand.

² Other receivables mainly comprised sundry debtors R99.5 million (2016: R98.8 million) and also include R18.8 million of demurrage claims (2016: R20.0 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
11. TRADE AND OTHER RECEIVABLES (continued)					
Movement in the impairment allowance of trade receivables					
At beginning of year		(26 082)	(48 585)	(25 686)	(47 940)
Additional provisions		(11 448)	(6 771)	(10 669)	(6 771)
Utilised during period		2 056	29 274	1 805	29 025
At 31 March		(35 474)	(26 082)	(34 550)	(25 686)
Movement in the impairment allowance of other receivables					
At beginning of year		-	(51 935)	-	(51 935)
Utilised during period		-	51 935	-	51 935
At 31 March		-	-	-	-

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
12. DERIVATIVE FINANCIAL INSTRUMENTS					
Assets		1 801	3 970	1 801	3 970
Forward foreign exchange contracts	32.1	1 801	3 970	1 801	3 970
Liabilities		(7 304)	(5 706)	(1 643)	-
Forward foreign exchange contracts		(1 643)	-	(1 643)	-
Share buyback option	32.1	(5 661)	(5 706)	-	-

Trading derivatives are classified as current assets or liabilities. The remaining maturity of the instruments is less than 12 months. Profits and losses on these instruments are recognised in profit or loss.

On 1 February 2013, Foskor (Pty) Ltd acquired 100% of the share capital of Verdino 174 (Pty) Ltd. Verdino 174 (Pty) Ltd leased the land from Transnet Limited on which the tank farm facility is located, which lease expires in March 2015. The condition attached to the sale agreement is that, the seller shall have the unconditional right to purchase 50% of Verdino 174 (Pty) Ltd shares from Foskor (Pty) Ltd, at the time of the renewal of the lease. Foskor (Pty) Ltd entered into a lease agreement with Transnet from 1 April 2015 to 31 March 2020.

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
13. CASH AND CASH EQUIVALENTS					
Cash at bank and on hand		664 214	249 206	654 473	238 434
Cash and cash equivalents		664 214	249 206	654 473	238 434

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
14. DEFERRED TAX					
The deferred tax balance movement is made up as follows:					
At beginning of year		(283 890)	(428 271)	(284 649)	(429 147)
Mining operations temporary differences – other		3 394	9 033	3 394	9 033
Mining operations temporary differences – capex		(848)	13 636	(848)	13 636
Non-mining operations temporary differences – other		126 989	(49 172)	126 989	(49 172)
Under-provision prior year		54 911	1 265	54 911	1 265
Tax loss increased		241 447	171 094	241 291	171 211
Prepayments		–	(1 475)	–	(1 475)
At 31 March		142 003	(283 890)	141 088	(284 649)
The deferred tax balance is made up as follows:					
Deferred tax assets					
Finance lease liability		2 989	3 499	2 989	3 499
Provisions		60 298	53 311	60 298	53 311
Mining rehabilitation liability		304 101	65 457	304 101	65 457
Income in advance		1 127	2 069	1 127	2 069
Cash-settled share-based payments		7 216	7 674	7 216	7 674
Tax losses		1 004 826	764 280	1 003 911	763 521
At 31 March		1 380 557	896 290	1 379 642	895 531
Deferred tax liabilities					
Property, plant and equipment – mining		(846 764)	(845 916)	(846 764)	(845 916)
Property, plant and equipment – other		(119 113)	(294 779)	(119 113)	(294 779)
Property, plant and equipment – leased		(4 219)	(4 801)	(4 219)	(4 801)
Mining footprint		(218 373)	14 314	(218 373)	14 314
Mining rehabilitation investment		(50 085)	(47 523)	(50 085)	(47 523)
Prepayments		–	(1 475)	–	(1 475)
At 31 March		(1 238 554)	(1 180 180)	(1 238 554)	(1 180 180)
Deferred tax assets/(liabilities) (net)		142 003	(283 890)	141 088	(284 649)
The gross movement on the deferred tax is as follows:					
At beginning of year		(283 890)	(428 271)	(284 649)	(429 147)
Charge in profit or loss	28	371 673	143 258	371 517	143 375
Tax (credit)/charge relating to components of other comprehensive income	28	(691)	(142)	(691)	(142)
Prior year adjustment	28	54 911	1 265	54 911	1 265
Closing deferred tax assets/(liabilities)		142 003	(283 890)	141 088	(284 649)

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for the year ended 31 March 2017

	GROUP AND COMPANY				
	Number of shares (thousands)	Class B shares R'000	Ordinary shares R'000	Total share capital R'000	Share premium R'000
15. EQUITY AND RESERVES					
Share capital and premium					
At beginning of year	11 335	2 176 804	9 158	2 185 962	132 013
Movements during the year	830	830 000	–	830 000	–
At 31 March	12 165	3 006 804	9 158	3 015 962	132 013

The total authorised share capital of ordinary shares is 9 157 647 (2016: 9 157 647) with a par value of R1 per share. Foskor issued 830 Class B shares during the year at R1 million per share. Class B shares have a preferential right to dividends over ordinary shares and the required rate of return is an after tax IRR of 10.5%. All issued shares are fully paid.

16. DIVIDENDS PAID

No dividends have been declared in the current and prior year.

17. SHARE-BASED PAYMENT RESERVE

17.1 Equity-settled share-based payment plan

Black Economic Empowerment Transaction

In the 2011 financial year, Foskor and the Industrial Development Corporation Ltd (IDC) entered into a Black Economic Empowerment Transaction (BEE transaction). In terms of the transaction the IDC sold 15% interest in Foskor to Strategic Business Partners (SBPs) and Special Black Groups (SBGs) (collectively, the Manyoro Consortium), 5% to the communities where Foskor operates and a 6% interest in Foskor to the Foskor Employee Share Ownership Plan Trust (ESOP). The transaction with the Manyoro Consortium and communities constitutes an equity-settled share-based plan and the transaction with the employees constitutes a cash-settled share-based plan (refer to Note 17.2). Under the equity-settled share-based plan, the shares vest immediately at grant date. In determining the fair value of services received as consideration for equity instruments granted, measurement is referenced to the fair value of the equity instruments granted.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
At beginning of year	303 914	303 914	303 914	303 914
Granted	–	–	–	–
At 31 March	303 914	303 914	303 914	303 914

Weighted average fair value assumptions

The fair value of services received in return for equity instruments granted is measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the equity instruments granted is measured based on the Monte Carlo Option Pricing model.

The following weighted average assumptions were used in the share pricing models at the valuation date:

	GROUP AND COMPANY
Grant date	31 December 2009
Initial Company value (Exercise price)	R3 500 000 000
Average share price at grant date	R382.19
Annualised expected volatility	43.19%
Risk-free interest rate	8.54%
Dividend yield (%)	2.25%
Strike price	R655.68

The holders of the equity instruments are required to hold the instruments to maintain the BEE status until 30 March 2018, thereafter they will be able to acquire Foskor shares that can be sold or retained. The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in the same industry as Foskor and the changes in their share prices over the last 10 years was used to determine the volatility in their share prices.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
17. SHARE-BASED PAYMENT RESERVE (continued)				
17.2 Cash-settled share-based payment plan				
Cash-settled share-based payment liability	25 772	26 574	25 772	26 574
Total cash-settled share-based payment liability	25 772	26 574	25 772	26 574

The Company entered into a cash-settled share-based payment plan with its employees. A total liability of R25.8 million (2016: R 26.6 million) is carried. The share-based payment adjustment for the current year of R0.8 million was recognised in profit or loss (refer to Note 17.3). The fair values were determined by reference to the fair value of the equity instruments granted using the Monte Carlo Option Pricing model. This model has been modified to take into account early exercise opportunities and expected employee exercise behaviour.

The following weighted average assumptions were inputs into the model:

	GROUP	COMPANY
	2017 R'000	2016 R'000
Exercise price	R3 500 000 000	R3 500 000 000
Average share price at grant date	R382.19	R382.19
Annualised expected volatility	41.81%	41.88%
Risk-free interest rate		
– one year expected option lifetime	7.18%	7.73%
– two year expected option lifetime	7.11%	8.05%
Expected dividend yield		
– one year expected option lifetime	0.00%	0.00%
– two year expected option lifetime	0.00%	0.00%
Strike price		
– one year expected option lifetime	R629.12	R629.12
– two year expected option lifetime	R629.12	R629.12

The units in the Employee Share Ownership Plan Trust (ESOP Trust) will vest over a period of three years from 1 April 2011 to 1 April 2014 for employees employed at 1 April 2009. All other employees' units will fully vest from five years after allocation date. The employees have the option to start selling their vested units from 1 July 2016 until 30 March 2018. The ESOP Trust will be wound up on 30 March 2018, where any employees with remaining units will be given Foskor shares in exchange for their units if the Company is listed. If the Company is not listed, the employees will be given cash in exchange for their units.

The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in the same industry as Foskor and the changes in their share prices over the last 10 years was used to determine the volatility in their share prices.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
17.3 Share-based payment expense				
Cash-settled share-based payment expense	(802)	(833)	(802)	(833)
Total share-based payment expense	(802)	(833)	(802)	(833)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
18. FINANCE LEASE LIABILITY				
Gross finance lease liability – minimum lease payments:				
Not later than one year	3 360	3 623	3 360	3 623
Later than one year and not later than five years	10 093	11 395	10 093	11 395
Later than five years	2 944	5 002	2 944	5 002
	16 397	20 020	16 397	20 020
Future finance charges on finance lease	(5 722)	(7 522)	(5 722)	(7 522)
Present value of finance lease liability	10 675	12 498	10 675	12 498
Less: Current portion	(1 823)	(1 823)	(1 823)	(1 823)
Long-term portion of finance lease liability	8 852	10 675	8 852	10 675
Present value of finance lease liability is as follows:				
Not later than one year	1 823	1 823	1 823	1 823
Later than one year and not later than five years	6 469	6 793	6 469	6 793
Later than five years	2 383	3 882	2 383	3 882
Present value of finance lease liability	10 675	12 498	10 675	12 498

The finance lease is between Foskor (Pty) Ltd and Umhlatuze Water Board for an effluent pipeline. The lease liability is effectively secured, as the rights to the leased asset revert to the lessor in the event of default. The lease is over a 20-year period with 9 years remaining as at 31 March 2017. Foskor has sole use of the effluent pipeline and pays for the maintenance. The lease is at a fixed rate of 14.4% per annum. Refer to Note 4.

19. ENVIRONMENTAL REHABILITATION LIABILITY

Foskor (Pty) Ltd continually contributes to the Environmental Rehabilitation Trust, to ensure that adequate funds are available to pay for mine closure and reclamation costs. The Environmental Rehabilitation Trust is an irrevocable trust under the Company's control. This note compares the net present value of the rehabilitation liability to the assets held by the Trust.

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
19.1 Environmental rehabilitation liability					
At beginning of year		683 774	317 681	683 774	317 681
Unwinding of discount	26	21 274	24 779	21 274	24 779
Adjustment to the mining footprint	4	58 463	(108 686)	58 463	(108 686)
Decommissioning asset	4	322 565	450 000	322 565	450 000
Balance at the end of the year		1 086 076	683 774	1 086 076	683 774
Environmental Rehabilitation Trust					
Balance at the beginning of the year		169 725	152 642	169 725	152 642
Movement recognised in profit and loss		8 958	10 108	8 958	10 108
– Growth in investment		9 009	9 829	9 009	9 829
– Other operating expenses		(51)	279	(51)	279
Investments held by the Trust		178 683	162 750	178 683	162 750
Cash contribution made to the Trust		6 975	6 975	6 975	6 975
Total assets held by the Trust	9	185 658	169 725	185 658	169 725
Unfunded portion of rehabilitation liability		900 418	514 049	900 418	514 049

19. ENVIRONMENTAL REHABILITATION LIABILITY (continued)

19.1 Environmental rehabilitation liability (continued)

The financial assets held by the Trust are intended to fund the environmental rehabilitation liability of Foskor (Pty) Ltd and are not available for general purposes of the Group. The objective of the Trust is to act as the financial provider for expenditure that its member, Foskor (Pty) Ltd, is likely to incur in order to comply with the statutory obligation for the environmental rehabilitation. The Trust is exempt from tax in accordance with section 10(1)cP of the Income Tax Act (No. 58 of 1962).

The directors are aware of the estimated cost of rehabilitation and are satisfied that adequate provision is being made to meet this obligation. The disclosure relating to the issuing of guarantees to the Department of Mineral Resources is in Note 33.

Gypsum Re-Use and Remediation of Gypsum Dam

Foskor, the Department of Water and environmental Affairs (DWEA) and the Local Authority are in discussions on the rehabilitation of the Gypsum Dam area. The liability of the rehabilitation and/or closure is the responsibility of Foskor once all the Gypsum is removed. Foskor Management have made a high-level estimate of anticipated costs for the closure of the Gypsum waste facility in Richards Bay. Management estimated, in consultation with external experts, who have done similar projects, that the closure costs for conventional capping will vary from R350/m² to R750/m² excluding all the approvals and design related costs. At 31 March 2017 a provision for rehabilitation of R773 million for the closure costs has been recognised.

19.2 Mine rehabilitation guarantees

The Group had mine rehabilitation guarantees amounting to R496 million at year-end (refer to Note 33). In line with the requirements set out by the Department of Mineral Resources, this guarantee amount was in place at 31 March 2017. These guarantees and the agreement reached with the Department of Mineral Resources were based on the environmental rehabilitation and closure costs assessment that was performed during the 2017 financial year. The assessments are performed annually, with the next assessment due in 2018. Estimated scheduled closure costs for the mine are R565 million. For unscheduled or premature closure, the Department of Mineral Resources, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor (Pty) Ltd to provide for the liability of R642 million in the form of guarantees and cash.

The premature closure cost of R642 million is covered by guarantees totalling R496 million and investment assets totalling R186 million. The Group has, therefore, over provided for early closure costs by R40 million.

		GROUP AND COMPANY	
		2017	2016
		R'000	R'000
	Note		
20. RETIREMENT BENEFIT OBLIGATIONS			
Liabilities included in the statement of financial position:			
Defined pension benefits	20.1	–	–
Post-employment medical benefits	20.2	129 776	127 100
Liability in the statement of financial position		129 776	127 100
Amounts recognised in profit and loss:			
Defined pension benefits	25	(4 897)	(2 828)
Post-employment medical benefits	25	5 106	2 995
		209	167
Remeasurements recognised in other comprehensive income:			
Defined pension benefits		4 897	2 828
Post-employment medical benefits		(2 430)	(2 322)
		2 467	506

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

20.1 Defined pension benefits

The Group operates a post-employment pension scheme covering certain employees who were employed by the Company prior to 1995. The fund is a defined benefit (DB) fund that is closed to new members. The pension fund is funded by plan assets. The assets of the fund are held in an independent trustee-administered fund. The investment policy of the fund adheres to the requirements of revised Regulation 28 of the Pension Funds Act of 1956, and was established in accordance with PF Circular 130 issued by the Financial Services Board (FSB) as far as this was practical and appropriate.

The Trustees of the fund are ultimately responsible for the fund's assets, the investment of those assets and the assets' investment performance. A separate cash portfolio has been established to handle the need for liquidity and the cash portfolio is typically topped up via disinvestments from the market-linked portfolios to a level of approximately four to six month's worth of pensioner payments. The Trustees cannot relinquish or cede these responsibilities. However, the Trustees are permitted to delegate certain of the actions and activities related to the management of the fund's assets. The liability is valued every year using the projected unit credit method. Following a quid pro quo tripartite agreement in 2006 between the employer, pensioners and the Pension Fund, the employer guarantees a minimum increase to pensions each year of 75% of the increase in inflation, as measured by the Consumer Price Index (CPI). Any amendment to this policy shall be after negotiation and agreement between the three parties.

The latest actuarial valuation was performed on 31 December 2016.

The amounts recognised in the statement of financial position are determined as follows:

	GROUP AND COMPANY	
	2017 R'000	2016 R'000
Present value of funded obligations	354 384	364 510
Fair value of plan assets	(382 950)	(403 166)
Pension fund surplus	(28 566)	(38 656)
Impact of asset ceiling	(28 566)	38 656
Liability in the statement of financial position at 31 March	-	-

The movement in the defined benefit obligation over the year is as follows:

	GROUP AND COMPANY			
	Present value of obligation R'000	Fair value of plan assets R'000	Asset ceiling R'000	Total R'000
At 1 April 2015	329 902	(404 654)	74 752	-
Current service cost	914	-	-	914
Interest expense/(income)	26 191	(30 654)	-	(4 463)
	357 007	(435 308)	74 752	(3 549)
Remeasurements:				
Return on plan assets, excluding amounts included in interest income	-	(7 172)	-	(7 172)
Loss from change in financial assumptions	39 342	-	-	39 342
Experience losses	6 762	-	-	6 762
Change in asset ceiling	-	-	(36 104)	(36 104)
Adjustment	-	(8)	8	-
Contributions:				
- Plan participants	744	(744)	-	-
- Employers	-	721	-	721
Payments from plans:				
- Benefit payments	(38 630)	38 630	-	-
- Bonus allocation	(715)	715	-	-
At 31 March 2016	364 510	(403 166)	38 656	-

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

20.1 Defined pension benefits (continued)

At 1 April 2016

Current service cost
Interest expense/(income)

Remeasurements:

Return on plan assets, excluding amounts included in interest income

Gain from change in financial assumptions

Other experience losses

Change in asset ceiling

Contributions:

– Plan participants

– Employers

Payment from plans:

– Benefit payments

– Bonus allocation

At 31 March 2017

GROUP AND COMPANY			
Present value of obligation R'000	Fair value of plan assets R'000	Asset ceiling R'000	Total R'000
364 510	(403 166)	38 656	–
231	–	–	231
36 059	(41 968)	–	(5 909)
400 800	(445 134)	38 656	(5 678)
–	21 586	–	21 586
(9 823)	–	–	(9 823)
3 224	–	–	3 224
–	–	(10 090)	(10 090)
889	(889)	–	–
–	781	–	781
(39 443)	39 443	–	–
(1 263)	1 263	–	–
354 384	(382 950)	28 566	–

The discount rate of 9.77% (2016: 10.44%) has been based on the 11.84 year yield (in accordance with the discounted mean term of the liabilities) from the South African government bond yield curve at 31 December 2016.

The amounts recognised in the statement of comprehensive income are as follows:

GROUP AND COMPANY		
Note	2017 R'000	2016 R'000
	231	914
	(5 909)	(4 463)
	781	721
	(4 897)	(2 828)
	4 897	2 828

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

20.1 Defined pension benefits (continued)

Plan assets are comprised as follows:

	GROUP AND COMPANY			
	2017			%
	Listed	Unlisted	Total	
Equity instruments	188 183	341	188 524	49
Global equities	85 069	308	85 377	
Financial services	31 938	33	31 971	
Consumer goods	24 970	–	24 970	
Consumer services	23 616	–	23 616	
Basic materials	20 447	–	20 447	
Industrials	11 173	–	11 173	
Oil and gas	4 435	–	4 435	
Healthcare	4 077	–	4 077	
Telecommunications	100	–	100	
Technology	23	–	23	
Other	(17 665)	–	(17 665)	
Debt	75 517	340	75 857	20
Corporate bonds (investment grade)	63 440	–	63 440	
Government bonds	7 026	29	7 055	
Corporate bonds (non-investment grade)	2 700	311	3 011	
Other	2 351	–	2 351	
Property (South Africa)	79 648	–	79 648	21
Cash	25 334	–	25 334	7
Other	12 196	–	12 196	3
Total	380 878	681	381 559	100

	GROUP AND COMPANY			
	Listed R'000	2016 Unlisted R'000	Total R'000	%
20. RETIREMENT BENEFIT OBLIGATIONS (continued)				
20.1 Defined pension benefits (continued)				
Equity instruments	224 672	–	224 672	56
Financial services	99 293	–	99 293	
Consumer goods	52 493	–	52 493	
Basic materials	34 046	–	34 046	
Global equities	16 337	–	16 337	
Consumer services	11 344	–	11 344	
Industrials	9 402	–	9 402	
Oil and gas	8 896	–	8 896	
Telecommunications	3 324	–	3 324	
Healthcare	2 820	–	2 820	
Technology	208	–	208	
Other	25 826	–	25 826	
Other – ALSI 40 futures and offshore hedging	(39 317)	–	(39 317)	
Debt	62 218	–	62 218	15
Corporate bonds (investment grade)	57 620	–	57 620	
Government bonds	3 161	–	3 161	
Corporate bonds (non-investment grade)	18	–	18	
Other	1 419	–	1 419	
Cash	56 274	–	56 274	14
Property (South Africa)	2 708	–	2 708	1
Other	57 286	–	57 286	14
Total	403 158	–	403 158	100

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

Different asset classes experience different volatilities of return. This risk may be reduced by diversifying the portfolio between the asset classes which are expected to have relatively low correlation, and investing a greater proportion in assets typically displaying lower volatility, such as cash and short-term bonds. The risk of volatility becomes gradually more unacceptable as members approach the end of their investment time-horizon. However, it is more appropriate to consider volatility risk in relation to the volatility of the cost to purchase post-retirement annuity income. The Trustees have adopted a policy of diversification across various asset classes and managers.

Negative real returns

This arises if the nominal returns fall below the rate of inflation and the real value of assets declines over time. This risk is reduced over the long-term by investing in a portfolio designed to minimise this risk through investing in assets that are assumed to provide a hedge against inflation such as equities, offshore assets and properties (so-called 'real assets' or 'growth assets'). Due to the volatility of most of these asset classes, and especially the equity market, it may not be possible to completely eliminate this risk over the short-term. The Trustees have selected investment portfolios which aim to minimise this risk.

Asset manager risk

The risk exists that a particular asset manager employed by the fund could underperform its peers, resulting in poor peer relative returns. Manager-specific risk is thus reduced by investing in a number of portfolios managed by different reputable investment managers with diversified styles. The investment sub-committee shall request and review the fidelity cover and continually review the qualitative as well as quantitative factors of current investment managers.

Inflation risk

The pension increase policy of the Foskor Pension Fund is for an annual pension increase calculated as 75% of the annual change in the November CPI index. Higher inflation will lead to higher liabilities. The trustees aim to earn a long-term positive real return of at least CPI + 6% (net of investment fees) per annum. This level of return is estimated as the minimum requirement to enable the fund to grant increases to pensions in line with CPI.

Interest rate risk

A decrease in corporate bond yields will result in a decrease in the discount rate and therefore an increase in scheme liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

20.1 Defined pension benefits (continued)

The principal actuarial assumptions used were as follows:

	GROUP AND COMPANY	
	2017	2016
– Discount rate	9.77%	10.44%
– CPI inflation rate	7.47%	8.44%
– Expected return on plan assets	9.77%	10.44%
– Future salary increases	8.47%	9.44%
– Future pension increases	8.10%	9.16%
– Normal retirement age	60	60
– Pre-retirement mortality	SA85-90 (light)	SA85-90 (light)
– Post-retirement mortality	PA90-2	PA90-2

The discount rate of 9.77% (2016: 10.44%) has been based on the 11.84 year yield (in accordance with the discounted mean term of the liabilities) from the South African government bond yield curve at 31 December 2016.

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	GROUP AND COMPANY IMPACT ON OVERALL LIABILITY	
	2017	2016
Inflation rate (increase of 1%)	7.8% increase	8.9% increase
Inflation rate (decrease of 1%)	6.9% decrease	7.8% decrease

The expected contributions to the post-employment pension scheme for the year ending 31 March 2018 are R8.8 million.

20.2 Post-employment medical obligation

The Group provides post-employment health care benefits to its retirees who were employed by the company on or before 1 July 1995. The same benefits are provided to a specific group of employees employed before 1 July 1996.

The Group operates a post-employment medical obligation scheme. The liability is valued every year using the projected unit credit method. The latest actuarial valuation was performed on 31 March 2017.

The amounts recognised in the statement of financial position are determined as follows:

	GROUP AND COMPANY	
	2017 R'000	2016 R'000
Present value of unfunded obligations	129 776	127 100
Liability in the statement of financial position	129 776	127 100

The are no plan assets for the post-employment medical obligation.

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

20.2 Post-employment medical obligation (continued)

The movement in the defined benefit obligation over the year is as follows:

	GROUP AND COMPANY	
	Present value of obligations R'000	
At 1 April 2015		126 427
Current service cost		611
Interest expense		10 104
		137 142
Remeasurements:		
Gain from change in demographic assumptions		(1 581)
Loss from change in financial assumptions		1 552
Other experience gains		(2 293)
Contributions:		
– Employer		(7 720)
At 31 March 2016		127 100

	GROUP AND COMPANY	
	Present value of obligations R'000	
At 1 April 2016		127 100
Current service cost		704
Interest expense		12 461
		140 265
Remeasurements:		
Gain from change in demographic assumptions		(7 306)
Loss from change in financial assumptions		2 171
Other experience losses		2 705
Contributions:		
– Employer		(8 059)
At 31 March 2017		129 776

	GROUP AND COMPANY	
	2017 R'000	2016 R'000
	Note	
The amounts recognised in profit and loss were as follows:		
Current service cost	704	611
Interest cost	12 461	10 104
Contributions paid	(8 059)	(7 720)
Total, included in staff costs	25	5 106
Remeasurements recognised in other comprehensive income:		
Actuarial gain		(2 430)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

20. RETIREMENT BENEFIT OBLIGATIONS (continued)

20.2 Post-employment medical obligation (continued)

Through its post-employment medical plan, the Group is exposed to the following risks:

Inflation risk

Healthcare cost inflation, i.e. the risk of medical scheme contributions will be higher than expected.

Life expectancy

The plan's obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Market risk

The Company is also at risk of the market conditions changing and more conservative financial assumptions will be required when the valuation is performed. This will, however, not impact on the actual payments made by the Company but only the liability on the statement of financial position.

The principal actuarial assumptions for the medical obligation were:

	GROUP AND COMPANY	
	2017	2016
- Discount rate	9.76%	10.14%
- General inflation rate	7.26%	8.17%
- Medical inflation rate	8.76%	9.67%
- Normal retirement age	60/65	60/65
- Expected rate of salary increases	8.26%	9.17%
- Pre-retirement mortality	SA85-90 (light)	SA85-90 (light)
- Post-retirement mortality	PA90-2	PA90-2

The sensitivity of the overall pension liability to changes in the weighted principal assumptions is:

	GROUP AND COMPANY	
	Impact on overall liability	
	2017	2016
Inflation rate (increase of 1%)	11.5% increase	12.4% increase
Inflation rate (decrease of 1%)	9.8% decrease	10.5% decrease

The expected contributions to post-employment medical plans for the year ending 31 March 2018 are R0.2 million.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
21. TRADE AND OTHER PAYABLES				
Trade payables	675 947	693 275	663 949	683 735
Accrued expenses	427 514	481 146	426 979	480 612
Leave	44 345	28 846	44 345	28 846
Sundry payables ¹	73 983	106 706	68 394	105 543
	1 221 789	1 309 973	1 203 667	1 298 736

¹ Sundry payables as at 31 March 2017 include deferred grant income R4.0 million (2016: R7.4 million), sundry creditors R53.4 million (2016: R22.4 million) and payroll provisions R23.1 million (2016: R45.8 million).

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
22. PROVISIONS				
Bonus ¹	29 774	10 983	29 625	10 834
Demurrage ²	16 427	15 029	16 549	14 389
Total	46 201	26 012	46 174	25 223
Movement in the bonus provision:				
At 1 April	10 983	19 960	10 834	18 961
Additional provisions	46 006	32 942	46 006	32 915
Utilised during period	(27 215)	(41 919)	(27 215)	(41 042)
At 31 March	29 774	10 983	29 625	10 834
Movement in the demurrage provision:				
At 1 April	15 029	14 055	14 389	14 175
Additional provisions	15 498	15 085	15 498	14 325
Utilised during period	(14 100)	(14 111)	(13 338)	(14 111)
At 31 March	16 427	15 029	16 549	14 389

¹ Bonus provision comprises 13th cheque bonuses R2.8 million (2016: R6.7 million), short-term incentive plan R12.1 million (2016: R Nil million) and long-term incentive plan R3.2 million (2016: R4.4 million).

² Demurrage is penalty payable to a ship owner if the agreed loading time is not honoured.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
23. OTHER INCOME				
Bad debt recovered	-	51 935	-	51 935
Rental income	4 560	4 287	4 560	4 287
Rebates	30 346	27 985	30 346	27 985
Royalties income	312	5 363	312	5 363
Insurance income	-	3 742	-	3 742
Scrap sales	5 375	2 972	5 375	2 972
Freight recoveries	-	7 859	-	7 859
Other income	14 434	1 774	17 516	4 734
Total other income	55 027	105 917	58 109	108 877

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for the year ended 31 March 2017

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
24. EXPENSES BY NATURE					
Loss on disposal of property, plant and equipment	4	22 730	11 701	22 730	11 701
Auditors' remuneration		4 354	4 593	4 354	4 593
– Audit fee		3 506	3 691	3 506	3 691
– Expenses		848	902	848	902
Depreciation of property, plant and equipment	4	347 001	330 563	344 637	328 308
– Mining assets, land and buildings		44 896	45 986	44 712	45 802
– Plant, equipment and vehicles		302 105	284 577	299 925	282 506
Amortisation of intangible assets	5	20 903	19 284	20 903	19 284
Operating lease charges		2 977	3 653	2 977	3 653
– Property rentals	31	1 803	1 803	1 803	1 803
– Equipment		1 174	1 850	1 174	1 850
Repairs and maintenance		636 063	587 158	636 063	587 149
Raw materials		1 012 518	1 581 867	1 012 518	1 581 867
Electricity		370 464	334 774	370 464	334 774
Water		98 547	69 471	98 547	69 471
Fuel		161 529	172 695	161 529	172 697
Distribution costs		1 323 971	1 134 343	1 323 971	1 134 343
Usage – other		55 795	56 825	55 795	56 825
Reagents		115 542	109 446	115 542	109 446
Blasting material		58 780	58 489	58 780	58 489
Drilling costs		38 342	45 706	38 342	45 706
Milling media		29 357	37 206	29 357	37 206
Effluent discharge		49 062	44 722	49 062	44 722
Mining ore		72 988	97 152	72 988	97 152
Insurance		33 722	40 157	33 722	40 157
Services		144 008	145 900	144 008	145 900
Safety, health, environment and quality		24 319	19 457	24 319	19 457
Travel and subsistence expense		9 931	12 365	9 931	12 365
Training and development		4 610	4 524	4 610	4 524
Share-based payment expense	17.3	(802)	(833)	(802)	(833)
Employee benefit expense	25	1 015 405	839 436	1 015 405	839 436
Provision for impairment of trade and other receivables	11	11 448	6 771	10 669	6 771
Other expenses		688 015	341 908	687 590	337 656
Total expenses		6 351 579	6 109 333	6 348 011	6 102 819
Comprising:					
Cost of sales		4 714 458	4 748 015	4 710 611	4 744 482
Distribution costs		1 323 971	1 134 343	1 323 971	1 134 343
Administrative expenses		313 150	226 975	313 429	223 994
		6 351 579	6 109 333	6 348 011	6 102 819

		GROUP		COMPANY	
Note		2017 R'000	2016 R'000	2017 R'000	2016 R'000
25. EMPLOYEE BENEFIT EXPENSE					
Salaries and wages		839 948	740 819	839 948	740 819
Bonus		77 156	10 983	77 156	10 983
Pension costs: Defined contribution plans		69 862	53 036	69 862	53 036
Post-employment medical liability	20.2	5 106	2 995	5 106	2 995
Defined pension benefits	20.1	(4 897)	(2 828)	(4 897)	(2 828)
Other staff costs		28 230	34 431	28 230	34 431
Total employee expense		1 015 405	839 436	1 015 405	839 436
		GROUP		COMPANY	
Note		2017 R'000	2016 R'000	2017 R'000	2016 R'000
26. FINANCE INCOME AND COST					
Finance cost:					
– Bank borrowings		(127 105)	(341 818)	(127 105)	(341 817)
– Finance lease liabilities		(1 800)	(2 064)	(1 800)	(2 064)
– Unwinding of discount on the environmental liability	19.1	(21 274)	(24 779)	(21 274)	(24 779)
– Interest paid – other		(12 992)	(9 946)	(12 992)	(9 946)
Total finance cost		(163 171)	(378 607)	(163 171)	(378 606)
Less: Amounts capitalised on qualifying assets		–	71 252	–	71 252
Finance cost		(163 171)	(307 355)	(163 171)	(307 354)
Finance income:					
– Interest income from banks		7 052	5 853	6 342	5 330
– Preference share dividends		2 527	–	2 527	–
– Interest income – other		3 503	2 101	3 503	2 101
		13 082	7 954	12 372	7 431
Financial assets designated at fair value through profit or loss		8 959	9 828	8 959	9 828
– Interest and dividends income		7 115	6 220	7 115	6 220
– Fair value gains		1 844	3 608	1 844	3 608
Total finance income		22 041	17 782	21 331	17 259
Net finance cost		(141 130)	(289 573)	(141 840)	(290 095)
		GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
27. NET FOREIGN EXCHANGE LOSS					
The exchange differences (charged)/credited to profit or loss are included as follows:					
Foreign transaction losses		(25 466)	(156 958)	(25 412)	(156 958)
– Foreign exchange transaction losses		(18 227)	(136 834)	(18 227)	(136 834)
– Derivative instruments		(7 239)	(20 124)	(7 185)	(20 124)
Foreign transaction profits		65 716	26 806	65 716	26 787
– Foreign exchange transaction profits		63 627	22 836	63 627	22 817
– Derivative instruments		2 089	3 970	2 089	3 970
Net foreign exchange gain/(loss)		40 250	(130 152)	40 304	(130 171)

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for the year ended 31 March 2017

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
28. INCOME TAX EXPENSE				
Tax charge:				
South African normal income tax				
Normal current tax:				
– Current tax on profits for the year	(114)	(216)	–	–
Total current tax	(114)	(216)	–	–
Deferred tax (refer to Note 14)				
Originator and reversal of temporary differences	371 673	143 258	371 517	143 375
– Adjustment in respect of prior years	54 911	1 265	54 911	1 265
– Charged to equity	(691)	(142)	(691)	(142)
Total deferred tax	425 893	144 381	425 737	144 498
Income tax expense	425 203	144 021	425 046	144 356
Reconciliation of tax rate				
Standard tax rate	28.00	28.00	28.00	28.00
Permanent differences	0.03	0.22	0.03	0.22
Deferred tax recognised – movement through other comprehensive income	0.05	–	0.05	–
Prior year over-provision – deferred tax	4.15	0.18	4.15	0.18
Unrecognised deferred tax asset	–	(8.11)	–	(8.10)
Effective tax rate	32.23	20.29	32.23	20.30

The tax credit/(charged) relating to components of other comprehensive income is as follows:

R'000	GROUP AND COMPANY		
	2017 Before tax	2017 Tax credit/ (charged)	2017 After tax
Remeasurement of post-employment benefit	(2 467)	691	(1 776)
Share of other comprehensive income of associates	20	(5)	15
Other comprehensive loss	(2 447)	686	(1 761)

R'000	GROUP AND COMPANY		
	2016 Before tax	2016 Tax credit	2016 After tax
Remeasurement of post-employment benefit	(506)	142	(364)
Share of other comprehensive loss of associates	(61)	17	(44)
Other comprehensive loss	(567)	159	(408)

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
29. CASH GENERATED FROM OPERATIONS					
Reconciliation of loss for the year:					
Loss before taxation		(1 326 887)	(712 235)	(1 323 018)	(711 070)
Adjustments for:					
– Depreciation	4	347 001	330 563	344 637	328 308
– Impairment of assets	4.1	520 467	200 000	520 467	200 000
– Amortisation of intangible assets	5	20 903	19 284	20 903	19 284
– Loss on disposal of property, plant and equipment		22 730	11 701	22 730	11 701
– Bad debt recovered		–	(51 935)	–	(51 935)
– Post-employment obligation movement	20	209	167	209	167
– Share-based payment expense	17.2	(802)	(833)	(802)	(833)
– Unrealised foreign exchange gains on operating activities	27	(40 250)	(3 000)	(40 304)	(1 942)
– Net finance cost	26	141 130	289 573	141 840	290 095
– Share of loss/(profit) of investment in associate	8	1 519	(3 714)	–	–
Changes in working capital:					
Inventory		439 973	16 487	439 973	16 487
Trade and other receivables		274 632	(462 857)	276 458	(462 232)
Derivative financial assets		2 168	1 637	2 169	1 637
Derivative financial liabilities		1 598	(25)	1 643	(33)
Trade and other payables		(88 184)	322 148	(95 067)	330 761
Other provisions		20 189	(8 003)	20 950	(7 913)
Total changes in working capital		650 376	(130 613)	646 126	(121 293)
Cash generated from/(utilised by) operations		336 396	(51 042)	332 788	(37 518)

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
30. BORROWING FACILITIES					
Cash and cash equivalents	13	664 214	249 206	654 473	238 434
Long-term interest-bearing loans	32.1	(630 000)	(700 000)	(630 000)	(700 000)
Short-term interest-bearing loans	32.1	(484 052)	(564 240)	(484 052)	(564 240)
Net debt		(449 838)	(1 015 034)	(459 579)	(1 025 806)
Add back accrued and capitalised interest		2 713	23 269	2 713	23 269
Total borrowing facilities		1 382 908	1 554 500	1 382 908	1 554 500
Available for utilisation		935 783	562 735	926 042	551 963

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	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
30. BORROWING FACILITIES (continued)				
Rand-denominated facilities				
30.1 Long-term interest-bearing facilities:				
Total facility	700 000	700 000	700 000	700 000
Utilised	(700 000)	(700 000)	(700 000)	(700 000)
Available	-	-	-	-
Long-term interest-bearing facilities				
Opening balance	700 000	1 631 004	700 000	1 631 004
Additional loan	-	768 996	-	768 996
Repayments	-	(1 700 000)	-	(1 700 000)
Capitalised interest	-	219 703	-	219 703
Repayable within 12 months	(70 000)	(219 703)	(70 000)	(219 703)
Capital	(70 000)	-	(70 000)	-
Capitalised borrowing cost	-	(219 703)	-	(219 703)
Total long-term loans	630 000	700 000	630 000	700 000

The R700 million is a long-term interest bearing facility granted by the Industrial Development Corporation Ltd (IDC) during the year. The loan has been fully utilised.

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
30.2 Short-term interest-bearing facilities:				
Total committed facility	682 908	854 500	682 908	854 500
Utilised	(414 052)	(564 240)	(414 052)	(564 240)
Available	268 856	290 260	268 856	290 260
Repayable within 12 months (current)				
- Opening balance	564 240	1 062 965	564 240	1 062 965
- Capitalised borrowing costs	-	219 703	-	219 703
- Short-term interest-bearing facilities	(80 188)	(718 428)	(80 188)	(718 428)
Total short-term loans	484 052	564 240	484 052	564 240

The R683 million short-term interest-bearing facilities were raised from various South African financial institutions. These loans are available for a maximum period of 12 months and are renewable annually.

		GROUP		COMPANY	
Note		2017 R'000	2016 R'000	2017 R'000	2016 R'000
30. BORROWING FACILITIES (continued)					
30.3 Guarantees:					
Total facility from banks		576 000	570 000	576 000	570 000
Utilised	33	(562 183)	(563 385)	(562 183)	(563 385)
Available		13 817	6 615	13 817	6 615
30.4 Letters of credit:					
Total facility from banks		530 000	410 000	530 000	410 000
Utilised		(292 139)	(356 656)	(292 139)	(356 656)
Available		237 861	53 344	237 861	53 344

		GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
31. COMMITMENTS					
Capital commitments					
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:					
Property, plant and equipment		292 139	262 037	292 139	262 037
Total capital commitments		292 139	262 037	292 139	262 037
Operating lease commitments					
The future minimum lease payments payable under non-cancellable leases are as follows:					
Payable not later than one year		1 803	1 803	1 803	1 803
Payable later than one year and not later than five years		3 608	451	3 608	451
		5 411	2 254	5 411	2 254

The lease for the head office premises in Midrand has been renewed for two years ending 30 June 2019 and with no escalation of the lease payments.

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for the year ended 31 March 2017

		2017		2016	
		Estimated fair value	Carrying value	Estimated fair value	Carrying value
Note		R'000	R'000	R'000	R'000
32. FINANCIAL INSTRUMENTS					
32.1 Financial instruments by category					
Group					
Financial assets					
The carrying amount and fair values of financial assets are as follows:					
Loans and receivables					
Environmental Rehabilitation Trust	9.2	931	931	842	842
Trade receivables	11	453 295	453 295	726 695	726 695
Other loans and receivables (excluding prepayments)	11	109 622	109 622	126 003	126 003
Cash and cash equivalents	13	664 214	664 214	249 206	249 206
At fair value through profit and loss					
Derivative financial instruments	12	1 801	1 801	3 970	3 970
Environmental Rehabilitation Trust investments	9.1	184 727	184 727	168 883	168 883
Total financial assets		1 414 590	1 414 590	1 275 599	1 275 599
Financial liabilities					
Financial liabilities at amortised cost					
Finance lease liability	18	10 675	10 675	12 498	12 498
Trade payables (including accrued expenses)	21	1 103 461	1 103 461	1 174 421	1 174 421
Other payables (excluding leave provision)	21	–	–	1 611	1 611
Long-term interest-bearing loan	30	630 000	700 000	700 000	700 000
Current portion on interest-bearing loans	30	484 052	414 052	564 240	564 240
At fair value through profit and loss					
Derivative financial instruments	12	1 643	1 643	–	–
Share buyback option	12	5 661	5 661	5 706	5 706
Total financial liabilities		2 235 492	2 235 492	2 458 476	2 458 476
Company					
Financial assets					
The carrying amount and fair values of financial assets are as follows:					
Loans and receivables					
Environmental Rehabilitation Trust	9.2	931	931	842	842
Trade receivables	11	446 818	446 818	718 117	718 117
Other loans and receivables (excluding prepayments)	11	104 696	104 696	124 886	124 886
Cash and cash equivalents	13	654 473	654 473	238 434	238 434
At fair value through profit and loss					
Derivative financial instruments	12	1 801	1 801	3 970	3 970
Environmental Rehabilitation Trust investments	9.1	184 727	184 727	168 883	168 883
Total financial assets		1 393 446	1 393 446	1 255 132	1 255 132
Financial liabilities					
Financial liabilities at amortised cost					
Finance lease liability	18	10 675	10 675	12 498	12 498
Trade payables (including accrued expenses)	21	1 090 928	1 090 928	1 164 347	1 164 347
Long-term interest-bearing loan	30	630 000	700 000	700 000	700 000
Current portion on interest-bearing loans	30	484 052	414 052	564 240	564 240
At fair value through profit and loss					
Derivative financial instruments	12	1 643	1 643	–	–
Total financial liabilities		2 217 298	2 217 298	2 441 085	2 441 085

32. FINANCIAL INSTRUMENTS (continued)

32.1 Financial instruments by category (continued)

The fair value of financial assets and liabilities is determined by reference to the quoted market price; otherwise the carrying value approximates their fair value. An analysis of financial assets and liabilities carried at fair value is set out below:

		GROUP			
		2017			
	Note	R'000 Level 1	R'000 Level 2	R'000 Level 3	R'000 Total
Assets					
At fair value through profit and loss					
Derivative financial instruments	12	–	1 801	–	1 801
Environmental Rehabilitation Trust Investments	9.1	935	169 028	14 764	184 727
		935	170 829	14 764	186 528
Liabilities					
At fair value through profit and loss					
Derivative financial instruments	12	–	(1 643)	–	(1 643)
Share buyback option	12	–	–	(5 661)	(5 661)
		–	(1 643)	(5 661)	(7 304)
		2016			
	Note	R'000 Level 1	R'000 Level 2	R'000 Level 3	R'000 Total
Assets					
At fair value through profit and loss					
Derivative financial instruments	12	–	3 970	–	3 970
Environmental Rehabilitation Trust Investments	9.1	1 021	160 684	7 178	168 883
		1 021	164 654	7 178	172 853
Liabilities					
At fair value through profit and loss					
Share buyback option	12	–	–	(5 706)	(5 706)
		–	–	(5 706)	(5 706)

Financial risk management

The principal financial risks arising from the Group activities are credit risk, liquidity risk and those related to market risk (price risk, currency risk and interest rate risk).

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The Group's financial instruments are set out above. There are no transfers between levels.

(a) Financial Instruments in Level 1

The fair value of instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily available from a regulatory agency and they represent actual market transactions on an arm's length basis.

These financial instruments are valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes exchange-traded derivatives.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

32. FINANCIAL INSTRUMENTS (continued)

32.1 Financial instruments by category (continued)

(b) Financial Instruments in Level 2

The fair value of instruments that are not traded in active markets is determined by using valuation techniques at the reporting date. These techniques maximise use of observable market data and rely less on entity-specific estimates. Valuation techniques used to value instruments in this level include:

- The fair value of forward exchange contracts determined using forward exchange rates at the reporting date.
- Quoted market prices or dealer quotes for similar instruments.

These financial instruments are valued using techniques based significantly on observable market data. Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

(c) Financial Instruments in Level 3

Inputs for the assets or liability that are not based on observable market data.

	GROUP	
	2017 R'000	2016 R'000
Opening balance	5 706	5 698
(Loss)/profit through profit or loss	(45)	8
Closing balance	5 661	5 706

The total (loss)/profit for the period included in profit or loss for liabilities held at the end of the reporting period is R45 000 loss (2016: R8 000 profit).

The share buyback option has been valued using the Monte Carlo Option Pricing model. The following are the key assumptions applied in the model:

	GROUP	
	2017 R'000	2016 R'000
Strike price	6 000 000	6 000 000
Spot price	8 496 518	8 496 518
Discount rate	7.18%	8.05%
Dividend yield	0.00%	0.00%
Annualised expected volatility	41.81%	41.81%

The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in a similar industry and the changes in their share prices over the last 10 years was used to determine the volatility in their share prices.

Changes in the key inputs to a different amount do not result in a significantly higher or lower fair value measurement.

32.2 Market risk management

32.2.1 Foreign currency risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from future commercial transactions or recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. Approximately 60% of the foreign-denominated revenue transactions are covered by forward exchange contracts and zero-cost colour option contracts.

These contracts are entered into to cover export earnings of which the proceeds are not yet receivable. The import of raw materials amounting to approximately a third of foreign-denominated revenue transactions is regarded as a natural hedge, which is considered sufficient to mitigate the remaining risk.

32. FINANCIAL INSTRUMENTS (continued)

32.2 Market risk management (continued)

32.2.1 Foreign currency risk management (continued)

Details of the contracts are as follows:

	GROUP		COMPANY	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Forward exchange contracts				
Denominated in Euros	–	934	–	–
Denominated in United States Dollars	4 500	1 000	4 500	1 000
Average exchange rate as per Euro contract	R0.00	R14.29	R0.00	R0.00
Average exchange rate as per USD contract	R13.33	11.90	R13.33	14.86
Spot rate at year-end R/Euro	R0.00	R13.11	R0.00	–
Spot rate at year-end R/US\$	R12.93	R12.19	R12.93	R14.81
The following receivable and payable balances are exposed to exchange rate movements:				
Receivables (less than one year)				
US\$ denominated balances at year-end – US\$'000	16 971	24 418	16 971	24 418
Rand equivalent balances at year-end – R'000	219 367	361 602	219 367	361 602
Payables (less than one year)				
US\$ denominated balances at year-end – US\$'000	(20 878)	(22 512)	(20 878)	(22 512)
Rand equivalent balances at year-end – R'000	(269 871)	(333 375)	(269 871)	(333 375)
Net (payables)/receivable Rand equivalent	(50 504)	28 227	(50 504)	28 227

At 31 March 2017 if the Rand had weakened by 10% against the US Dollar with all other variables held constant, the profit after taxation for the Group for the year would have been R5 million lower (2016: R3 million lower); conversely, if the Rand had strengthened by 10% against the US Dollar with all other variables held constant, the profit after taxation for the Group would have been R5 million higher (2016: R3 million higher).

This sensitivity analysis considers the impact of a change in the Rand versus US Dollar exchange rate on the translation of US Dollar-denominated trade receivables and trade payables.

32.2.2 Interest rate risk management

As part of an ongoing restructuring of the borrowing mix and interest rate characteristics of borrowings, the Group restructures funding of operating capital as appropriate. The Group is exposed to cash flow interest rate risk in respect of cash and cash equivalents that earn interest at a variable rate and short and long-term loans.

The Group invests cash funds on call and in fixed short-term interest-bearing deposits. Interest on these deposits is linked to the prime interest rate.

The Group secured R3.7 billion (2016: R3.9 billion) worth of borrowing facilities during the year. The Group borrows funds on a variable contract basis. The utilised facilities attracted interest linked to South African prime rate.

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash and cash equivalents	13	664 214	249 206	654 473	238 434
Long-term interest-bearing loan	30	(630 000)	(700 000)	(630 000)	(700 000)
Short-term interest-bearing loan	30	(484 052)	(564 240)	(484 052)	(564 240)
Net debt		(449 838)	(1 015 034)	(459 579)	(1 025 806)

At 31 March 2017 if interest rates on financial instruments had been 1% lower with all other variables remaining constant, the profit after taxation for the year would have been R5 million higher (2016: R10 million higher); conversely, if interest rates had been 1% higher with all other variables remaining constant, the profit after taxation for the year would have been R5 million lower (2016: R10 million lower).

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32. FINANCIAL INSTRUMENTS (continued)

32.2 Market risk management (continued)

32.2.3 Price risk management

Commodity and share price risk

Changes in phosphoric acid fertiliser, sulphur and ammonia prices may have an adverse effect on current or future earnings. The phosphoric acid, fertiliser, sulphur and ammonia markets are predominantly priced in US Dollars, which further exposes the Group to the risk that fluctuations in the SA Rand/US Dollar may also have an adverse effect on current or future earnings.

Some of the risk of changes in the price of these commodities is hedged by entering into fixed contracts with customers and suppliers and derivative option contracts. As at 31 March 2017 and 31 March 2016, the Group did not hold any commodity-based financial instruments.

The risk associated with listed equity investments is the change in equity prices resulting in changes in the fair values of the investments. Unit trusts and other investments (refer to Note 9) are actively managed by reputable fund managers and are held in conservative portfolios, which guarantees return of the capital amount invested.

		GROUP		COMPANY	
Note		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Listed investments and unit trusts					
Fair value at 31 March		169 963	168 883	169 963	168 883
Listed Investments	9.1	935	8 199	935	8 199
Unit trust	9.1	169 028	160 684	169 028	160 684

The equity investments are listed on the JSE in South Africa (Sanlam and Old Mutual shares). A 5% decrease in the share index at the reporting date, with all other variables held constant, would have decreased other comprehensive income by R47 000 (2016: R51 000); conversely, a 5% increase in the share index at the reporting date, with all other variables held constant, would have increased other comprehensive income by R47 000 (2016: R51 000).

The Environmental Rehabilitation Trust holds unit trusts. The unit trust portfolio for these investments is invested in equity (32%), property (7%), bonds 33%) and money market and cash (27%) and other (1%). A 5% decrease in the quoted price at the reporting date, with all other variables held constant, would have decreased profit before taxation by R8.5 million (2016: R8 million); conversely, a 5% increase in the quoted price at the reporting date, with all other variables held constant, would have increased profit before taxation by R8.5 million (2016: R8 million).

32.3 Credit risk management

Credit risk arises from cash and cash equivalents, derivative financial instruments and outstanding receivables.

The Group limits its investments and deposits to a maximum of R500 million per financial institution with BBB+ rating by Fitch, and R200 million per financial institution with rating of BBB-. Increase in such limits is subject to approval by the Board of Directors. Surplus funds available on transactional bank accounts are deposited in short-term high interest yielding investments.

The Group manages credit risk on accounts receivable by fixing payment terms on open accounts and selling on letters of credit to foreign customers. Stringent credit assessments are employed before allowing credit sales with customers. At year-end customers are assessed individually for impairment.

32. FINANCIAL INSTRUMENTS (continued)

32.3 Credit risk management (continued)

Recoverability for the outstanding amount can be analysed as follows:

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Trade receivables					
Fully performing					
– Outstanding for less than 60 days		450 919	722 542	443 518	722 542
– Outstanding for more than 60 days but less than 120 days		15 222	10 377	15 222	10 377
Past due and not impaired – local debtors					
– Outstanding for more than 120 days		22 628	19 858	22 628	10 884
Total trade receivables	11	488 769	752 777	481 368	743 803
Other receivables					
Fully performing					
– Outstanding for less than 60 days		109 622	126 003	104 969	124 884
Total other receivables	11	109 622	126 003	104 969	124 885
Major foreign debtors – account balance					
Gujarat		–	110 074	–	110 074
Crosscon Resources		–	96 040	–	96 040
Coromandel		72 678	72 927	72 678	72 927
Navitrade INC		–	28 539	–	28 539
Sun International		125 081	–	125 081	–
Trade drive		21 524	–	21 524	–
Major foreign debtors		219 283	307 580	219 283	307 580
Cash and cash equivalents on hand	13	664 214	249 206	654 473	238 434

The Group does not hold any collateral. It, however, has ceded a portion of its debtors book as collateral for a borrowing facility of R350 million. No contracts that were past due have been renegotiated. Maximum exposure to credit risk is in the carrying amount of all financial assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2017

32. FINANCIAL INSTRUMENTS (continued)

32.4 Liquidity risk management

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.

Liquidity risk arises from existing obligations associated with the industry and the requirements to raise funds in order to meet these obligations. The Group manages liquidity by monitoring forecasted cash flows and ensuring that adequate unutilised borrowing facilities are available if necessary. The Group secured committed borrowing facilities of R700 million. R700 million was utilised at 31 March 2017. The Group negotiates short-term general borrowing facilities annually with approved banks. R683 million of the total short-term borrowing facility was committed during the year for 12 months.

The long-term obligations include a R700 million loan from the parent company, the IDC. There is no security or collateral written against the IDC loan. The loan is repayable bi-annually in eight equal instalments. The first instalment is payable in November 2017.

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Trade payables					
– Due in less than 60 days		433 381	618 003	421 383	608 463
– Due in more than 60 days but less than 120 days		151 385	15 210	151 385	15 210
– Due in more than 120 days		91 181	60 062	91 181	60 062
	21	675 947	693 275	663 949	683 735
Other payables					
– Due in less than 60 days		427 514	481 146	426 979	480 612
– Sundry payables due in less than 60 days		5 551	1 107	–	–
Trade and other payables (excluding leave provision)		1 109 012	1 175 528	1 090 928	1 164 347
Derivative financial instrument	12	1 643	–	1 643	–
Long-term interest-bearing loan	30	630 000	700 000	630 000	700 000
Short-term interest-bearing loan	30	484 052	564 240	484 052	564 240
Finance lease liability	18	10 675	12 498	10 675	12 498
Total		2 235 382	2 452 266	2 217 298	2 441 085

Maturity and settlement dates for the derivative financial instruments and the short-term loan are within 12 months and the long-term loan is within 60 months. The lease liability has 10 years remaining as at March 2017.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Less than 3 months R'000	3 – 12 months R'000	1 – 5 years R'000	Over 5 years R'000
At 31 March 2017				
Derivative financial instrument	158	–	–	–
Long-term interest-bearing loan	21 000	133 000	1 120 000	–
Short-term interest-bearing loan	39 232	106 914	135 535	–
Finance lease liability	456	1 823	6 469	2 382
At 31 March 2016				
Derivative financial instrument	3 970	–	–	–
Long-term interest-bearing loan	44 269	63 000	1 120 000	–
Short-term interest-bearing loan	41 360	243 846	237 940	275 600
Finance lease liability	906	2 717	15 018	5 002

32. FINANCIAL INSTRUMENTS (continued)

32.5 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. The Group's capital includes share capital and share premium.

In order to maintain the capital structure, the Group may issue new shares, adjust dividend amounts payable to shareholders, or return capital to shareholders.

The Group's strategy, which was unchanged was to maintain the gearing ratio of 20% to 30%.

The gearing ratios are as follows:

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Total borrowings		1 114 052	1 264 240	1 114 052	1 264 240
Less: Cash and cash equivalents	13	(664 214)	(249 206)	(654 473)	(238 434)
Net debt	30	449 838	1 015 034	459 579	1 025 806
Total equity		4 789 213	4 862 658	4 685 842	4 755 590
Total capital		5 239 051	5 877 692	5 145 421	5 781 396
Gearing ratio		9%	17%	9%	18%

	Note	GROUP		COMPANY	
		2017 R'000	2016 R'000	2017 R'000	2016 R'000
Share capital	15	9 158	9 158	9 158	9 158
Class B share capital		3 006 804	2 176 804	3 006 804	2 176 804
Share premium	15	132 013	132 013	132 013	132 013
Capital		3 147 975	2 317 975	3 147 975	2 317 975

During the year, the company issued 830 (2016: 2 177) Class B shares at R1 million per share. These shares have preferential dividend right over ordinary shares. The Company is not subject to externally imposed capital requirements.

33. GUARANTEES AND CONTINGENT LIABILITIES

Guarantees

Guarantees issued by the Group to various beneficiaries amount to R562 million (2016: R563 million).

Details and beneficiary

	GROUP	COMPANY		
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Mine rehabilitation – Department of Mineral Resources	495 590	495 590	495 590	495 590
Rail transport of phosphate rock and granular fertiliser – Transnet Ltd	25 859	25 859	25 859	25 859
Electricity – Eskom Ltd	17 496	17 496	17 496	17 496
Water and electricity supply – Richards Bay Transitional Local Council	12 433	12 432	12 433	12 432
Mozambique Port Development Council	9 694	11 107	9 694	11 107
Various ZAR denominated guarantees	1 111	901	1 111	901
Total	562 183	563 385	562 183	563 385

Refer to the Directors' report on responsibilities and guarantees in respect of the mine rehabilitation.

