



VEGA STEEL INDUSTRIES (RSA) PROPRIETARY LIMITED
(Registration No. 2009/007501/07)

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

PREPARER

Prepared under the supervision of K Stagman CA (SA)

LEVEL OF ASSURANCE

Audited

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The financial statements set out on pages 5 to 16 were approved by the board of directors on 25 April 2018 and signed on their behalf by:

PR SHAH
Director

DIRECTORS' REPORT

The directors present their report for the year ended 31 March 2018.

REVIEW OF ACTIVITIES

The company carries on the business of importing, exporting and trading of steel and alloy castings and related components.

The business and operations of the company continued during the year under review as in the past and we have nothing further to report thereon.

The results of the business and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require any further comment.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No material fact or circumstance has occurred between the accounting date and the date of this report.

STATEMENT OF RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditor is responsible to report on the fair presentation of the financial statements. The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue operation for the foreseeable future.

SHARE CAPITAL

There were 34 ordinary shares issued at R5 000 000.

NON-CURRENT ASSETS

There were no major changes in the nature or policy relating to the use of non-current assets during the year under review.

DIVIDENDS

Dividends totalling R4 000 000 (2017: R Nil) were declared or paid to the shareholder during the year under review.

EMPLOYEES

The average number of employees for the year under review was 3.

DIRECTORS

The following directors held office throughout the year under review and to the date of this report:

*BK Shah
PR Shah
RA Gilani
HK Patel*

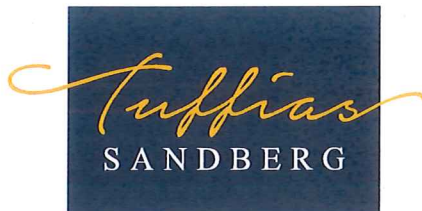
DIRECTORS' REPORT (Continued)

SECRETARY

The company has no secretary.

HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Vega Industries (Middle East) F.Z.C, a company incorporated in Ajman Free Zone, Ajman, United Arab Emirates and its ultimate holding company is AIA Engineering Limited, a company incorporated in India.



CHARTERED ACCOUNTANTS (SA)
REGISTERED AUDITORS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

VEGA STEEL INDUSTRIES (RSA) PROPRIETARY LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Vega Steel Industries (RSA) Proprietary Limited set out on pages 5 to 16, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 financial statements present fairly, in all material respects, the financial position of Vega Steel Industries (RSA) Proprietary Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 as required by the Companies Act of South Africa and the detailed income statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

A handwritten signature in black ink, appearing to be 'D', is located in the lower right quadrant of the page.

Tel: +27 11 524 9700
Fax: +27 11 524 9760

Email: info@tsza.co.za
www.tuffiasandberg.co.za

Greenstone Hill Office Park, Building No. 8,
Emerald Boulevard, Greenstone Hill Ext 22, Edenvale 1609
Postnet Suite 223, Private Bag X10010, Edenvale 1610
Practice No. 906840

Partners: Ryan Feinberg, Paulo Marques, Ashley Muller, Shaun Nurick, Marco Patrizi





Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing 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 company or to cease operations, or have no realistic alternative but to do so.


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



ASHLEY MULLER
Partner
Registered Auditor

25 April 2018

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

	Note	2018 R	2017 R
ASSETS			
Non-current assets			
Plant and equipment	2	6 901	15 470
Current assets			
Inventories	3	90 824 779	98 438 646
Trade and other receivables	4	67 802 342	46 418 548
Loan receivable	5	43 000 891	21 634 003
Cash and cash equivalents		16 282 681	20 530 452
Current tax asset		1 378 541	959 875
Total assets		219 296 135	187 996 994
EQUITY AND LIABILITIES			
Equity			
Issued capital	6	5 000 100	100
Share-based payment reserve	7	-	-
Accumulated losses / retained earnings		(441 152)	4 278 956
Current liabilities			
Trade and other payables	8	214 737 187	183 717 938
Total equity and liabilities		219 296 135	187 996 994

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share-based payment reserve R	Issued capital R	(Accumulated losses) Retained earnings R	Total R
Balance at 31 March 2016	-	100	3 564 262	3 564 362
<i>Profit and total comprehensive income for the year</i>	-	-	1 265 796	1 265 796
Balance at 31 March 2017	-	100	4 278 956	4 279 056
<i>loss and total comprehensive income for the year</i>	-	-	(720 108)	(720 108)
<i>Dividends paid</i>	-	-	(4 000 000)	(4 000 000)
<i>Share-based payment transaction</i>	5 000 000	-	-	5 000 000
<i>Allotment of shares</i>	(5 000 000)	5 000 000	-	-
Balance at 31 March 2018	-	5 000 100	(441 152)	4 558 948

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 R	2017 R
REVENUE	9	306 904 084	303 485 549
COST OF SALES		(301 610 516)	(296 671 769)
GROSS PROFIT		5 293 568	6 813 780
Other income		1 816 755	2 350 560
Operating costs		(7 038 893)	(8 169 536)
PROFIT BEFORE TAX	10	71 430	994 804
Tax	11	(791 538)	(280 110)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(720 108)	714 694

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	2018 R	2017 R
Net cash flows from operating activities	12 119 117	(5 856 936)
Profit before tax	71 430	994 804
Adjustments for:		
Interest received	(1 816 755)	(2 350 560)
Depreciation	8 569	9 291
Operating loss before working capital changes	(1 736 756)	(1 346 465)
Working capital changes	17 249 322	(8 331 031)
Inventories	7 613 867	(42 094 219)
Trade and other receivables	(21 383 794)	3 634 566
Trade and other payables	31 019 249	30 128 622
Cash generated from (utilised by) operations	15 512 566	(9 677 496)
Interest received	1 816 755	2 350 560
Dividends paid	(4 000 000)	-
Tax (paid) refund	(1 210 204)	1 470 000
Net cash flows from investing activities		
Acquisition of plant and equipment	-	(15 613)
Proceeds from share issue	5 000 000	-
Net cash flows from financing activities	(21 366 888)	(23 513 044)
Loan receivable raised	(21 366 888)	(21 634 003)
Loan payable repaid	-	(1 879 041)
Net (decrease) in cash and cash equivalents	(4 247 771)	(29 385 593)
Cash and cash equivalents at beginning of year	20 530 452	49 916 045
Cash and cash equivalents at end of year	16 282 681	20 530 452

NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2018

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**1.1 General information**

Vega Steel Industries (RSA) Proprietary Limited is a company incorporated in South Africa.

The address of its registered office and principal place of business is 263 – 265 Kent Avenue, Ferndale, Randburg, 2194.

The principal business of the company is importing, exporting and trading of steel and alloy castings, and related components.

Vega Steel Industries (RSA) Proprietary Limited is a wholly owned subsidiary of Vega Industries (Middle East) F.Z.C and its ultimate holding company is AIA Engineering Limited.

The financial statements were authorised for issue by the board of directors on 25 April 2018.

1.2 Basis of preparation

The financial statements are prepared on the historical cost basis, except as otherwise indicated in the notes to the financial statements, and incorporate the following principal accounting policies, which except as otherwise indicated, are consistent with those applied in the previous year.

The financial statements have been presented in South African Rand, and all amounts have been rounded to the nearest Rand.

The financial statements are prepared on the going concern basis.

1.3 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

1.4 Plant and equipment

Plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, or for administrative purposes; and
- are expected to be used during more than one year.

Plant and equipment is initially recorded at cost, and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated on the straight line method to write off the cost of each asset, to their residual values over their estimated useful lives. The estimated useful lives applicable to each category of plant and equipment are as follows:

Category	Years
Computer equipment	- 3
Furniture and fittings	- 6
Office equipment	- 5

At each reporting date management assesses whether there is any indication that an asset may be impaired. If any such indication exists, management estimates the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverable amount.

Gains and losses on disposals are recognised in profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2018 (Continued)

1.5 Financial instruments

Financial instruments included on the statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables and loans receivable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Where necessary, allowance is made for obsolete, slow moving and defective inventories.

1.7 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of the company's business. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Trade and other receivables are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An estimate is made for doubtful receivables based on a review of all outstanding amounts at reporting date. Doubtful debts are impaired and expensed during the year in which they are identified.

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less. They are initially recognised at transaction price and subsequently measured at fair value.

1.9 Loans receivable

Loans receivable are initially recognised at transaction price, and are subsequently measured at amortised cost using the effective interest method, less any impairment.

1.10 Share capital and equity

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

1.11 Borrowings

Borrowings are initially recognised at transaction price, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognised over the terms of the borrowings in accordance with the company's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.12 Income Tax**Tax expense**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable income for the year plus under/over provisions in prior periods.

Current tax assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2018 (Continued)

1.12 Income Tax (Continued)**Deferred Tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

1.13 Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Most obligations are on normal credit terms and do not bear interest.

Trade and other payables are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method. In practice they are usually recognised at the amount of the related invoice.

1.14 Impairment of assets

At each reporting date, property, plant and equipment, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss in operating costs.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss in cost of sales.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss in other income.

1.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sales of goods are recognised when the goods are delivered to the customer, which then assumes total control over the acquired products, and when there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Other income earned by the company are recognised on the following basis:

- Interest income is recognised on the accrual basis, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2018 (Continued)

1.16 Foreign currency**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.17 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.18 Operating lease agreements

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases.

Rental expense on operating leases is recognised on a straight-line basis over the term of the relevant lease unless the lease payments are structured to increase in line with expected general inflation in which case the expense is recognised in accordance with the expected payments.

1.19 Employee benefits

Employee benefit costs are recognised in profit or loss as incurred.

1.20 Key sources of estimation uncertainty 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.

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

Plant and equipment

Plant and equipment is depreciated on the straight line method over its useful life to residual value. Residual values and useful lives are based on management's best estimates and actual future outcomes may differ from these estimates.

Allowance for doubtful debts of trade receivables

An allowance for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect amounts due within reasonable time.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves an exercise of significant judgement and estimates of the outcome of future events.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2018 (Continued)

1.20 Key sources of estimation uncertainty and judgements (Continued)

Tax expense

Taxes are a matter of interpretation and subject to changes. Estimations of normal company tax and capital gains tax are based on management's interpretation thereof.

Allowance for obsolete, slow moving and defective inventories

Judgement is required to establish whatever inventory is obsolete, redundant or slow moving and the extent to which cost exceeds net realisable value.

2. PLANT AND EQUIPMENT

2018	Cost 2018 R	Accumulated depreciation 2018 R	Carrying value 2018 R
Computer equipment	56 087	(49 189)	6 898
Furniture and fittings	1 052	(1 049)	3
Office equipment	20 500	(20 500)	-
	<u>77 639</u>	<u>(70 739)</u>	<u>6 901</u>

Details of movement:

	Carrying value 2017 R	Depreciation 2018 R	Carrying value 2018 R
Computer equipment	12 050	(5 152)	6 898
Furniture and fittings	3	-	3
Office equipment	3 417	(3 417)	-
	<u>15 470</u>	<u>(8 569)</u>	<u>6 901</u>

2017

	Cost 2017 R	Accumulated depreciation 2017 R	Carrying value 2017 R
Computer equipment	56 087	(44 037)	12 050
Furniture and fittings	1 052	(1 049)	3
Office equipment	20 500	(17 083)	3 417
	<u>77 639</u>	<u>(62 169)</u>	<u>15 470</u>

3. INVENTORIES

Merchandise

2018 R	2017 R
<u>90 824 779</u>	<u>98 438 646</u>

The total value of inventories measured at net realisable value is R Nil
(2017: R Nil)

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2018 (Continued)

	2018 R	2017 R
4. TRADE AND OTHER RECEIVABLES		
Trade receivables – third parties	60 563 807	37 228 186
Value Added Tax	7 226 835	9 178 662
Others (aggregate of immaterial items)	11 700	11 700
	<u>67 802 342</u>	<u>46 418 548</u>
<i>There were 2 customers who represented more than 10% each of the total balance of trade receivables.</i>		
<i>By transaction currency</i>		
ZAR	<u>60 563 807</u>	<u>37 228 186</u>
5. LOAN RECEIVABLE		
Vega Industries (Middle East) F.Z.C	40 500 891	21 634 003
Tebogo Rutlokoane	2 500 000	-
	<u>43 000 891</u>	<u>21 634 003</u>
<i>Unsecured, interest free with no fixed terms of repayment.</i>		
6. SHARE CAPITAL		
<i>Authorised</i>		
1 000 ordinary shares of R1 each	<u>1 000</u>	<u>1 000</u>
<i>Issued</i>		
134 (2017:100) ordinary shares of R1 each	134	100
Share premium	4 999 966	-
	<u>5 000 000</u>	<u>5 000 000</u>
7. SHARE-BASED PAYMENT RESERVE		
Equity arising on share-based payment transaction	5 000 000	-
Allotment of shares	(5 000 000)	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2018 (Continued)

	2018 R	2017 R
8. TRADE AND OTHER PAYABLES		
Trade payables – third parties	2 144 407	3 673 400
Trade payables – related parties	212 472 780	179 924 538
	<hr/>	<hr/>
Others (aggregate of immaterial items)	214 617 187	183 597 938
	120 000	120 000
	<hr/>	<hr/>
	214 737 187	183 717 938
	<hr/>	<hr/>
<i>By transaction currency</i>		
ZAR	2 144 407	3 673 400
	<hr/>	<hr/>
9. REVENUE		
Sale of goods	306 904 084	303 485 549
	<hr/>	<hr/>
10. OPERATING PROFIT		
Operating profit is arrived at after taking into account:		
INCOME		
Interest received	1 816 755	2 350 560
	<hr/>	<hr/>
EXPENSES		
Depreciation	8 569	9 292
Loss on foreign exchange	114 774	450 788
Operating lease payments - property	153 775	142 494
	<hr/>	<hr/>
11. TAX		
South African normal tax - current	791 538	280 110
	<hr/>	<hr/>

The significant difference between taxable income and accounting profit is mainly attributable to the add back of share-based expenses of R2 500 000 and legal fees of R246 413.

NOTES TO THE FINANCIAL STATEMENTS AT 31 March 2018 (Continued)

12. RELATED PARTIES

During the year, the company entered into the following transactions, and had the following balances with related parties:

	<i>Purchases/ services from related parties R</i>	<i>Sales to related parties R</i>	<i>Related party creditor R</i>	<i>Related party debtor R</i>
2018				
Vega Industries (Midde East) FZC - Holding company	211 849 651	-	212 472 780	-
	<hr/>	<hr/>	<hr/>	<hr/>
2017				
Vega Industries (Midde East) FZC - Holding company	317 885 208	-	179 924 538	-
	<hr/>	<hr/>	<hr/>	<hr/>

Sales to and purchases from related parties

Sales to and purchases from related parties are determined by management.

Services from related parties represents management fees.

Loans to and from related parties are disclosed in Note 5.

MANAGEMENT INFORMATION

VEGA STEEL INDUSTRIES (RSA) PROPRIETARY LIMITED

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	2018 R	2017 R
REVENUE	306 904 084	303 485 549
COST OF SALES	(301 610 516)	(296 671 769)
<i>Inventory at beginning of the year</i>	(98 438 646)	(56 344 427)
<i>Purchases</i>	(293 996 649)	(338 765 988)
<i>Inventory at end of the year</i>	(392 435 298) 90 824 779	(395 110 415) 98 438 646
GROSS PROFIT	5 293 568	6 813 780
OTHER INCOME	1 816 755	2 350 560
<i>Interest received</i>	1 816 755	2 350 560
	7 110 323	9 164 340
OPERATING COSTS	(7 038 893)	(8 169 536)
<i>Auditors remuneration</i>	115 040	120 000
<i>Bank charges</i>	31 662	40 105
<i>Commission</i>	923 515	833 878
<i>Computer expenses</i>	22 641	16 151
<i>Courier and postage</i>	5 589	5 844
<i>Depreciation</i>	8 569	9 292
<i>Donations</i>	5 000	5 000
<i>Foreign exchange losses</i>	114 774	450 788
<i>Freight expenses</i>	-	3 311 925
<i>General expenses</i>	4 035	2 548
<i>Insurance</i>	315 728	474 797
<i>Management fees</i>	-	1 256 195
<i>Penalties</i>	4 079	589
<i>Printing and stationery</i>	2 608	5 372
<i>Professional fees</i>	539 869	462 443
<i>Rent, electricity and water</i>	153 775	142 494
<i>Salaries and wages</i>	2 262 758	1 009 402
<i>Share-based expenses</i>	2 500 000	-
<i>Telephone and fax</i>	25 148	19 061
<i>Travelling expenses</i>	4 103	3 652
PROFIT FOR THE YEAR	71 430	994 804