SRF Flexipak (South Africa) Proprietary Limited

Registration number: 2011/010680/07)

Audited annual financial statements

for the year ended 31 March 2019

SRF Flexipak (South Africa) Proprietary Limited
(Registration Number: 2011/010680/07)

Annual financial statements
for the year ended 31 March 2019

Contents

SRF Flexipak (South Africa) Proprietary Limited

(Registration Number: 2011/010680/07)

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of SRF Flexipak (South Africa), comprising the statement of financial position at 31 March 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management

The directors have made an assessment of the ability of the company 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 auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of SRF Flexipak (South Africa) (Pty) Ltd, as identified in the first paragraph, were approved by the board of directors on 3 May 2019 and signed by.

Grant Page
Director

Ritesh Kumar
Director

SRF Flexipak (South Africa) Proprietary Limited
(Registration Number: 2011/010680/07)

Directorate and administration
for the year ended 31 March 2019

Directorate

The directors' in office at the year-end and the date of this report are as follows:

Ashish Bharat Ram	(Resident India)	Appointed on 26 October 2011
Kartik Bharat Ram	(Resident India)	Appointed on 26 October 2011
Ritesh Kumar	(Resident India)	Appointed on 31 March 2015
Prashant Mehra	(Resident India)	Appointed on 1 August 2013
Grant Trevor Page	(Resident South Africa)	Appointed on 31 March 2015

Secretary

The company has not appointed a secretary during the year.

Auditors

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

SRF Flexipak (South Africa) Proprietary Limited
(Registration Number: 2011/010680/07)

Directors’ report
for the year ended 31 March 2019

The directors have pleasure in submitting their report together with the annual financial statements of the company for the year ended 31 March 2019.

Review of activities

SRF Flexipak (South Africa) Proprietary Limited was incorporated in South Africa to set up a Biaxially-oriented Polypropylene Film (BOPP) manufacturing line on the land owned by the company. SRF Flexipak (South Africa) Proprietary Limited was incorporated on 26 October 2011 and obtained its certificate to commence business on 28 November 2013.

Financial results

The financial results are disclosed in the attached financial statements.

Share capital

100 ordinary shares of R1 were issued on incorporation. On 26 October 2011, these 100 ordinary shares were purchased by SRF Global B.V. Details of the authorised and issued shares are shown in note 11. There were no shares issued during the current year.

Dividends

There were no dividends declared or paid in the current year (2018: nil).

Holding company

The company is wholly-owned by SRF Global B.V., which in turn is wholly-owned by SRF Limited, a company listed and incorporated in India. The companies are registered in Netherlands and India respectively.

Ultimate holding company

The company's ultimate holding company is KAMA Holdings Limited incorporated in India.

Going concern

The company incurred a comprehensive loss for the year of R (11 024 876) (2018: R92 080 493), resulting in an accumulated profit at the end of the year of R65 598 033 (2018: R76 622 909), as well as the company’s total assets exceeds its total liabilities by R65 598 133 (2018: R76 623 009).

The cumulative profit has been funded through the support of the company’s holding company, SRF Global B.V. At year-end the loan from SRF Global B.V. amounts to R297 438 782 (2018: R242 646 510). The loan has no fixed repayment terms and is considered to be long-term in nature. The loan from SRF Global B.V. has been subordinated in favour of International Finance Corporation (IFC) under the Share Retention and Subordination Agreement dated 10 July 2012. Details of this loan are included in note 12.

Directors’ report

for the year ended 31 March 2019 (continued)

Going concern *(continued)*

The directors’ have reviewed the company’s cash flow forecast for the year 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors’ are not aware of any new material changes that may adversely impact the company. The directors’ are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company. Details of adequate resources are included in note 10.

Subsequent events

No material changes have taken place in the affairs of the company between the end of the financial year and the date of this report that required adjustment to or disclosures in the financial statements.

KPMG

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Independent Auditor's Report

To the Shareholders of SRF Flexipak (South Africa) Proprietary Limited

Opinion

We have audited the financial statements of SRF Flexipak (South Africa) Proprietary Limited (the company) set out on pages 9 to 37, which comprise the statement of financial position as at 31 March 2019, 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 annual 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 SRF Flexipak (South Africa) Proprietary Limited as at 31 March 2019, and its financial performance and 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 *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, the Directors' responsibility statement and the Directorate and administration. 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.

M.A.

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

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.

M.A.

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.

KPMG Inc.

M.A. Sithole

Per MA Sithole
Chartered Accountant (SA)
Registered Auditor
Directors
03 May 2019

SRF Flexipak (South Africa) Proprietary Limited

(Registration Number: 2011/010680/07)

Statement of profit or loss and other comprehensive income

for the year ended 31 March 2019

	Notes	**2019** **R**	2018 R
Revenue		**827 518 355**	698 566 916
Cost of sales		**(646 806 689)**	(540 940 046)
Gross profit		**180 711 666**	157 626 870
Operating expenses		**(88 133 504)**	(73 296 323)
Other income	*2*	**4 252 050**	3 331 699
Interest income		**101 602**	63 066
Interest expenses		**(14 529 283)**	(13 851 412)
Foreign exchange (loss)/gain		**(97 525 641)**	54 272 880
(Loss)/profit before taxation	*3*	**(15 123 110)**	128 146 780
Taxation	*4*	**4 098 234**	(36 066 287)
(Loss)/profit for the year		**(11 024 876)**	92 080 493
Other comprehensive income		**–**	–
Total comprehensive (loss)/income for the year		**(11 024 876)**	92 080 493

M.A

SRF Flexipak (South Africa) Proprietary Limited

(Registration Number: 2011/010680/07)

Statement of financial position

as at 31 March 2019

	Notes	**2019** **R**	2018 R
Assets			
Non-current assets		**486 913 501**	505 256 292
Property, plant and equipment	*5*	**484 735 063**	504 914 703
Intangible assets	*6*	**2 178 438**	341 589
Current assets		**271 378 409**	305 458 108
Trade receivables	*7*	**152 448 750**	178 728 696
Other current assets	*8*	**11 109 676**	12 885 807
Inventories	*9*	**107 663 816**	113 669 934
Cash and cash equivalents	*10*	**156 167**	173 671
Total assets		**758 291 910**	810 714 400
Equity and liabilities			
Equity		**65 598 133**	76 623 009
Issued capital	*11*	**100**	100
Accumulated profits		**65 598 033**	76 622 909
Non-current liabilities		**472 762 306**	460 948 225
Long-term borrowings	*12*	**412 230 960**	394 777 093
Deferred government grants	*13*	**33 014 851**	34 556 403
Deferred tax liability	*14*	**27 516 495**	31 614 729
Current liabilities		**219 931 471**	273 143 166
Short-term borrowings	*12*	**79 834 708**	58 780 371
Bank overdraft	*16*	**6 873 681**	54 019 561
Trade and other payables	*17*	**122 262 093**	146 265 668
Provisions	*18*	**631 197**	560 380
Other current liabilities	*19*	**10 329 792**	13 517 186
Total equity and liabilities		**758 291 910**	810 714 400

M.A

SRF Flexipak (South Africa) Proprietary Limited
(Registration Number: 2011/010680/07)

Statement of changes in equity
for the year ended 31 March 2019

	Issued capital R	Accumulated profits R	Total R
Balance at 31 March 2017	100	(15 457 584)	(15 457 484)
Total comprehensive income for the year	–	92 080 493	92 080 493
Balance at 31 March 2018	100	76 622 909	76 623 009
Total comprehensive loss for the year	–	**(11 024 876)**	**(11 024 876)**
Balance at 31 March 2019	**100**	**65 598 033**	**65 598 133**

M.A.

SRF Flexipak (South Africa) Proprietary Limited
(Registration Number: 2011/010680/07)

Statement of cash flows
for the year ended 31 March 2019

	Notes	**2019** **R**	2018 R
Cash flow from operating activities			
(Loss)/profit before taxation		**(15 123 110)**	128 146 780
Adjustment for non-cash items:	*20.1*	**133 569 363**	(20 472 460)
Cash flow before changes in working capital		**118 446 253**	107 674 320
Changes in working capital	*20.2*	**6 942 043**	(27 646 696)
Foreign exchange loss		**(1 044 676)**	(1 322 202)
Interest income		**101 602**	63 066
Interest expense		**(14 529 283)**	(13 851 412)
Cash generated in operating activities		**109 915 939**	64 917 076
Cash flows from investment activities			
Acquisition of property, plant and equipment		**(2 525 557)**	(27 576 089)
Acquisition of intangible asset		**(2 289 245)**	(410 132)
Cash used in investment activities		**(4 814 802)**	(27 986 221)
Cash flows from financing activities			
Net movement in borrowings		**38 508 204**	(123 790 300)
Foreign exchange (loss)/gain on borrowings		**(96 480 965)**	55 595 082
Cash used in financing activities		**(57 972 761)**	(68 195 218)
Net increase/(decrease) in cash and cash equivalents		**47 128 376**	(31 264 363)
Cash and cash equivalents at the beginning of the year		**(53 845 890)**	(22 581 527)
Cash and cash equivalents at the end of the year	*20.3*	**(6 717 514)**	(53 845 890)

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Accounting policies

1. Basis of presentation

The annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa. The annual financial statements are prepared on the going concern basis. The financial statements incorporate the following principal accounting policies, which have been consistently applied in all material respects. These financial statements are presented in rands, which is the Company's functional currency.

1.1 Property, plant and equipment

Property, plant and equipment are tangible assets that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
(b) are expected to be used during more than one period.

Items of property, plant and equipment are initially recognised at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Expenditure on additions and improvements to property is capitalised as the expenditure is incurred.

Depreciation commences when the assets are available for use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

The useful lives of items of property, plant and equipment for the current and prior years have been assessed as follows:

Item	**Average useful life (in years)**
Buildings	40 years
Plant and machinery	19 years
Equipment	8 years

Land and work in progress are not depreciated. The remaining assets are depreciated on a straighline basis over their estimated useful lives.

The company reviews and tests the carrying value of assets when events or circumstances suggest that the carrying amount may not be recoverable.

1.2 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

M.A.

Accounting policies *(continued)*

1.2 Intangible assets *(continued)*

The useful lives of items of intangible assets for the current and prior years have been assessed as follows:

Item	Average useful life (in years)
Purchased software	3 years

1.3 Deferred taxation

Deferred taxation is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax. Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for taxable temporary differences, unless specifically exempt.

1.4 Financial instruments

Non-derivative financial instruments:
The Company adopted IFRS 9 Financial instruments on its effective date, 01 April 2018.

Non-derivative financial instruments comprise loans to group companies, trade and other receivables, other current assets, cash and cash equivalents, loans from group companies, trade and other payables, other current liabilities and borrowings.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial instrument is recognised if the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

M.A

Accounting policies *(continued)*

1.4 Financial instruments *(continued)*

Cash and cash equivalents

Financial assets are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, where applicable, less any impairment losses.

De-recognition

Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Impairment of financial assets

Financial assets
The Company recognises loss allowances for expected credit losses (ECL's) on financial assets measured at amortised cost. Loss allowances for trade receivables and contract assets are always measured at an amount equal to 12-month ECLs as there has been no significant increase in credit risk over the debtors' book.

M.A.

Accounting policies *(continued)*

1.4 Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Finacial assets *(continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

i) the borrower is unlikely to pay its credit obligations to the Company in full, without recourse.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. A forward looking allowance for expected credit losses is recognised for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

1.5 Revenue recognition

The Company adopted IFRS 15 Revenue from Contracts with Customers on its effective date, 1 April 2018. Under IFRS 15, Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

M.A.

Accounting policies *(continued)*

1.5 Revenue recognition *(continued)*

In the comparative period, revenue was measured under IAS 18 Revenue at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognized when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

Measurement
When a performance obligation is satisfied, revenue is recognised as the amount of the transaction price that is allocated to the performance obligation, but excluding estimates of variable consideration that are constrained and any amounts collected on behalf of third parties. The transaction price may include fixed amounts, variable amounts, or both.
The company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods or services to the customer.

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

Interest income
Interest income is recognised on a time proportion basis which takes into account the effective yield on the asset. Interest income includes the amount of amortisation of any discount or premium.

1.6 Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity.

When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

M.A.

Accounting policies *(continued)*

1.7 Comparative figures

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the financial statements.

1.8 Cash flows

For the purpose of the statement of cash flows, cash includes cash on hand, overdraft, deposits held on call with banks.

1.9 Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

1.10 Inventory valuation

Inventory is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling and distribution expenses. Where necessary, the carrying amount of inventory is adjusted for obsolete, slow moving and defective inventory.

The basis of determining the cost for various categories of inventory are as follows:

- Stores, spares and raw materials - Weighted average
- Process stocks and finished goods - Direct cost plus appropriate share of overheads
- By products - At estimated realisable value

1.11 Related parties

A party is related to the Company if any of the following are met:

- Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the Company
- The party is a member of key management personnel of the entity or its parent
- The party is a close family member of the family or individual referred to the above.

Close family member of the family of an individual includes:

- The individual's domestic partner and children
- Children of the individual's domestic partner and
- Dependents of the individual or the individual's domestic partner.

The sales to and purchases from related parties are made on terms negotiated between the parties involved.

Transactions with related parties include purchase of commodities from the holding company, travel, logistics, administrative expenses and other sundry items that are paid by SRF Limited and subsequently re-charged to the related party.

M.A

Accounting policies *(continued)*

1.12 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

1.13 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the company as lessee. Operating lease payments are recognised as an expense in the statement of profit & loss and comprehensive income on a straight line basis over the lease term.

1.14 Adoption of new and revised standards:

The following relevant new and amended standards and interpretations were also in issue but not effective for the current period. Management is in the process of evaluating the effects of these new and revised standards and interpretations but they are not expected to have a significant impact on the Company’s results and disclosures:

Effective for annual periods beginning on or after 1 January 2020:

Standard/Interpretation		Date issued by IASB	Effective date Periods beginning on or after
IFRS 16	Leases	January 2017	1 January 2019
Various	Amendments to References to Conceptual Framework in IFRS Standards	March 2018	1 January 2020

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

M.A

Accounting policies *(continued)*

1.15 Adoption of new and revised standards *(continued)*

The IASB issued IFRS 16 in January 2016. IFRS 16 replaces IAS 17 'Leases' and its related interpretations for reporting periods beginning on or after 1 January 2019. IFRS 16 introduces a 'right-of-use' model whereby the lessee recognises a right of use asset and an associated financial obligation to make lease payments for all leases with a term of more than 12 months. The asset will be amortised over the lease term and the financial liability measured at amortised cost with interest recognised in profit and loss using the effective interest rate method.

SRF Flexipak (South Africa) will adopt this guidance on the 1 April 2019, using the modified retrospective approach. Based on management's current assessment, the adoption of this standard will result in a Rnil (NPV 2020) impact on the Statement of Financial Position through the recognition of the right-of-use asset and corresponding financial obligation, and a net nil impact (Operating lease expense less interest and depreciation for 2020) on the Statement of Comprehensive Income for the 2019 year of assessment.

1.16 Judgements made by management

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving complex or subjective judgements or assessments. The items for consideration have been identified as follows:

Asset lives and residual values

Plant and equipment are depreciated over their useful lives taking into account residual values. The actual lives of the assets and residual values are assessed annually and are influenced by factors such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

Impairments

On-going assessments are made regarding any potential impairment of plant and equipment.

Debtors

Debtors are reviewed on a line by line basis by management after considering of IFRS 9 requirements. Specific debtors who are considered doubtful are impaired.

Inventory obsolescence

Provision for inventory obsolescence is raised for all inventories that management consider will be sold below cost price. This provision is assessed monthly.

1.17 Key sources of estimation uncertainty

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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		2019 R	2018 R
2.	**Other income**		
	Scrap sales	**2 242 898**	1 784 761
	Grant income	**1 541 552**	1 541 544
	Claim received	**467 600**	5 394
		4 252 050	3 331 699
3.	**(Loss)/profit before taxation**		
	Net (loss)/profit before taxation is arrived at after taking into account the following:		
	Auditors remuneration	**620 679**	823 841
	Audit fees	**576 012**	779 200
	Auditors expense reimbursement	**44 667**	44 641
	Employee benefits expenses	**54 508 860**	49 973 107
	Remuneration for key management	**13 335 984**	11 701 316
	Pension contribution	**2 655 562**	2 307 510
	Staff costs	**38 517 314**	35 964 281
	Exchange currency fluctuation loss/(gain)	**97 525 641**	(54 272 880)
	Depreciation and amortisation expenses	**23 157 593**	21 553 618
4.	**Taxation**		
	Major components of income tax expense		
	Deferred		
	Originating and reversing temporary differences	**14 229 570**	(2 927 482)
	Assessed loss	**(10 131 336)**	(33 138 805)
		4 098 234	(36 066 287)
	Reconciliation of effective tax rate		
	Accounting (loss)/profit	**(15 123 110)**	128 146 780
	Taxation at statutory rate of 28% (2018: 28%)	**4 234 471**	(35 881 096)
	Effect of permanent differences	**(136 237)**	(158 852)
	Prior year under provision	**–**	(26 339)
		4 098 234	(36 066 287)

Refer to note 14 for details of the deferred tax liability.

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SRF Flexipak (South Africa) Proprietary Limited
(Registration Number: 2011/010680/07)

Notes to the annual financial statements
for the year ended 31 March 2019 (continued)

5. Property, plant and equipment

	Land R	Building R	Plant and machinery R	Equipment R	Work in progress R	Total R
2019						
Cost	**26 127 133**	**139 784 105**	**423 167 085**	**8 198 500**	**1 438 608**	**598 715 431**
Accumulated depreciation	**–**	**(19 025 945)**	**(90 298 012)**	**(4 656 411)**	**–**	**(113 980 368)**
Carrying value	**26 127 133**	**120 758 160**	**332 869 073**	**3 542 089**	**1 438 608**	**484 735 063**
2018						
Cost	26 127 133	138 920 243	398 119 067	7 844 788	26 384 598	597 395 829
Accumulated depreciation	–	(15 283 438)	(72 241 130)	(4 956 558)	–	(92 481 126)
Carrying value	26 127 133	123 636 805	325 877 937	2 888 232	26 384 598	504 914 703

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SRF Flexipak (South Africa) Proprietary Limited
(Registration Number: 2011/010680/07)

Notes to the annual financial statements
for the year ended 31 March 2019 (continued)

5. Property, plant and equipment *(continued)*

Opening net book value is reconciled to closing net book value as follows:

	Land R	Building R	Plant and machinery R	Equipment R	Work in progress R	Total R
2019						
Opening net book value	**26 127 133**	**123 636 803**	**325 877 937**	**2 888 232**	**26 384 598**	**504 914 703**
Additions	**–**	**–**	**–**	**–**	**2 525 557**	**2 525 557**
Depreciation	**–**	**(3 742 505)**	**(18 153 650)**	**(809 042)**	**–**	**(22 705 197)**
Transfers	**–**	**863 862**	**25 144 786**	**1 462 899**	**(27 471 547)**	**–**
Closing net book value	**26 127 133**	**120 758 160**	**332 869 073**	**3 542 089**	**1 438 608**	**484 735 063**
2018						
Opening net book value	26 127 133	127 229 484	342 206 131	3 252 990	7 951	498 823 689
Additions	–	86 861	779 583	332 998	26 376 647	27 576 089
Depreciation	–	(3 679 542)	(17 107 777)	(697 756)	–	(21 485 075)
Closing net book value	26 127 133	123 636 803	325 877 937	2 888 232	26 384 598	504 914 703

Refer to note 12.1 for details of land and encumbrances thereon.

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	2019 R	2018 R
6. Intangible assets		
Cost	**2 699 377**	410 132
Accumulated amortisation	**(520 939)**	(68 543)
Carrying value	**2 178 438**	341 589

Opening net book value is reconciled to closing net book value as follows:

Reconciliation of Intangible assets

Opening net book value	**341 589**	–
Additions	**2 289 245**	410 132
Amortisation	**(452 396)**	(68 543)
Closing net book value	**2 178 438**	341 589

Intangible assets comprise of purchased software.

7. Trade and other receivables	**2019** **R**	**2018** **R**
Gross trade receivables	**152 682 727**	179 954 456
Less: provisions for doubtful debts	**(233 977)**	(1 225 760)
Net trade receivables	**152 448 750**	**178 728 696**

Fair value of trade and other receivables		
Trade and other receivables	**152 448 750**	178 728 696

The fair value of trade and other receivables approximate their carrying amounts.

Trade and other receivables impaired

As of 31 March 2019, trade receivables of R 233 977 (2018: R 1 225 760) were impaired and provided for.

The ageing of receivables is as follows:

Over 12 months	**230 858**	1 748 565

Refer to note 21 for detailed age analysis.

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	2019 R	2018 R
7. Trade and other receivables *(continued)*		

Currencies

The carrying amount of trade and other receivables are denominated in the following currencies:

	2019 R	2018 R
ZAR	**124 544 509**	163 463 974
USD	**27 374 642**	14 767 281
EUR	**529 599**	497 441
	152 448 750	178 728 696

8. Other current assets

	2019 R	2018 R
VAT receivable	**4 543 269**	4 875 008
Security deposit	**2 245 200**	2 224 750
Advances to suppliers	**4 291 447**	5 595 782
Other advances	**29 760**	190 267
	11 109 676	12 885 807

The carrying value of other current assets approximate their fair value due to their short term nature.

9. Inventories

	2019 R	2018 R
Raw material	**53 931 781**	59 133 493
Work in progress	**5 730 993**	12 794 683
Finished goods	**48 001 042**	41 741 758
	107 663 816	113 669 934

Inventory to the value of R2 136 379 (2018: R1 844 400) was written down and recognised as an expense.

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	2019	2018
	R	R
10. Cash and cash equivalents		
Cash and cash balances	**156 167**	173 671

Refer to note 16 for bank overdraft

Facilities made available to the company:

The company has total direct working capital facility from Rand Merchant Bank of R50 million and letters of credit of R50 million which is secured by way of:

- Unlimited Cession of debtors
- Letter of subordination from SRF Global BV.
- Limited guarantee from SRF Limited for USD 14 950 000.
- Limited cession and pledge of credit balances for R102 000

The company also has the following facilities utilized from Rand Merchant Bank:–
a) Buyers credit for USD549 450
b) Guarantees R101 976
c) Import letters of credit for USD25 840

The company has the following facilities available from ABSA Bank:–

a) Letters of credit for R49 900 000
b) Forward exchange contract for USD 2 372 000
c) Foreign exchange settlement limit of R23 600 000
d) Derivatives – interest rate swaps of USD 20 000 000
e) Primary lending facility of R50 000 000

These facilities are secured by way of an irrevocable parental guarantee from SRF Limited, limited to USD 19 489 050 with an expiry date of no less than 6 months after the expiry date of the facility. This will be replaced by a continuous on demand irrevocable guarantee from SRF Limited, limited to USD 21 021 000 prior to the utilisation of the Interest Rate Swaps Derivative Facility.

	2019	2018
	R	R
11. Issued capital		
Share capital		
Authorised – 1 000 ordinary shares of R1 each	**1 000**	1 000
Issued – 100 ordinary shares of R1 each	**100**	100

M.A.

	2019 R	2018 R
12. Borrowings		
Long term		
Secured		
Loan from International Finance Corporation (12.1 (ii))	**114 792 178**	152 130 583
Unsecured		
Loans from SRF Global B.V. (12.1 (i))	**297 438 782**	242 646 510
Total long term borrowings	**412 230 960**	394 777 093
Short term		
Secured		
Loan from International Finance Corporation (12.1 (ii))	**72 147 371**	58 780 371
Unsecured		
Loan from rand Merchant Bank	**7 687 337**	-
Total short term borrowings	**79 834 708**	58 780 371

12.1 Summary of borrowing arrangement

(i) The loan is unsecured and carries an interest rate of 0% (2018:0%) and is a loan denominated in USD. There is no fixed terms of repayment for this loan. The loan from SRF Global B.V. has been subordinated in favour of International Finance Corporation (IFC) under the Share Retention and Subordination Agreement dated 10 July 2012. SRF Global B.V. has indicated in a letter to the company dated 29 April 2019 (2018: 21 April 2018) that the loan will not be recalled in the next financial year. The company may further not pay the loan from SRF Global BV without prior written consent from ABSA Bank and Rand Merchant Bank.

(ii) The loan is secured by a special notarial bond, continuing covering mortgage bond and general notarial bond, registered over the property. The loan has been guaranteed by SRF Limited. There are no specific covenants that are required to be met by the company, all covenants are based on the financial position of SRF Limited and have not been breached as at 31 March 2019. The loan carries an interest of 6 months LIBOR plus the relevant spread payable with six monthly rests. The loan is repayable in 16 equal half yearly instalments starting from 15 May 2015 and ending on 15 November 2022.

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12. Borrowings *(continued)*

12.1 Summary of borrowing arrangement *(continued)*

Description of property:

a) Property secured by special notarial bond

Biaxially Oriented Polypropylene (BOPP) Film Production Plant situated on or at 5 Eddie Hagan Drive Cato Ridge Kwa–Zulu Natal South Africa comprised inter alia of the plant, machinery, equipment and components thereof for the production packaging storage and handling of the raw materials and re–cycled materials and the said BOPP film hereinafter collectively referred to as the assets which expression unless clearly inconsistent with the context shall be interpreted also as a reference to each separate piece of the plant, machinery, equipment and components hereby bound together with all fixtures and fittings relating to the said plant, machinery,equipment and components including but not limited to electrical switchgear and circuitry all ducting and piping and hangers and all components of the said BOPP production line for the manufacturing storage and handling of raw materials and the raw materials and re–cycled materials and the BOPP film produced.

b) Property secured by continuing covering mortgage bond

Portion 368 of the Farm Riel Vallei No 851, registration division F.T. Province of KwaZulu – Natal with the extent of 70 000 hectares, as represented by the SG Diagram 680/2012 and held by certificate of consolidated title no. 033490/2012.

c) Property secured by general notarial bond

Moveable properties and effects of the company (of whatever description and wherever situated) both such as the company may now possess or become possessed of, without exception. Provided that the current assets of the Company would not be considered as moveable properties for this purpose.

13. Deferred government grants

	2019 R	2018 R
Reconciliation of the movement for the year		
Opening balance	**36 097 952**	37 639 496
Released to profit or loss	**(1 541 552)**	(1 541 544)
Closing balance	**34 556 400**	36 097 952
Current portion of government grant (included in note 19)	**1 541 549**	1 541 549
Non-current portion of government grant	**33 014 851**	34 556 403
Closing balance	**34 556 400**	36 097 952

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14. Deferred tax liability

Deferred tax liabilities/(assets) in relation to:	Opening balance R	Recognised in profit or loss R	Closing balance R
Taxable temporary difference	**64 248 392**	**(14 229 570)**	**50 018 822**
Estimated taxation loss	**(32 633 663)**	**10 131 336**	**(22 502 327)**
Total	**31 614 729**	**(4 098 234)**	**27 516 495**

Deferred tax assets/(liabilities) analysed by major category:

	2019 R	2018 R
Capital allowances	**94 619 707**	95 888 412
Deferred government grant	**(9 675 796)**	(10 107 427)
Provisions	**(532 148)**	(1 514 834)
Foreign exchange difference (S24I)	**(33 245 318)**	(17 903 482)
Income received in advance	**(1 147 623)**	(2 114 279)
Taxation losses	**(22 502 327)**	(32 633 661)
Closing net book value	**27 516 495**	31 614 729

15. Capital management

The company manages its capital by the utilisation of external borrowings in terms of its business plan. Details of the external borrowings are included in note 12.

16. Bank overdraft

	2019 R	2018 R
Bank overdraft	**(6 873 681)**	(54 019 561)

The bank overdraft carries an interest rate linked to the South African prime lending rate. Details of the facility are included in note 10.

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17. Trade and other payables

	2019 R	2018 R
Creditors	**105 327 204**	124 897 876
Accruals	**16 934 889**	21 367 792
	122 262 093	146 265 668

The carrying value of the trade and other payables approximates their fair value due to their short term nature.

18. Provisions

Provisions comprise of bonus provision

	2019 R	2018 R
Opening provision for the year	**560 380**	578 447
Provision for bonuses raised during the year	**631 197**	560 380
Bonus paid during the year	**(560 380)**	(578 447)
Total provisions for the year	**631 197**	560 380

19. Other current liabilities

	2019 R	2018 R
Accrued interest	**3 636 320**	3 378 271
Government grant	**1 541 549**	1 541 549
Other liabilities	**1 053 271**	985 258
Income received in advance	**4 098 652**	7 550 994
FEC liability	**-**	61 114
	10 329 792	13 517 186

20. Notes to the statement of cash flows

20.1 Adjustment for non-cash items

	2019 R	2018 R
Depreciation	**22 705 197**	21 485 075
Interest income	**(101 602)**	(63 066)
Amortisation	**452 396**	68 543
Interest expense	**14 529 283**	13 851 412
Foreign exchange loss/(gain)	**97 525 641**	(54 272 880)
Government grant amortisation	**(1 541 552)**	(1 541 544)
Total non-cash items	**133 569 363**	(20 472 460)

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		2019 R	2018 R
20.	**Notes to the statement of cash flows** *(continued)*		
20.2	**Change in working capital**		
	Decrease/(increase) in trade receivables and other current assets	**28 056 077**	(50 614 289)
	Decrease/(increase) in inventories	**6 006 118**	(20 536 957)
	(Decrease)/increase in trade payables, provisions and other current liabilities	**(27 120 152)**	43 504 550
	Net change in working capital	**6 942 043**	(27 646 696)
20.3	**Cash and cash equivalents at the end of the year**		
	Cash and bank balance (note 10)	**156 167**	173 671
	Bank overdraft (note 16)	**(6 873 681)**	(54 019 569)
		(6 717 514)	(53 845 898)

21. Financial risk management

The financial instruments of the company consist primarily of short–term loans and advances, cash and cash equivalent, bank overdraft, borrowings, other current liabilities, trade payables and trade receivables. The carrying amount of financial instruments approximates fair value determined in accordance with the accounting policies of the company. The company does not speculate in or engage in the trading of financial instruments.

In the normal course of operations the company is exposed to credit, liquidity, interest and foreign currency risk.

Categories of financial instruments at amortised cost

	2019 R	2018 R
Financial assets (comprise of the following)		
Trade receivables	**152 448 750**	178 728 696
Other current assets	**6 566 407**	8 010 799
Cash and cash equivalents	**156 167**	173 671
	159 171 324	186 913 166
Financial liabilities (comprise of the following)		
Long term borrowings	**412 230 960**	394 777 093
Short term borrowings	**79 834 708**	58 780 371
Bank overdraft	**6 873 681**	54 019 561
Trade and other payables	**120 542 889**	144 836 086
Other current liabilities	**10 329 792**	13 517 186
	629 812 030	665 930 297

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		2019	2018
		R	R
21.	**Financial risk management** *(continued)*		
	Categories of financial income and expenses		
	Financial income		
	Interest income on financial assets	**101 602**	63 066
	Financial expenses		
	Interest expense	**14 529 283**	13 851 412

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the company.

Trade receivables comprise a widespread customer base and the company undertakes ongoing credit evaluations of the financial condition of their customers. At 31 March 2019 the company does not consider there to be any material credit risk that has not been adequately provided for. The majority of local debtors are covered by insurance. For foreign debtors who are not insured, sales are made via letters of credit.

The company only deposits cash surpluses with major banks of high quality standing. At year–end the company did not consider there to be any significant concentration of credit risk which has not been insured or adequately provided for.

The carrying amounts of financial assets recorded in the financial statements, which is net of impairment losses, represents the company’s maximum exposure to credit risk.

	2019	2018
	R	R
Past due by 1 to 30 days	**1 790 039**	4 326 056
Past due by 31 to 60 days	**293 818**	29 582 985
Past due by 61 to 90 days	**986 482**	2 493 638
Past due by 91 to 120 days	**201 534**	590 625
Past due by more than 120 days	**350 379**	4 206 180
Not past due	**149 060 475**	138 754 972
Total due but not impaired	**152 682 727**	179 954 456
Past due and impaired (Greater than 120 days)	**(233 977)**	(1 225 760)
Total	**152 448 750**	178 728 696

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21. Financial risk management *(continued)*

Liquidity risk

The company manages liquidity and interest rate risk by monitoring forecasted cash flows and the level of unutilised banking facilities. The company also monitors its exposure to fluctuating interest rates and generally enters into contracts that are linked to market rates relative to the currency of the asset or liability.

Trade and other payables, other than the current portion of financial liabilities, are classified as measured at amortised cost and their carrying amount approximates fair value. Trade and other payables are predominately non–interest bearing. The amounts below are disclosed at the undiscounted amount.

Liquidity analysis

	<1 year R	**2 – 5 years R**	**>5 year R**	**Total R**
2019				
Interest accrued	**3 636 320**	**–**	**–**	**3 636 320**
Creditors	**105 327 204**	**–**	**–**	**105 327 204**
Accruals	**16 934 889**	**–**	**–**	**15 215 685**
Buyers credit	**7 687 377**	**–**	**–**	**7 687 377**
Other	**2 594 820**	**–**	**–**	**2 594 820**
Loan from IFC	**72 147 371**	**114 792 178**	**–**	**186 939 549**
Loan from SRF Global BV	**–**	**297 438 782**	**–**	**297 438 782**
Provisions	**631 197**	**–**	**–**	**2 350 401**
Bank overdraft	**6 873 681**	**–**	**–**	**6 873 681**
	215 832 859	**412 230 960**	**–**	**628 063 819**
2018				
Interest accrued	3 378 271	–	–	3 378 271
Creditors	124 897 876	–	–	124 897 876
Accruals	21 367 792	–	–	19 938 210
Other	10 077 801	–	–	10 077 801
Loan from IFC	66 862 096	164 253 170	–	231 115 266
Loan from SRF Global BV	–	242 646 510	–	242 646 510
Provisions	560 380	–	–	1 989 962
Bank overdraft	54 019 561	–	–	54 019 561
	281 163 777	406 899 680	–	688 063 457

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21. Financial risk management *(continued)*

Interest rate risk

Fluctuations in interest rates impact on the cost of financing activities, giving rise to interest rate risk.

The sensitivity analysis below have been determined based on the exposure to interest rates for all financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.
A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher or lower throughout the year and all other variables were held constant the company's loss/profit would increase/(decrease) by R979 594 (2018: R1 065 519) for the company. This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings.

Foreign currency risk

The objective of the foreign exchange exposure management policy is to ensure that all foreign exchange exposures are identified as early as possible and that the identified exposures are actively managed to reduce risk. All exposures are to reflect underlying foreign currency commitments arising from trade and/or foreign currency finance. Under no circumstances are speculative positions permitted.

The company is subject to transaction exposure and translation exposure.

- Transaction exposure consists of all transactions entered into which will result in a flow of cash in foreign currency at a future time such as payments under foreign currency long and short term loan liabilities and capital expenditure (from approval date until cash payment). Commercial transactions are only entered in currencies that are readily convertible by means of formal external forward contracts.

- Translation exposure mainly relates to the company's loan in U.S. Dollar loans, which are translated into the company's functional currency, the Rand. Translation exposure is not hedged.

Transaction and translation exposures are reported by the company to group treasury.

Monetary items are converted to Rands at the rate of exchange ruling at the financial reporting date.

If foreign exchange rates had been 0.5% higher or lower against the functional currency (i.e. USD/ZAR) and all other variables were held constant, the company's loss/profit would increase/(decrease) by R5 442 874 (2018: R4 295 165).

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21. Financial risk management *(continued)*

Foreign currency exposure at the end of the reporting period

	2019 **R**	2018 R
Current assets		
Trade receivables, $1 889 465 (2018: $1 247 331)	**27 374 642**	14 767 281
Trade receivables, Eur 32 501 (2018: Eur 33 917)	**529 299**	497 441
	27 903 941	15 264 722
Current liabilities		
Trade payables, $ 615 411 (2018: $ 544 766)	**8 931 158**	6 449 662
Trade payables, Eur 157 906 (2018: Eur 563 215)	**2 573 029**	8 260 267
Loan from International finance corporation $5 000 000 (2018: $5 000 000)	**72 562 500**	59 195 500
	84 066 687	73 905 429

Foreign exchange rate utilised for the translation of assets and liabilities is R14.5125/$1 (2018: R11.8391/$1)

22. Lease commitments

Payable

The company has entered into an operating lease for property and the future commitment is as follows:

Due within one year	**677 724**	717 060
Due between two and five year	**–**	337 975

23. Related party transactions

During the year, the company, in the ordinary course of business, entered into various transactions with companies within the group. These transactions occurred under terms that are no more or less favourable than those arranged with third parties.

Related parties

Ultimate holding company – KAMA Holdings Limited
Holding company of SRF Global B.V – SRF Limited
Holding company of SRF Flexipak (South Africa) (Pty) Ltd – SRF Global B.V

Fellow subsidiaries:

SRF Industries (Thailand) Limited
SRF Industex Belting (Pty) Limited

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23. Related party transactions (*continued*)

Related party transactions and balance	**2019** **R**	2018 R
Internal expenses incurred to group companies are:		
Management fees charged by SRF Limited	**3 716 725**	4 942 423
Outstanding intercompany balances as at reporting date are:		
Long term borrowing – SRF Global B.V.	**297 438 782**	242 646 510
Short term payable – SRF Global B.V.	**2 764 643**	2 540 329
Creditor – SRF Limited	**4 344 868**	2 881 514
Debtors – SRF Limited	**1 113 433**	–

25. Going concern

The company incurred a comprehensive loss for the year of R (11 024 876) (2018: R92 080 493), resulting in an accumulated profit at the end of the year of R65 598 033 (2018: R76 622 909), as well as the company's total assets exceeds its total liabilities by R65 598 133 (2018: R76 623 009).

The cumulative profit has been funded through the support of the company's holding company, SRF Global B.V. At year-end the loan from SRF Global B.V. amounts to R297 438 782 (2018: R242 646 510). The loan has no fixed repayment terms and is considered to be long-term in nature. The loan from SRF Global B.V. has been subordinated in favour of International Finance Corporation (IFC) under the Share Retention and Subordination Agreement dated 10 July 2012. Details of this loan are included in note 12.

The directors' have reviewed the company's cash flow forecast for the year 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors' are not aware of any new material changes that may adversely impact the company. The directors' are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company. Details of adequate resources are included in note 10.

26. Subsequent events

No material changes have taken place in the affairs of the company between the end of the financial year and the date of this report that required adjustment to or disclosures in the financial statements.

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