

SRF Flexipak (South Africa) Proprietary Limited

Annual Financial Statements

for the year ended 31 March 2021

Audited

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

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Contents

	Page
Directors' Responsibilities and Approval	2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 7
Statement of Financial Position	8
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Accounting Policies	12 - 20
Notes to the Annual Financial Statements	21 - 37

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

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

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 and the Companies Act of South Africa. 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 the Companies Act of South Africa 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.

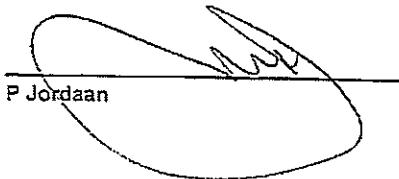
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial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

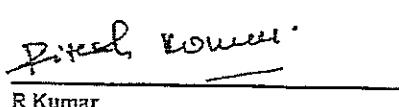
The directors have reviewed the company's cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

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 4 May 2021 and were signed on their behalf by:

Approval of financial statements


P Jordaan


R Kumar

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

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 2021.

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 (2020: Nil).

6. Directorate

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

Directors	Nationality
A B Ram	Indian
R Kumar	Indian
P Mehra	Indian
P Jordaan	South African
H Makan	South African

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% (2020: 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 2021.

10. Secretary

No secretary was appointed during the year.

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Directors' Report

11. Going concern

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

The board is aware of the COVID-19 pandemic as well as the country's downgrade to sub-investment grade. There is no immediate concern around going concern. Management has established high-level task teams that are continually assessing and monitoring developments with regard to the disease and at the time of finalising the report, the board is confident that their responses are adequate and the crisis is being continuously monitored to assess the impact on the company.

12. Events after the reporting period

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



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
Docex246 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 2021, 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 a summary of significant accounting policies and the notes to the financial statements.

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 2021, 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 2021", 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.

A handwritten signature in black ink, appearing to read "Per C Batchelor".

Per C Batchelor
Chartered Accountant (SA)
Registered Auditor
Associate Director
4 May 2021

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Statement of Financial Position as at 31 March 2021

Figures in Rand	Notes	2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	3	451 741 329	471 436 837
Intangible assets	4	1 772 231	2 718 090
		453 513 560	474 154 927
Current Assets			
Inventories	5	120 610 142	94 627 906
Trade and other receivables	6	267 186 521	236 921 826
Derivatives	7	-	191 830
Current tax receivable		-	4 096 988
Cash and cash equivalents	8	8 061 459	-
		395 858 122	335 838 550
Total Assets		849 371 682	809 993 477
Equity and Liabilities			
Equity			
Share capital	9	100	100
Retained income		320 156 159	105 797 049
		320 156 259	105 797 149
Liabilities			
Non-Current Liabilities			
Borrowings	10	155 026 830	346 349 036
Deferred income	11	29 931 771	31 473 315
Deferred tax	12	59 988 388	43 267 729
		244 946 989	421 090 080
Current Liabilities			
Trade and other payables	13	229 697 773	165 825 750
Borrowings	10	43 474 822	101 395 867
Deferred income	11	1 541 549	1 541 549
Current tax payable		5 430 326	-
Provisions	14	4 123 964	3 003 166
Bank overdraft	8	-	11 339 916
		284 268 434	283 106 248
Total Liabilities		529 215 423	704 196 328
Total Equity and Liabilities		849 371 682	809 993 477

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2021	2020
Revenue	15	1 063 926 332	929 878 943
Cost of sales		(737 793 846)	(686 515 550)
Gross profit		326 132 486	243 363 393
Other operating income	16	3 205 223	3 703 488
Foreign exchange gains / (losses)		56 439 470	(86 460 498)
Other operating expenses		(85 041 721)	(96 545 272)
Operating profit	17	300 735 458	64 061 111
Investment income	18	332 308	638 361
Finance costs	19	(3 164 042)	(8 749 222)
Profit before taxation		297 903 724	55 950 250
Taxation	20	(83 544 614)	(15 751 234)
Profit for the year		214 359 110	40 199 016
Other comprehensive income		-	-
Total comprehensive income for the year		214 359 110	40 199 016

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Statement of Changes in Equity

Figures in Rand	Share capital	Retained income	Total equity
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 1 April 2020	100	105 797 049	105 797 149
Profit for the year	-	214 359 110	214 359 110
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	214 359 110	214 359 110
Balance at 31 March 2021	100	320 156 159	320 156 259

Note

9



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Statement of Cash Flows

Figures in Rand	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	21	293 803 464	146 510 261
Interest income		332 308	638 361
Finance costs		(3 164 042)	(8 749 222)
Tax paid	22	(57 296 641)	(4 096 988)
Net cash from operating activities		233 675 089	134 302 412
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(6 078 420)	(11 406 596)
Purchase of other intangible assets	4	(246 743)	(1 464 248)
Net cash from investing activities		(6 325 163)	(12 870 844)
Cash flows from financing activities			
Repayment of borrowings		(207 948 551)	(126 053 970)
Net cash from financing activities		(207 948 551)	(126 053 970)
Total cash movement for the year		19 401 375	(4 622 402)
Cash at the beginning of the year		(11 339 916)	(6 717 514)
Total cash at end of the year	8	8 061 459	(11 339 916)



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

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.

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 4 May 2021.

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.

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

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. 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.

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

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.

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.5 Financial instruments (continued)

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.

Borrowings 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.

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.5 Financial instruments (continued)

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 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).

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.6 Tax (continued)

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

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 17) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.9 Impairment of assets (continued)

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

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

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

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

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:

Presentation of Financial Statements: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The company has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after 1 January 2020.

The company has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.

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 2021 or later periods:

Standard / Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	1 January 2021	Unlikely there will be a material impact



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

3. Property, plant and equipment

	2021		2020			
	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	146 301 668	(27 640 899)	118 660 769	145 977 353	(23 027 877)	122 949 476
Plant and machinery	429 367 061	(130 075 586)	299 291 475	425 621 192	(109 960 992)	315 660 200
Equipment	9 183 371	(6 742 632)	2 440 739	8 840 547	(5 696 320)	3 144 227
Work in progress	5 221 213	-	5 221 213	3 555 801	-	3 555 801
Total	616 200 446	(164 459 117)	451 741 329	610 122 026	(138 685 189)	471 436 837

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Depreciation	Closing balance
Land	26 127 133	-	-	-	26 127 133
Buildings	122 949 476	-	324 315	(4 613 022)	118 660 769
Plant and machinery	315 660 200	-	3 745 869	(20 114 594)	299 291 475
Equipment	3 144 227	-	342 824	(1 046 312)	2 440 739
Work in progress	3 555 801	6 078 420	(4 413 008)	-	5 221 213
	471 436 837	6 078 420		(25 773 928)	451 741 329

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

Property, plant and equipment encumbered as security

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

Land and buildings	144 787 902	149 076 609
--------------------	-------------	-------------

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 Riet 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. 033499/2012.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

3. Property, plant and equipment (continued)

Property secured by general notarial bond

Movable 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

	2021		2020	
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation
Computer software	4 410 368	(2 638 137)	1 772 231	4 163 625

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Closing balance
Computer software	2 718 090	246 743	(1 192 602)	1 772 231

Reconciliation of intangible assets - 2020

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

5. Inventories

Raw materials	90 388 769	58 239 213
Work in progress	3 026 513	5 912 568
Finished goods	28 284 400	31 604 109
Inventories (write-downs)	121 699 682 (1 089 540)	95 755 890 (1 127 984)
	120 610 142	94 627 906

Inventory to the value of R1 089 540 (2020: R1 127 984) was written down and recognised as an expense.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

6. Trade and other receivables

Financial instruments:

Trade receivables	263 427 107	228 047 613
Loss allowance	(310 627)	(387 608)
Trade receivables at amortised cost	263 116 480	227 660 005
Deposits	2 196 193	2 198 700
Advances to suppliers	1 816 814	1 077 691
Interest receivable	-	175 546
Other receivables	57 034	2 345 766
Total trade and other receivables	267 186 521	236 921 826

Non-financial instruments:

VAT	-	3 464 118
Total trade and other receivables	267 186 521	236 921 826

Reconciliation of loss allowance

Opening balance	(387 608)	(233 977)
Decrease / (increase) in allowance	76 981	(153 631)
Closing balance	(310 627)	(387 608)

Loss allowance aging profile - 2021

	Current	1 - 30 days	31 - 60 days	61 - 90 days	90 days +	Total
Expected loss %	0%	1.32%	100%	100%	100%	0.12%
Gross carrying amount	255 022 058	8 202 853	13 860	47 432	140 904	263 427 107
Loss allowance calculated	-	108 431	13 860	47 432	140 904	310 627
Specific allowance	-	-	-	-	-	-
	-	108 431	13 860	47 432	140 904	310 627

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

Categorisation of trade and other receivables

At amortised cost	267 186 521	233 457 708
Non-financial instruments	-	3 464 118
	267 186 521	236 921 826

Fair value of trade and other receivables

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

7. Derivatives

Non-hedging derivatives

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

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	8 061 459	-
Bank overdraft	-	(11 339 916)
	8 061 459	(11 339 916)

Current assets	8 061 459	-
Current liabilities	-	(11 339 916)
	8 061 459	(11 339 916)

The bank overdraft carried 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 R30 million and letters of credit of R70 million which is secured by way of:

- Cession of debtors - Shared between ABSA and RMB
- Limited cession and pledge of credit balances for R102 000
- Letter of subordination from SRF Global BV

The company also has the following facilities utilised from Rand Merchant Bank:

- Guarantees R4 701 976
- Import letters of credit for USD 489 686.28
- Short term presettlement R5 000 000
- Corporate credit card R200 000

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
- Primary lending facility of R30 497 000
- Guarantee - R103 000

The company also has the following facilities utilised from ABSA Bank:

- Bank overdraft R875 915.03
- Import letter of credit for USD 1 396 642.50

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



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

10. Borrowings

Held at amortised cost

SRF Global B.V.

The loan is unsecured and carries an interest rate of 0% (2020: 0%) and is a loan denominated in USD. 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 on the letter received from SRF Global B.V. this loan will not be called for payment before 30 June 2022.

155 026 830 294 112 109

International Finance Corporation

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 2021. The loan carries an interest of 6 months LIBOR plus the relevant spread payable with six monthly rests. The loan was repayable in 16 equal half yearly instalments starting from 15 May 2015, however during the current period the company made greater repayments than was required and the loan is now expected to be fully repaid within the next 12 months.

43 474 822 141 386 927

Rand Merchant Bank

- 12 245 867

198 501 652 447 744 903

Split between non-current and current portions

Non-current liabilities

155 026 830 346 349 036

Current liabilities

43 474 822 101 395 867

198 501 652 447 744 903

11. Deferred income

Government grants

Opening balance

(33 014 864) (34 556 400)

Released to profit or loss

1 541 544 1 541 536

Closing balance

(31 473 320) (33 014 864)

Split between non-current and current portions

Non-current liabilities

29 931 771 31 473 315

Current liabilities

1 541 549 1 541 549

31 473 320 33 014 864



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

12. Deferred tax

Deferred tax asset

Deferred income	8 812 530	9 244 162
Provisions	1 575 205	1 082 836
Foreign exchange difference (S24I)	16 057 385	32 313 878
Income received in advance	1 768 152	1 200 742
Tax losses available for set off against future taxable income	-	4 364 114
Total deferred tax asset	28 213 272	48 205 732

Deferred tax liability

Property, plant and equipment	(88 201 660)	(91 473 461)
-------------------------------	--------------	--------------

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	28 213 272	48 205 732
Deferred tax liability	(88 201 660)	(91 473 461)
Total net deferred tax liability	(59 988 388)	(43 267 729)

Reconciliation of deferred tax liability

At beginning of year	(43 267 729)	(27 516 495)
Temporary difference movement on deferred income	(431 632)	(431 634)
Temporary difference movement on provisions	492 369	550 688
Temporary difference movement on foreign exchange difference	(16 256 493)	(931 440)
Temporary difference movement on income received in advance	567 410	53 119
Decrease in tax loss available for set off against future taxable income	(4 364 114)	(18 138 213)
Temporary difference movement on property, plant and equipment	3 271 801	3 146 246
	(59 988 388)	(43 267 729)

13. Trade and other payables

Financial instruments:

Trade payables	166 669 599	133 110 856
Accrued expenses	53 440 351	25 945 368
Accrued interest	379 134	2 170 291
Other payables	1 475 302	310 871

Non-financial instruments:

Income received in advance	6 314 828	4 288 364
VAT	1 418 559	-
	229 697 773	165 825 750

Categorisation of trade and other payables

At amortised cost	221 964 386	161 537 386
Non-financial instruments	7 733 387	4 288 364
	229 697 773	165 825 750

Fair value of trade and other payables

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



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

14. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Closing balance
Bonus provision	699 373	729 197	(699 373)	729 197
Provision for leave pay	2 303 793	3 394 767	(2 303 793)	3 394 767
	3 003 166	4 123 964	(3 003 166)	4 123 964

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

15. Revenue

Revenue from contracts with customers

Sale of goods	1 063 926 332	929 878 943
---------------	---------------	-------------

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

Sale of goods

Sale of goods - local contracts	889 976 798	725 926 807
Sale of goods - foreign contracts	183 119 892	208 055 541
Discount allowed	(9 170 358)	(4 103 405)
	1 063 926 332	929 878 943

Timing of revenue recognition

At a point in time

Sale of goods	1 063 926 332	929 878 943
---------------	---------------	-------------

16. Other operating income

Scrap sales	1 663 679	2 161 952
Government grants	1 541 544	1 541 536
	3 205 223	3 703 488



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

17. Operating profit

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

Employee costs

As at Wednesday, 31 March 2021 the company had 162 permanent employees (2020: 174). The total cost of employment of all employees, including executive directors, was as follows:

Salaries, wages, bonuses and other benefits	59 883 887	57 938 068
Total employee costs	59 883 887	57 938 068
Less: Employee costs included in cost of sales	(43 645 316)	(41 151 568)
Total employee costs expensed	16 238 571	16 786 500

Leases

Short term leases	1 541 102	1 764 694
Total lease expenses	1 541 102	1 764 694

Depreciation and amortisation

Depreciation of property, plant and equipment	25 773 928	24 704 822
Amortisation of intangible assets	1 192 602	924 596
Total depreciation and amortisation	26 966 530	25 629 418

Other

Foreign exchange gains / (losses)	56 439 470	(86 460 498)
-----------------------------------	------------	--------------

18. Investment income

Interest income

Investments in financial assets:

Other financial assets	332 308	638 361
------------------------	---------	---------

19. Finance costs

Bank overdraft	592 821	1 226 925
Borrowings	2 514 173	7 479 647
Other interest paid	57 048	42 650
Total finance costs	3 164 042	8 749 222

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

20. Taxation

Major components of the tax (income) expense

Current

Local income tax - current period	62 230 777	-
Local income tax - recognised in current tax for prior periods	4 593 178	-
	66 823 955	-

Deferred

Originating and reversing temporary differences	21 313 837	15 751 234
Arising from prior period adjustments	(4 593 178)	-
	16 720 659	15 751 234
	83 544 614	15 751 234

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	297 903 724	55 950 250
Tax at the applicable tax rate of 28% (2020: 28%)	83 413 043	15 666 070
Tax effect of adjustments on taxable income		
Effect of permanent differences	131 571	85 164
Prior year under-provision of current tax	4 593 178	-
Prior year over-provision of deferred taxation	(4 593 178)	-
	83 544 614	15 751 234

21. Cash generated from operations

Profit before taxation	297 903 724	55 950 250
Adjustments for:		
Depreciation and amortisation	26 966 530	25 629 418
(Gains) / losses on foreign exchange - unrealised	(39 869 693)	74 255 093
Interest income	(332 308)	(638 361)
Finance costs	3 164 042	8 749 222
Movements in provisions	1 120 798	652 765
Changes in working capital:		
Inventories	(25 982 236)	13 035 910
Trade and other receivables	(31 307 170)	(64 102 948)
Derivatives	191 830	(191 830)
Trade and other payables	63 489 491	34 712 278
Deferred income	(1 541 544)	(1 541 536)
	293 803 464	146 510 261

22. Tax paid

Balance at beginning of the year	4 096 988	-
Current tax for the year recognised in profit or loss	(66 823 955)	-
Balance at end of the year	5 430 326	(4 096 988)
	(57 296 641)	(4 096 988)

SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

23. Commitments

Short term leases

Minimum lease payments due

- within one year	-	797 148
-------------------	---	---------

Short term 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

Loan accounts - Owing to related parties

SRF Global B.V.	(155 026 830)	(294 112 109)
-----------------	---------------	---------------

Amounts included in trade receivables (trade payables) regarding related parties

SRF Global B.V.	(2 813 888)	(3 396 630)
SRF Limited	(1 862 420)	(1 250 293)

Related party transactions

Purchases from related parties

SRF Limited	588 665	-
-------------	---------	---

Management fees and guarantee fees paid to related parties

SRF Limited	4 129 653	4 388 931
-------------	-----------	-----------

25. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Notes	Amortised cost	Total
Trade and other receivables	6	267 186 521	267 186 521
Cash and cash equivalents	8	8 061 459	8 061 459
		275 247 980	275 247 980



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

25. Financial instruments and risk management (continued)

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

Categories of financial liabilities

2021

	Notes	Amortised cost	Total
Trade and other payables	13	221 964 386	221 964 386
Borrowings	10	198 501 652	198 501 652
		420 466 038	420 466 038

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

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		
Borrowings	10	198 501 652	447 744 903
Trade and other payables	13	229 697 773	165 825 750
Borrowings		428 199 425	613 570 653
(Cash and cash equivalents) / bank overdraft	8	(8 061 459)	11 339 916
Total borrowings		420 137 966	624 910 569
Equity		320 156 259	105 797 149
Gearing ratio		131 %	591 %



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

25. Financial instruments and risk management (continued)

Financial risk management

Overview

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 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 2021 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	2021			2020		
		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	267 497 148	(310 627)	267 186 521	233 845 316	(387 608)	233 457 708
Cash and cash equivalents	8	8 061 459	-	8 061 459	-	-	-
		275 558 607	(310 627)	275 247 980	233 845 316	(387 608)	233 457 708

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.



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021 2020

25. Financial instruments and risk management (continued)

2021

	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities				
Borrowings	Notes 10	-	155 026 830	155 026 830
Current liabilities				
Trade and other payables	13	221 964 386	-	221 964 386
Borrowings	10	43 474 822	-	43 474 822
		265 439 208	155 026 830	420 466 038

2020

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

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, Euros and British Pounds.

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:

US Dollar exposure:	Notes
Current assets:	
Trade and other receivables	6 45 042 679 54 859 071
Non-current liabilities:	
Borrowings	10 (155 026 830) (346 349 036)
Current liabilities:	
Trade and other payables	13 (15 517 766) (18 426 792)
Borrowings	10 (43 474 822) (101 395 867)
Net US Dollar exposure	(168 976 739) (411 312 624)



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
25. Financial instruments and risk management (continued)		
Euro exposure:		
Current assets:		
Trade and other receivables	6	7 273
		7 507 551
Current liabilities:		
Trade and other payables	13	(10 617 806)
		(10 277 073)
Net Euro exposure		(10 610 533)
British Pound exposure:		(2 769 522)
Current assets:		
Trade and other receivables	6	3 478 972
		-
Net exposure to foreign currency in Rand		(176 108 300) (414 082 146)

Exchange rates

The following closing exchange rates were applied at reporting date:

Rand per unit of foreign currency:

US Dollar	14,771	17,830
Euro	17,326	19,435
British Pound	20,325	22,647

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.

	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate				
Impact on profit or loss:				
US Dollar - 10% change in foreign currency rate	(16 897 674)	16 897 674	(41 131 262)	41 131 262
Euro - 10% change in foreign currency rate	(1 061 053)	1 061 053	(276 952)	276 952
British Pound - 10% change in foreign currency rate	347 897	(347 897)	-	-
	(17 610 830)	17 610 830	(41 408 214)	41 408 214



SRF Flexipak (South Africa) Proprietary Limited

(Registration number 2011/010680/07)

Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

Figures in Rand

2021

2020

25. Financial instruments and risk management (continued)

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.

	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate				
Impact on profit or loss: Borrowings - 50 basis points change (2020: 50 basis points change)	(217 374)	217 374	(786 164)	786 164

26. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The board is aware of the COVID-19 pandemic as well as the country's downgrade to sub-investment grade. There is no immediate concern around going concern. Management has established high-level task teams that are continually assessing and monitoring developments with regard to the disease and at the time of finalising the report, the board is confident that their responses are adequate and the crisis is being continuously monitored to assess the impact on the company.

27. Events after the reporting period

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



