SRF Flexipak (South Africa) Proprietary Limited

Annual Financial Statements

for the year ended 31 March 2020

Audited

Prepared by
Deshan Chetty CA(SA)
Isibani Chartered Accountants and Auditors Proprietary Limited

Contents

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Preparer

Deshan Chetty CA(SA)
Isibani Chartered Accountants and Auditors Proprietary Limited

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2021 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on pages 5 to 7.

The annual financial statements set out on pages 8 to 37, which have been prepared on the going concern basis, were approved by the board of directors on 18 May 2020 and were signed on their behalf by:

Approval of financial statements

Ritesh Kumar

P Jordaan	**R Kumar**

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of SRF Flexipak (South Africa) Proprietary Limited for the year ended 31 March 2020.

1. Nature of business

SRF Flexipak (South Africa) Proprietary Limited was incorporated in South Africa to set up a Biaxially-orientated Polypropylene Film (BOPP) manufacturing line on the land owned by the company.

There have been no material changes to the nature of the company's business from the prior year.

2. Registered office

5 Eddie Hagen Drive, Harrison, Cato Ridge, 3680

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

4. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

5. Dividends

No dividends were declared or paid in the current year (2019: Nil).

6. Directorate

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

Directors	Nationality	Changes
A B Ram	Indian	
K B Ram	Indian	Resigned 31 July 2019
R Kumar	Indian	
P Mehra	Indian	
G T Page	South African	Resigned 31 July 2019
P Jordaan	South African	Appointed 31 July 2019
H Makan	South African	Appointed 31 July 2019

7. Holding company

The company's holding company is SRF Global B.V. (which in turn is wholly-owned by SRF Limited) which holds 100% (2019: 100%) of the company's equity. SRF Global B.V. is incorporated in Netherlands and SRF Limited is incorporated in India.

8. Ultimate holding company

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

9. Auditors

KPMG Inc continued in office as auditors for the company for 2020.

10. Secretary

No secretary was appointed during the year.

Directors' Report

11. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. 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.

12. Events after the reporting period

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements. However, the COVID-19 outbreak is a material subsequent non-adjusting event that requires disclosure in the financial statements.

On March 11, 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation and quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 1 May 2020.

The company's income for 2020 to date has not been impacted as SRF plant is operating at full capacity and most of our customers are essential services. There has been increase in demand for product due to the panic buying. Management expects the anticipated income will be line with 2021 forecast. Management will continue to implement, actions to maximise liquidity and reduce cost to ensure the sustainability of the company.

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

KPMG

KPMG Inc.
6 Nokwe Avenue, Umhlanga Ridge
Durban, 4000
PO Box 1496, Durban, 4320, South Africa

Telephone +27 (0)31 327 6000
Fax +27 (0)31 337 1157
Docex 246 Durban
Web http://www.kpmg.co.za/

Independent Auditor's Report

To the shareholder 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 8 to 37, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the 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 SRF Flexipak (South Africa) Proprietary Limited as at 31 March 2020, 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. 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 information included in the document titled "SRF Flexipak (South Africa) Proprietary Limited Annual Financial Statements for the year ended 31 March 2020", which includes the Directors' Report as required by the Companies Act of South Africa. 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.

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.

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.

Per C Batchelor
Chartered Accountant (SA)
Registered Auditor
Associate Director
20 May 2020

Statement of Financial Position as at 31 March 2020

Figures in Rand	Notes	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	3	471 436 837	484 735 063
Intangible assets	4	2 718 090	2 178 438
		474 154 927	**486 913 501**
Current Assets			
Inventories	5	94 627 906	107 663 816
Trade and other receivables	6	236 921 826	163 558 426
Derivatives	7	191 830	-
Current tax receivable		4 096 988	-
Cash and cash equivalents	8	-	156 167
		335 838 550	**271 378 409**
Total Assets		**809 993 477**	**758 291 910**
Equity and Liabilities			
Equity			
Share capital	9	100	100
Retained income		105 797 049	65 598 033
		105 797 149	**65 598 133**
Liabilities			
Non-Current Liabilities			
Borrowings	10	346 349 036	412 230 960
Deferred income	11	31 473 315	33 014 851
Deferred tax	12	43 267 729	27 516 495
		421 090 080	**472 762 306**
Current Liabilities			
Trade and other payables	13	165 825 750	129 331 132
Borrowings	10	101 395 867	79 834 708
Deferred income	11	1 541 549	1 541 549
Provisions	14	3 003 166	2 350 401
Bank overdraft	8	11 339 916	6 873 681
		283 106 248	**219 931 471**
Total Liabilities		**704 196 328**	**692 693 777**
Total Equity and Liabilities		**809 993 477**	**758 291 910**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2020	2019
Revenue	15	929 878 943	827 518 355
Cost of sales		(686 515 550)	(646 806 689)
Gross profit		**243 363 393**	**180 711 666**
Other operating income	16	3 703 488	4 252 050
Foreign exchange loss		(86 460 498)	(97 525 641)
Other operating expenses		(96 545 272)	(88 133 504)
Operating profit (loss)	17	**64 061 111**	**(695 429)**
Investment income	18	638 361	101 602
Finance costs	19	(8 749 222)	(14 529 283)
Profit (loss) before taxation		**55 950 250**	**(15 123 110)**
Taxation	20	(15 751 234)	4 098 234
Profit (loss) for the year		**40 199 016**	**(11 024 876)**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**40 199 016**	**(11 024 876)**

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
Balance at 1 April 2018	**100**	**76 622 909**	**76 623 009**
Loss for the year	-	(11 024 876)	(11 024 876)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	**-**	**(11 024 876)**	**(11 024 876)**
Balance at 1 April 2019	**100**	**65 598 033**	**65 598 133**
Profit for the year	-	40 199 016	40 199 016
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**40 199 016**	**40 199 016**
Balance at 31 March 2020	**100**	**105 797 049**	**105 797 149**
Note	9		

Statement of Cash Flows

Figures in Rand	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	21	139 032 150	125 388 296
Interest income		638 361	101 602
Finance costs		(8 749 222)	(14 529 283)
Tax paid	22	(4 096 988)	-
Foreign exchange gain/(loss)		7 478 111	(1 044 676)
Net cash from operating activities		**134 302 412**	**109 915 939**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(11 406 596)	(2 525 557)
Purchase of other intangible assets	4	(1 464 248)	(2 289 245)
Net cash from investing activities		**(12 870 844)**	**(4 814 802)**
Cash flows from financing activities			
Proceeds from borrowings		-	38 508 204
Foreign exchange loss on borrowings		-	(96 480 965)
Repayment of borrowings		(126 053 970)	-
Net cash from financing activities		**(126 053 970)**	**(57 972 761)**
Total cash movement for the year		**(4 622 402)**	**47 128 376**
Cash at the beginning of the year		(6 717 514)	(53 845 890)
Total cash at end of the year	8	**(11 339 916)**	**(6 717 514)**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa of South Africa.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. The annual financial statements are prepared on the going concern basis. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

The annual financial statements were approved by the board of directors on 18 May 2020.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option: or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

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

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	40 years
Plant and machinery	Straight line	19 years
Equipment	Straight line	8 years

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Accounting Policies

1.3 Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

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

Intangible assets are initially recognised at cost.

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

1.5 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are debt instruments:
- Amortised cost.

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Accounting Policies

1.5 Financial instruments (continued)

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account.

Non-hedging derivatives

Classification

Non-hedging derivatives are classified as mandatorily at fair value through profit or loss.

The company enters into a variety of derivative financial instruments in order to manage its exposure to foreign exchange risk. Derivatives held by the company which are not in designated hedging relationships, include forward exchange contracts.

Recognition and measurement

Derivatives are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Borrowings

Classification

Borrowings (note 10) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables (note 13), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Accounting Policies

1.5 Financial instruments (continued)

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.6 Tax

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.

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

Deferred tax assets and liabilities

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Accounting Policies

1.6 Tax (continued)

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

1.7 Leases (Comparatives under IAS 17)

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

Operating leases – lessee

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

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

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

1.9 Impairment of assets

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

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

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

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

Accounting Policies

1.9 Impairment of assets (continued)

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

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Share capital and equity

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted.

1.12 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

1.13 Government grants

Government grants are recognised when there is reasonable assurance that:
- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Accounting Policies

1.14 Revenue from contracts with customers

Revenue is recognised upon transfer of control when performance obligations to customers are met in an amount that reflects the consideration the company expects to receive in exchange for the goods or services rendered. To recognise revenue, we apply the following five step approach:

(1) identify the contract with a customer,
(2) identify the performance obligations in the contract,
(3) determine the transaction price,
(4) allocate the transaction price to the performance obligations in the contract, and
(5) recognize revenues when a performance obligation is satisfied.

At contract inception, the company assesses its promise to transfer goods and services to a customer to identify separate performance obligations. The company applies judgement to determine whether each good and service promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised goods and services are combined and accounted as a single performance obligation. The company allocates the arrangement consideration to separately identifiable performance obligation based on their relative stand-alone selling price or residual method. Stand-alone selling prices are determined based on sale prices for the components when it is regularly sold separately.

SRF Flexipak South Africa Proprietary Limited manufactures and sells various types of film solutions for applications such as food packaging and labelling.

Sale of goods - local contracts

Revenue is recognised at a point in time, at the time at which control transfers to the customer. The stage for when control is transferred is the delivery of the goods for local sales. Revenue is recognised at the selling price as per the invoice sent to the customer.

Sale of goods - foreign contracts

Revenue is recognised at a point in time, at the time at which control transfers to the customer. The stage for when control is transferred is based on the incoterm that SRF Flexipak has entered into with foreign customer. Revenue is recognised at the selling price as per the invoice sent to the customer.

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.

1.15 Cost of sales

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

Accounting Policies

1.16 Translation of foreign currencies

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.

1.17 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.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after 1 January 2019.

The company has adopted the interpretation for the first time in the 2020 annual financial statements.

The impact of the interpretation is not material.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

2. New Standards and Interpretations (continued)

The effective date of the standard is for years beginning on or after 1 January 2019.

The company has adopted the standard for the first time in the 2020 annual financial statements.

IFRS 16 is not appicable due to the short-term exemption.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2020 or later periods:

Standard / Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Presentation of Financial Statements: Disclosure initiative	1 January 2020	Unlikely there will be a material impact
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	Unlikely there will be a material impact

3. Property, plant and equipment

	2020			2019		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Land	26 127 133	-	26 127 133	26 127 133	-	26 127 133
Buildings	145 977 353	(23 027 877)	122 949 476	139 784 105	(19 025 945)	120 758 160
Plant and machinery	425 621 192	(109 960 992)	315 660 200	423 167 085	(90 298 012)	332 869 073
Equipment	8 840 547	(5 696 320)	3 144 227	8 198 500	(4 656 411)	3 542 089
Work in progress	3 555 801	-	3 555 801	1 438 608	-	1 438 608
Total	**610 122 026**	**(138 685 189)**	**471 436 837**	**598 715 431**	**(113 980 368)**	**484 735 063**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Land	26 127 133	-	-	-	26 127 133
Buildings	120 758 160	-	6 193 248	(4 001 932)	122 949 476
Plant and machinery	332 869 073	-	2 454 107	(19 662 980)	315 660 200
Equipment	3 542 089	-	642 048	(1 039 910)	3 144 227
Work in progress	1 438 608	11 406 596	(9 289 403)	-	3 555 801
	484 735 063	**11 406 596**	**-**	**(24 704 822)**	**471 436 837**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Land	26 127 133	-	-	-	26 127 133
Buildings	123 636 803	-	863 862	(3 742 505)	120 758 160
Plant and machinery	325 877 937	-	25 144 786	(18 153 650)	332 869 073
Equipment	2 888 232	-	1 462 899	(809 042)	3 542 089
Work in progress	26 384 598	2 525 557	(27 471 547)	-	1 438 608
	504 914 703	**2 525 557**	**-**	**(22 705 197)**	**484 735 063**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings refered to in note 10:

Land and buildings	149 076 609	146 885 293

Property secured by special notarial bond

Biaxially Oriented Polypropylene (BOPP) Film Production Plant situated on or at 5 Eddie Hagan Drive Cato Ridge KwaZulu-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.

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.

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.

4. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	4 163 625	(1 445 535)	2 718 090	2 699 377	(520 939)	2 178 438

Reconciliation of intangible assets - 2020

	Opening balance	**Additions**	**Amortisation**	**Closing balance**
Computer software	2 178 438	1 464 248	(924 596)	2 718 090

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Closing balance**
Computer software	341 589	2 289 245	(452 396)	2 178 438

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Inventories

	2020	2019
Raw materials	58 239 213	53 931 781
Work in progress	5 912 568	5 730 993
Finished goods	31 604 109	49 303 569
	95 755 890	108 966 343
Inventories (write-downs)	(1 127 984)	(1 302 527)
	94 627 906	**107 663 816**

Inventory to the value of R1 127 984 (2019: R2 136 379) was written down and recognised as an expense.

6. Trade and other receivables

	2020	2019
Financial instruments:		
Trade receivables	228 047 613	152 682 727
Loss allowance	(387 608)	(233 977)
Trade receivables at amortised cost	227 660 005	152 448 750
Deposits	2 198 700	2 245 200
Advances to suppliers	1 077 691	4 291 447
Interest receivable	175 546	-
Other receivables	2 345 766	29 760
Non-financial instruments:		
VAT	3 464 118	4 543 269
Total trade and other receivables	**236 921 826**	**163 558 426**

	2020	2019
Reconciliation of loss allowance		
Opening balance	(233 977)	(1 225 760)
(Increase) decrease in allowance	(153 631)	991 783
Closing balance	**(387 608)**	**(233 977)**

Loss allowance aging profile - 2020	**Current**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**90 days +**	**Total**
Expected loss %	0%	0%	0%	0%	56.53%	0.17%
Gross carrying amount	219 527 393	6 802 202	834 414	197 933	685 671	228 047 613
Loss allowance calculated	-	-	-	-	387 608	387 608
Specific allowance	-	-	-	-	-	-
	-	-	-	-	**387 608**	**387 608**

Loss allowance aging profile - 2019	**Current**	**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**90 days +**	**Total**
Expected loss %	0%	0%	0%	0%	42.39%	0.15%
Gross carrying amount	149 060 475	1 790 039	293 818	986 482	551 913	152 682 727
Loss allowance calculated	-	-	-	-	233 977	233 977
Specific allowance	-	-	-	-	-	-
	-	-	-	-	**233 977**	**233 977**

Categorisation of trade and other receivables

	2020	2019
At amortised cost	233 457 708	159 015 157
Non-financial instruments	3 464 118	4 543 269
	236 921 826	**163 558 426**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Trade and other receivables (continued)

Fair value of trade and other receivables

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

7. Derivatives

	2020	2019
Non-hedging derivatives		
Foreign exchange contract	191 830	-
These foreign exchange contracts have been taken out with Rand Merchant Bank Limited to mitigate the impact of foreign currency fluctuations. They have maturity dates ranging from 1 March 2020 to 31 August 2020.		

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020	2019
Bank balances	-	156 167
Bank overdraft	(11 339 916)	(6 873 681)
	(11 339 916)	**(6 717 514)**
Current assets	-	156 167
Current liabilities	(11 339 916)	(6 873 681)
	(11 339 916)	**(6 717 514)**

The bank overdraft carries an interest rate linked to the South African prime lending rate.

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:

- Cession of debtors - of R199.9 million shared between ABSA and RMB
- Letter of subordination from SRF Global B.V.
- 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:

- Buyers credit for USD 686 813
- Guarantees R101 976
- Import letters of credit for USD 253 302

The company has the following facilities available from ABSA Bank:

- Letters of credit for R49 900 000
- Forward exchange contract for USD 2 372 000
- Foreign exchange settlement limit of R23 600 000
- Derivatives – interest rate swaps of USD 20 000 000
- 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.

Notes to the Annual Financial Statements

Figures in Rand ·	2020	2019

9. Share capital

Authorised		
1 000 Ordinary shares of R1 each	1 000	1 000

The unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued		
100 Ordinary shares of R1 each	100	100

10. Borrowings

Held at amortised cost		
SRF Global B.V.	294 112 109	297 438 782

The loan is unsecured and carries an interest rate of 0% (2019:0%) 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. The company may further not pay the loan from SRF Global B.V. without prior written consent from ABSA Bank and Rand Merchant Bank. Based the letter received on the May 5th, 2020 this loan will not be called for payment for the next 12 months.

International Finance Corporation	141 386 927	186 939 549

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 2020. 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.

Rand Merchant Bank	12 245 867	7 687 337
	447 744 903	**492 065 668**

Split between non-current and current portions

Non-current liabilities	346 349 036	412 230 960
Current liabilities	101 395 867	79 834 708
	447 744 903	**492 065 668**

11. Deferred income

Government grants		
Opening balance	(34 556 400)	(36 097 952)
Released to profit or loss	1 541 536	1 541 552
Closing balance	**(33 014 864)**	**(34 556 400)**

Split between non-current and current portions

Non-current liabilities	31 473 315	33 014 851
Current liabilities	1 541 549	1 541 549
	33 014 864	**34 556 400**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

12. Deferred tax

Deferred tax asset

Deferred income	9 244 162	9 675 796
Provisions	1 082 836	532 148
Foreign exchange difference (S24I)	32 313 878	33 245 318
Income received in advance	1 200 742	1 147 623
Tax losses available for set off against future taxable income	4 364 114	22 502 327
Total deferred tax asset	**48 205 732**	**67 103 212**

Deferred tax liability

Property, plant and equipment	(91 473 461)	(94 619 707)

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset	48 205 732	67 103 212
Deferred tax liability	(91 473 461)	(94 619 707)
Total net deferred tax liability	**(43 267 729)**	**(27 516 495)**

Reconciliation of deferred tax liability

At beginning of year	(27 516 495)	(31 614 729)
Temporary difference movement on deferred income	(431 634)	(431 631)
Temporary difference movement on provisions	550 688	(982 686)
Temporary difference movement on foreing exchange difference	(931 440)	15 341 836
Temporary difference movement on income received in advance	53 119	(966 656)
Decrease in tax loss available for set off against future taxable income	(18 138 213)	(10 131 334)
Temporary difference movement on property, plant and equipment	3 146 246	1 268 705
	(43 267 729)	**(27 516 495)**

13. Trade and other payables

Financial instruments:		
Trade payables	133 110 856	105 327 204
Accrued expenses	25 945 368	15 215 685
Accrued interest	2 170 291	3 636 320
Other payables	310 871	1 053 271
Non-financial instruments:		
Income received in advance	4 288 364	4 098 652
	165 825 750	**129 331 132**

Categorisation of trade and other payables

At amortised cost	161 537 386	125 232 480
Non-financial instruments	4 288 364	4 098 652
	165 825 750	**129 331 132**

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

14. Provisions

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Closing balance
Bonus provision	631 197	699 373	(631 197)	699 373
Provision for leave pay	1 719 204	2 303 793	(1 719 204)	2 303 793
	2 350 401	**3 003 166**	**(2 350 401)**	**3 003 166**

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Closing balance
Bonus provision	560 380	631 197	(560 380)	631 197
Provision for leave pay	1 429 582	1 719 204	(1 429 582)	1 719 204
	1 989 962	**2 350 401**	**(1 989 962)**	**2 350 401**

15. Revenue

	2020	2019
Revenue from contracts with customers		
Sale of goods	929 878 943	827 518 355

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

	2020	2019
Sale of goods		
Sale of goods - local contracts	725 926 807	661 976 065
Sale of goods - foreign contracts	208 055 541	172 911 299
Discount allowed	(4 103 405)	(7 369 009)
	929 878 943	**827 518 355**

Timing of revenue recognition

	2020	2019
At a point in time		
Sale of goods	929 878 943	827 518 355

16. Other operating income

	2020	2019
Claims received	-	467 600
Scrap sales	2 161 952	2 242 898
Government grants	1 541 536	1 541 552
	3 703 488	**4 252 050**

17. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

Employee costs

	2020	2019
Salaries, wages, bonuses and other benefits	57 938 068	54 508 860

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Operating profit (loss) (continued)

Leases

Operating lease charges		
Premises	1 764 694	1 998 254
Depreciation and amortisation		
Depreciation of property, plant and equipment	24 704 822	22 705 197
Amortisation of intangible assets	924 596	452 396
Total depreciation and amortisation	**25 629 418**	**23 157 593**
Other		
Foreign exchange loss	86 460 498	97 525 641

18. Investment income

Interest income		
Investments in financial assets:		
Trade and other receivables	-	75 784
Other financial assets	638 361	25 818
Total interest income	**638 361**	**101 602**

19. Finance costs

Bank overdraft	1 226 925	4 739 212
Borrowings	7 479 647	9 785 904
Other interest paid	42 650	4 167
Total finance costs	**8 749 222**	**14 529 283**

20. Taxation

Major components of the tax expense

Current		
Local income tax - current period	-	-
Deferred		
Originating and reversing temporary differences	15 751 234	(4 098 234)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	55 950 250	(15 123 110)
Tax at the applicable tax rate of 28% (2019: 28%)	15 666 070	(4 234 471)
Tax effect of adjustments on taxable income		
Effect of permanent differences	85 164	136 237
	15 751 234	**(4 098 234)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Cash generated from operations

	2020	2019
Profit before taxation	55 950 250	(15 123 110)
Adjustments for:		
Depreciation and amortisation	25 629 418	23 157 593
Losses on foreign exchange	74 255 093	97 525 641
Interest income	(638 361)	(101 602)
Finance costs	8 749 222	14 529 283
Movements in provisions	652 765	70 817
Changes in working capital:		
Inventories	13 035 910	6 006 118
Trade and other receivables	(73 363 400)	28 056 077
Derivatives	(191 830)	-
Trade and other payables	36 494 619	(27 190 969)
Deferred income	(1 541 536)	(1 541 552)
	139 032 150	**125 388 296**

22. Tax paid

	2020	2019
Balance at end of the year	(4 096 988)	-

23. Commitments

Operating leases – as lessee (expense) (IAS 17)

	2020	2019
Minimum lease payments due		
- within one year	797 148	677 724

Operating lease payments represent rentals payable by the company for certain of its office properties.

24. Related parties

Relationships

Ultimate holding company	KAMA Holdings Limited
Holding company	SRF Global B.V., which in turn is wholly-owned by SRF Limited
Fellow subsidiaries	SRF Industries (Thailand) Limited SRF Industex Belting Proprietary Limited SRF Holiday Home Limited SRF Europe Kft

Related party balances

	2020	2019
Loan accounts - Owing to related parties		
SRF Global B.V.	(294 112 109)	(297 438 782)
Amounts included in trade receivables (trade payables) regarding related parties		
SRF Global B.V.	(3 396 630)	(2 764 643)
SRF Limited	(1 250 293)	(3 231 435)

Related party transactions

	2020	2019
Management fees and guarantee fees paid to related parties		
SRF Limited	4 388 931	3 716 725

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Notes	Fair value through profit or loss - Mandatory	Amortised cost	Total
Derivatives - non-hedging	7	191 830	-	191 830
Trade and other receivables	6	-	233 457 708	233 457 708
		191 830	**233 457 708**	**233 649 538**

2019

	Notes	Amortised cost	Total
Trade and other receivables	6	159 015 157	159 015 157
Cash and cash equivalents	8	156 167	156 167
		159 171 324	**159 171 324**

Categories of financial liabilities

2020

	Notes	Amortised cost	Total
Trade and other payables	13	161 537 386	161 537 386
Borrowings	10	447 744 903	447 744 903
Bank overdraft	8	11 339 916	11 339 916
		620 622 205	**620 622 205**

2019

	Notes	Amortised cost	Total
Trade and other payables	13	125 232 480	125 232 480
Borrowings	10	492 065 668	492 065 668
Bank overdraft	8	6 873 681	6 873 681
		624 171 829	**624 171 829**

Notes to the Annual Financial Statements

Figures in Rand		2020	2019

25. Financial instruments and risk management (continued)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

	Notes	2020	2019
Borrowings	10	447 744 903	492 065 668
Trade and other payables	13	161 537 386	125 232 480
Borrowings		**609 282 289**	**617 298 148**
Bank overdraft	8	11 339 916	6 717 514
Total borrowings		**620 622 205**	**624 015 662**
Equity		105 797 148	65 598 133
Gearing ratio		587 %	951 %

Financial risk management

Overview

he 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 is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable and cash and cash equivalents.

Trade receivables comprise a widespread customer base and the company undertakes ongoing credit evaluations of the financial condition of their customers. At 31 March 2020 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.

The maximum exposure to credit risk is presented in the table below:

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Financial instruments and risk management (continued)

		2020			2019		
	Notes	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	6	233 845 316	(387 608)	233 457 708	159 249 134	(233 977)	159 015 157
Cash and cash equivalents	8	-	-	-	156 167	-	156 167
		233 845 316	**(387 608)**	**233 457 708**	**159 405 301**	**(233 977)**	**159 171 324**

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

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.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2020

	Notes	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	10	-	346 349 036	346 349 036	346 349 036
Current liabilities					
Trade and other payables	13	161 537 386	-	161 537 386	161 537 386
Borrowings	10	101 395 867	-	101 395 867	101 395 867
Bank overdraft	8	11 339 916	-	11 339 916	11 339 916
		274 273 169	**346 349 036**	**620 622 205**	**620 622 205**

2019

	Notes	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	10	-	412 230 960	412 230 960	412 230 960
Current liabilities					
Trade and other payables	13	125 232 480	-	125 232 480	125 232 480
Borrowings	10	79 834 708	-	79 834 708	79 834 708
Bank overdraft	8	6 873 681	-	6 873 681	6 873 681
		211 940 869	**412 230 960**	**624 171 829**	**624 171 829**

Notes to the Annual Financial Statements

Figures in Rand		2020	2019

25. Financial instruments and risk management (continued)

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily are US Dollars and Euros.

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

	Notes	2020	2019
US Dollar exposure:			
Current assets:			
Trade and other receivables	6	54 859 071	27 374 642
Non-current liabilities:			
Borrowings	10	(346 349 036)	(412 230 960)
Current liabilities:			
Trade and other payables	13	(18 426 792)	(8 931 158)
Borrowings	10	(101 395 867)	(79 834 708)
Net US Dollar exposure		**(411 312 624)**	**(473 622 184)**
Euro exposure:			
Current assets:			
Trade and other receivables	6	7 507 551	529 299
Current liabilities:			
Trade and other payables	13	(10 277 073)	(2 573 029)
Net Euro exposure		**(2 769 522)**	**(2 043 730)**
Net exposure to foreign currency in Rand		**(414 082 146)**	**(475 665 914)**

Exchange rates

The following closing exchange rates were applied at reporting date:

	2020	2019
Rand per unit of foreign currency:		
US Dollar	17.830	14.513
Euro	19.435	16.295

25. Financial instruments and risk management (continued)

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2020	2020	2019	2019
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
US Dollar - 10% change in foreign currency rate	(41 131 262)	41 131 262	(47 362 218)	47 362 218
Euro - 10% change in foreign currency rate	(276 952)	276 952	(204 373)	204 373
	(41 408 214)	**41 408 214**	**(47 566 591)**	**47 566 591**

Interest rate risk

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

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which 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. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2020	2020	2019	2019
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Borrowings - 50 basis points change (2019: 50 basis points change)	(786 164)	786 164	(979 594)	979 594

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

26. Comparative figures

Certain comparative figures have been reclassified in order to enhance the overall disclosure. These reclassifications have not resulted in any impact on the net profit or net assets previously reported.

27. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. 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.

28. Events after the reporting period

At the date of finalisation of the annual financial statements there were no material events that occurred subsequent to the reporting date that required adjustments to the amounts recognised in the financial statements. However, the COVID-19 outbreak is a material subsequent non-adjusting event that requires disclosure in the financial statements.

On March 11, 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including requiring self-isolation and quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 1 May 2020.

The company's income for 2020 to date has not been impacted as SRF plant is operating at full capacity and most of our customers are essential services. There has been increase in demand for product due to the panic buying. Management expects the anticipated income will be line with 2021 forecast. Management will continue to implement, actions to maximise liquidity and reduce cost to ensure the sustainability of the company.

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