SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED
Registration Number: 2011/010680/07

ANNUAL FINANCIAL STATEMENTS
31 March 2014

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CONTENTS

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. The company's independent external auditors have audited the financial statements and their report appears on pages 3 and 4.

The directors are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, record liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

These annual financial statements have been prepared by R. Kumar C.A. (ICAI).

The financial statements have been prepared on the going concern basis.

The annual financial statements set out on pages 5 to 23 were approved and signed by the directors on 2 May 2014.

DIRECTOR

DIRECTOR

SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED
DIRECTORATE AND ADMINISTRATION
for the year ended 31 March 2014

DIRECTORATE

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

Arun Bharat Ram	(Resident India)	Appointed on 26 October 2011
Ashish Bharat Ram	(Resident India)	Appointed on 26 October 2011
Kartikeya Bharat Ram	(Resident India)	Appointed on 26 October 2011
Prashant Mehra	(Resident India)	Appointed on 1 August 2013

SECRETARY

The company has not appointed a secretary during the year.

AUDITORS

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)
P O Box 243
Durban
4000

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED

We have audited the annual financial statements of SRF Flexipak (South Africa) Proprietary Limited, set out on pages 6 to 23, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SRF Flexipak (South Africa) Proprietary Limited at 31 March 2014 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED (continued)

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2014, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements.

This report is the responsibility of the directors. Based on reading this report we have not identified material inconsistencies between the report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on the report.

Deloitte & Touche
Registered Auditors
Per Fathima Ally
Partner

2 May 2014

The directors have pleasure in submitting their report together with the annual financial statements of the company for the year ended 31 March 2014.

REVIEW OF ACTIVITIES

The company SRF Flexipak (South Africa) Proprietary Limited was incorporated in South Africa to set up a Biaxially-oriented Polypropylene Film (BOPP) manufacturing line on the land owned by the company. The company SRF Flexipak (South Africa) Proprietary Limited started trading on 28 November 2013.

FINANCIAL RESULTS

The financial results are disclosed in the attached financial statements.

SHARE CAPITAL

100 ordinary shares of R1 were issued on incorporation. On 26 October 2011, these 100 ordinary shares were purchased by SRF Global B.V. Details of the authorised and issued shares are shown in note 9.

DIVIDENDS

There were no dividends declared or paid in the current year (2013: Nil).

HOLDING COMPANY

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

GOING CONCERN

The company incurred a loss for the year of R52 786 629 (2013: R12 014 668), resulting in an accumulated loss at the end of the year of R63 791 383 (2013: R11 004 754), as well as the company's total liabilities exceeds its total assets by R63 791 283 (2013: R12 177 949).

The cumulative loss has been funded through the support of the company's holding company, SRF Global B.V. At year-end the loan from SRF Global B.V. amounts to R215 662 331 (2013: R133 108 372). The loan has no fixed repayment terms and is considered to be long-term in nature. The loan from SRF Global B.V. has been subordinated in favour of International Finance Corporation (IFC) under the Share Retention and Subordination Agreement dated 10 August 2012. Details of this loan are included in note 10.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2015 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

SUBSEQUENT EVENTS

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

SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2014

	Notes	2014 R	2013 R
REVENUE		76,942,903	-
Cost of Sales		(63,281,871)	-
GROSS PROFIT		13,661,032	-
Operating expenses		(70,502,988)	(10,157,373)
Interest income		748,393	590,797
Interest expenses		(9,636,884)	(2,448,092)
LOSS BEFORE TAXATION	2	(65,730,447)	(12,014,668)
Taxation	3	12,943,818	-
LOSS FOR THE YEAR		(52,786,629)	(12,014,668)
OTHER COMPREHENSIVE LOSS			
Net value loss on cash flow hedge		-	(1,173,295)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(52,786,629)	(13,187,963)

SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2014

	Notes	2014 R	2013 R
ASSETS			
Non-current assets		565,271,244	208,784,536
Property, plant and equipment	4	552,327,426	208,328,254
Deferred tax assets	5	12,943,818	456,282
Current assets		138,985,251	98,784,345
Other current assets	6	10,238,007	61,191,744
Inventories	7	54,802,973	-
Trade receivables		73,664,015	-
Cash and cash equivalents	8	280,256	37,592,601
TOTAL ASSETS		704,256,495	307,568,881
EQUITY AND LIABILITIES			
Equity		(63,791,283)	(12,177,949)
Issued capital	9	100	100
Hedging reserves		-	(1,173,295)
Accumulated losses		(63,791,383)	(11,004,754)
Non-current liabilities		632,489,902	175,267,176
Long-term borrowings	10	632,489,902	175,267,176
Current liabilities		135,557,876	144,479,654
Short-term borrowings	10	10,307,933	133,108,372
Bank overdraft	11	30,300,791	-
Trade and other payables	12	78,470,966	5,959,135
Other current liabilities	13	16,478,186	5,412,147
TOTAL EQUITY AND LIABILITIES		704,256,495	307,568,881

SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2014

	Issued capital	Hedging reserve	Accumulated losses	Total
	R		R	R
Balance at 31 March 2012	100	-	1,009,914	1,010,014
Total comprehensive loss for the year	-	(1,173,295)	(12,014,668)	(13,187,963)
Balance at 31 March 2013	100	(1,173,295)	(11,004,754)	(12,177,949)
Transfer to property, plant and equipment	-	1,173,295	-	1,173,295
Total comprehensive loss for the year	-	-	(52,786,629)	(52,786,629)
Balance at 31 March 2014	100	-	(63,791,383)	(63,791,283)

SRF FLEXIPAK (SOUTH AFRICA) PROPRIETARY LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 March 2014

	Notes	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before taxation		(65,730,447)	(12,014,668)
Adjustment for non - cash items:	14.1	55,517,159	8,368,277
Cash flow before change in working capital		(10,213,288)	(3,646,391)
Changes in working capital	14.2	6,064,619	(35,557,909)
Interest income		748,393	590,797
Interest expense		(19,062,573)	(3,279,790)
Cash used in operating activities		**(22,462,849)**	**(41,893,293)**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment		(339,738,058)	(178,822,497)
Disposal of property, plant and equipment		-	3,176,800
Cash used in investment activities		**(339,738,058)**	**(175,645,697)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long term borrowings		418,022,978	172,957,281
(Decrease) / Increase in Short term borrowings		(123,435,205)	81,203,365
Cash from financing activities		**294,587,773**	**254,160,646**
NET (DECREASE) / INCREASE IN CASH & CASH EQUIVALENTS		**(67,613,143)**	**36,621,656**
CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		**37,592,601**	**970,945**
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	14.3	**(30,020,533)**	**37,592,601**

1. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act in South Africa. The financial statements incorporate the following principal accounting policies, which have been consistently applied in all material respects.

1.1 Property, plant and equipment

Property, plant and equipment are tangible assets that:

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

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

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

Expenditure on additions and improvements to property, plant and equipment including the cost of related interest is capitalised as the expenditure is incurred.

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

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

Item	**Average useful life (In Years)**
Buildings	40 years
Plant and machinery	Between 1 to 30 years
Equipment	Between 3 to 15 years

1.2 Deferred taxation

Deferred taxation is recognised on temporary difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are recognised for taxable temporary differences. Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

1.3 Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, short-term loans and advances, borrowings, trade payables and other current liabilities. Cash and cash equivalents and short-term loans and advances are measured at fair value, borrowings, trade payables and other current liabilities are recognised at amortised cost. Derivative financial instruments are measured at fair value.

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for for estimated customer returns, rebates and other similar allowances.

1. ACCOUNTING POLICIES (continued)

Sale of goods
Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 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 recognized 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 recognized 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.

1.6 Cash flows

For the purpose of the statement of cash flows, cash includes cash on hand, deposits held on call with banks and investments in money market instruments.

1. ACCOUNTING POLICIES (continued)

1.7 Hedge accounting

The company uses foreign exchange forward and option contracts to hedge its exposure to movements in foreign exchange rates relating to certain firm commitments and highly probable forecast transaction. The company designates such contracts in a cash flow hedge relationship by applying the principles of International Accounting Standard (IAS) - 39 - "Financial instruments: Recognition and Measurements".

Forward and option contracts are fair valued at each reporting date. The resultant gain or loss from these contracts that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge reserve, net of applicable deferred income taxes and the ineffective portion is recognised immediately in statement of profit and loss.

The cash flow hedge reserve is reclassified to the statement of profit and loss in the same period during which the forecasted transaction affects the profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold or terminated or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in cash flow hedging reserve is retained there until the forecasted transaction occurs.

If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss is immediately transferred from the cash flow hedging reserve to the statement of profit and loss.

Contracts that are not designated as hedges of future cash flows are fair valued at each reporting date and the resultant gain or loss is recognised in the statement of profit and loss.

1.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

The company has adopted the provisions of International Accounting Standard (IAS) - 23: "Borrowing Costs" and accordingly borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Capitalisation ceases when the assets are substantially ready for their intended use or sale.

1.9 Inventory valuation:

Stock in trade is valued at lower of cost or net realisable value. The basis of determining the cost for various categories of inventory are as follows:

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

1.10 Adoption of new and revised standards:

The following new standards, interpretations, technical corrections and amendments, have been issued but are not effective:

Standard/ Interpretation	Description	Effective from annual financial period beginning on or after
IFRS 2	Share Based Payments (Amendments to the definition of vesting condition)	1-Jul-14
IFRS 3	Business Combinations (Accounting for a contigent consideration and scope exception for joint ventures)	1-Jul-14

1. ACCOUNTING POLICIES (continued)

IFRS 7	Financial Instruments: Disclosures	1-Jan-18
IFRS 8	Operating Segments (Aggregation of segments and reconciliation of segmental assets)	1-Jul-14
IFRS 9	Financial Instruments	1-Jan-18
IFRS 10	Amendments for investment entities	1-Jan-14
IFRS 12	Amendments for investment entities	1-Jan-14
IFRS 13	Amendments to the scope of the portfolio exception in paragraph 52	1-Jan-14
IFRS 14	Regulatory Deferral Accounts	1-Jan-16
IAS 16	Proportional Restatement of accumalated depreciation of on revaluation	1-Jan-14
IAS 19	Employee benefits: Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	1-Jul-14
IAS 24	Related parties (management entities)	1-Jul-14
IAS 27	Amendments relating to investment entities	1-Jan-14
IAS 32	Financial Instruments: Presentation Amendments relating to the offsetting of assets and liabilities	1-Jan-14
IAS 36	Impairment of assets (Recoverable amount disclosures arising from non- financial assets)	1-Jan-14
IAS 38	Intangible Assets (Proportionate restatement of accumulated depreciation on restatement)	1-Jul-14
IAS 39	Financial Instruments: Recognition and Measurement Amendments for novations of derivatives Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	1-Jan-14
IAS 40	Investment Property (inter- relationship between IFRS 3 and IAS 40)	1-Jul-14

Management are in the process of evaluating the effect of these new standards and interpretations, but they are not expected to have a significant impact on the results or disclosure.

1. ACCOUNTING POLICIES (continued)

1.11 Judgements made by management

There are no accounting policies that have been identified as involving particularly complex or subjective judgements or assessments.

1.12 Key sources of estimation uncertainty

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

1.13 Comparative figures.

Comparative information is retrospectively restated when annual financial statements are restated. Some comparative figures have been reclassified to reflect a more meaningful comparison.

2. LOSS FROM OPERATIONS

	2014 R	2013 R
Loss before taxation is arrived at after taking into account the following:		
Auditors remuneration	243,610	167,245
Audit fees	243,610	159,521
Auditors expense reimbursement	-	7,724
Employee benefits expenses	10,868,998	842,479
Remuneration for key management	3,129,902	752,834
Pension contribution	427,291	-
Staff costs	7,311,805	89,645
Exchange currency fluctuation loss	39,390,383	7,807,173
Realised	(303,878)	-
Unrealised	39,694,261	7,807,173
Depreciation and amortization expenses	6,934,407	5,183
Number of employees	131	6

3. TAXATION

	2014 R	2013 R
The company only began trading on 28 November 2013 and therefore no taxation charge was incurred in the previous year		
South African Normal Taxation:		
- Current taxation	-	-
Deferred taxation		
- Current (note 5)	12,943,818	-
	12,943,818	-

3. TAXATION (continued)

Reconciliation of the taxation income:	2014 R	2013 R
Reconciliation between accounting loss and taxation.		
Accounting loss	(65,730,447)	-
Taxation at the statutory rate of 28%	18,404,525	-
Effect of permanent differences	(1,805,232)	-
Limitation on recognition of deferred tax asset (note 5)	(3,655,475)	-
	12,943,818	-

4. PROPERTY, PLANT AND EQUIPMENT

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

2014	Land and Building	Plant & machinery	Equipment	Work in Progress	Total
Opening net book value	26,127,133	-	68,520	182,132,601	208,328,254
Additions	136,255,690	209,260,335	5,417,554	-	350,933,579
Depreciation	(1,157,240)	(5,348,961)	(428,206)	-	(6,934,407)
Reclassification	-	182,132,601	-	(182,132,601)	-
Closing net book value	161,225,583	386,043,975	5,057,868	-	552,327,426
2013					
Opening net book value	28,716,038	-	-	1,838,629	30,554,667
Additions	587,895	-	73,703	180,293,972	180,955,570
Disposal	(3,176,800)	-	-	-	(3,176,800)
Depreciation		-	(5,183)	-	(5,183)
Closing net book value	26,127,133	-	68,520	182,132,601	208,328,254

Refer to Note 10 for details of land and encumbrances thereon.

5. DEFERRED TAX ASSET

	Opening balance	Recognised in profit or loss	Recognised directly in equity	Closing balance
Deferred tax (liabilities)/ assets in relation to:				
Cash flow hedges	456,282	-	(456,282)	-
Taxable temporary differences comprising of:				
Capital allowances	-	(36,954,891)	-	(36,954,891)
Foreign exchange differences	-	3,714,142	-	3,714,142
Pre-production expenditure	-	4,311,383	-	4,311,383
Estimated taxation loss	-	41,873,184	-	41,873,184
Total	456,282	12,943,818	(456,282)	12,943,818

The estimated taxation loss for the year is R163 million (2013: Rnil). Management have reviewed the company's cash flow forecasts for a five year period and, in light of this review, they are satisfied that the company will have sufficient taxable profits to utilise against the estimated taxation loss and have thus decided to recognise the deferred tax asset limited to the expected future taxable profits for a five year period. The estimated taxation loss for which a deferred tax asset was raised has been limited to R150 million.

6. OTHER CURRENT ASSETS

	2014 R	2013 R
VAT receivable	6,002,885	19,368,347
Prepaid expenses	1,249,349	550,792
Capital advance	-	40,917,105
Security deposit	2,179,702	344,300
Advance to suppliers	806,072	11,200
	10,238,007	61,191,744

The carrying value of other current assets approximatetheir fair value.

7. INVENTORIES

	2014 R	2013 R
Raw Material	23,388,150	-
Work in Progress	15,998,418	-
Finished Goods	15,416,405	-
	54,802,973	-

8. CASH AND CASH EQUIVALENTS

	2014 R	2013 R
Cash and bank balances	280,256	37,592,601

9. ISSUED CAPITAL

	2014 R	2013 R
Share capital		
Authorised - 1000 ordinary shares of R1 each	1,000	1,000
Issued - 100 ordinary shares of R1 each	100	100

10. BORROWINGS

	2014 R	2013 R
Long term		
Unsecured		
Loan from SRF Global B.V. (10.1 (i))	215,662,331	-
Secured		
Loan from International Finance Corporation (10.1 (ii))	416,827,571	175,267,176
Total Long Term Borrowings	**632,489,902**	**175,267,176**
Short term		
Unsecured		
Loan from SRF Global B.V. (10.1 (i))	-	133,108,372
Loan from Rand Merchant Bank	10,307,933	-
Total Short Term Borrowings	**10,307,933**	**133,108,372**

10. BORROWINGS (continued)

10.1 Summary of borrowing arrangement

(i) The loan is unsecured and carries an interest of 3 months LIBOR plus relevant spread. 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 August 2012.

(ii) The loan is secured by a special notarial bond, continuing covering mortgage bond and general notarial bond, registered over the property. The loan has been guaranteed by by SRF Limited. The loan carries an interest of 6 months LIBOR plus relevant spread payable with six monthly rests. The loan is repayable in 16 equal half yearly installments starting from May 15, 2015 and ending on Nov 15, 2022.

Description of Property:

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

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

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

11. BANK OVERDRAFT

	2014	2013
	R	R
Bank overdraft	30,300,791	-

The bank overdraft is unsecured and carries an interest rate linked to South Africa prime lending rate.

12. TRADE AND OTHER PAYABLES

	2014 R	2013 R
Creditors	57,857,790	5,220,255
Accruals	20,613,176	738,880
	78,470,966	5,959,135

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

13. OTHER CURRENT LIABILITIES

	2014 R	2013 R
Accrued interest	15,061,677	3,725,902
Other liabilities	1,416,509	56,668
Derivative liability	-	1,629,577
	16,478,186	5,412,147

Other current liabilities are measured at amortised cost whilst the derivative liability is measured at fair value.

14 NOTES TO THE STATEMENT OF CASH FLOWS

	2014 R	2013 R
14.1 ADJUSTMENT FOR NON-CASH ITEMS		
Depreciation	6,934,407	5,183
Interest income	(748,393)	(590,797)
Interest expense recognised in profit or loss	9,636,884	1,146,718
Loss on unrealised foreign currency	39,694,261	7,807,173
Total non-cash items	**55,517,159**	**8,368,277**
14.2 CHANGES IN WORKING CAPITAL		
Increase in trade receivables and short term loans and advances	(22,710,278)	(44,169,837)
Increase in inventories	(54,802,973)	-
Increase in trade payables and other current liabilities	83,577,870	8,611,928
Net increase / (decrease) in working capital	**6,064,619**	**(35,557,909)**

14 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

14.3 CASH & CASH EQUIVALENT

	2014 R	2013 R
Cash and bank balances (note 8)	280,256	37,592,601
Bank overdraft (note 11)	(30,300,791)	-
	(30,020,533)	**37,592,601**

15. FINANCIAL RISK MANAGEMENT

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

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

Credit risk

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

Trade receivables comprise a widespread customer base, and the company undertakes ongoing credit evaluations of the financial condition of their customers. At 31 March 2014 the company does not consider there to be any material credit risk that has not been adequately provided for. Most of the local debtors are insured.

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 without taking account of the value of any collateral obtained.

	2014 R	2013 R
Past due by 1 to 30 days	10,402,932	-
Past due by 31 to 60 days	590,275	-
Past due by 61 to 90 days	212,319	-
Not past due	62,458,489	-
Sub-total	**73,664,015**	-
Less: Allowance for doubtful debts	-	-
Total	73,664,015	-

15. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk management

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

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

Liquidity analysis

	<1 year	2 – 5 years	>5 year	Total
	R	R	R	R
2014				
Interest accrued	15,061,677	-	-	15,061,677
Creditors	57,857,790	-	-	57,857,790
Accruals	20,613,176	-	-	20,613,176
Other	1,416,509	-	-	1,416,509
Loan from IFC	-	208,821,028	208,006,543	416,827,571
Loan from SRF Global BV	-	215,662,331	-	215,662,331
Other Short term loan	40,608,724	-	-	40,608,724
	125,355,444	424,076,116	208,413,786	772,120,207
2013				
Derivative liability	1,629,577	-	-	1,629,577
Interest accrued	3,725,902	-	-	3,725,902
Creditors	5,220,255	-	-	5,220,255
Accruals	738,880	-	-	738,880
Other	56,668	-	-	56,668
Loan from IFC	-	65,725,191	109,541,985	175,267,176
Loan from SRF Global BV	133,108,372	-	-	133,108,372
	143,349,876	66,854,969	109,541,985	319,746,830

Interest rate risk

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

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

15. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

If interest rates had been 0.5% higher or lower, throughout the year, and all other variables were held constant, the company's loss/profit would increase/(decrease) by R3 234 351 (2013: R1 541 878) for the company. This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings.

Foreign currency risk

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

The company is subject to transaction exposure and translation exposure.

- Transaction exposure consists of all transactions entered into which will result in a flow of cash in foreign currency at a future time, such as payments under foreign currency, long and short term loan liabilities, and capital expenditure (from approval date until cash payment). Commercial transactions are only entered in currencies that are readily convertible by means of formal external forward contracts.
- Translation exposure mainly relates to the company's loan in U.S. Dollar loans, which are translated into the company's functional currency, the Rand. Translation exposure is not hedged.

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

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

If foreign exchange rates had been 0,5% higher or lower, against the functional currency (i.e. USD/ZAR) and all other variables were held constant, the company's loss/profit would increase/(decrease) by R3 488 269 (2012: R1 277 840).

16. CAPITAL COMMITMENTS

	2014 R	2013 R
Authorised and contracted for	-	158 173 287
Authorised but not contracted for	-	26 246 713

17. LEASE COMMITMENTS

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

Due within one year	559 800	183 000

18. RELATED PARTY TRANSACTIONS

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

Internal expenses incurred to group companies are:

	2014	2013
	R	R
Interest expense on short-term loan provided by SRF Global B.V.	7 267 354	2 398 126
Management fees charged by SRF Limited	3 960 007	2 628 303
Letter of credit charges – SRF Global B/V.	2 004 545	1 630 809

19. CAPITAL MANAGEMENT

The company manages its capital by the utilisation of external borrowings in terms of its business plan. Details of the external borrowings are included in note 10.

20. DIRECTORS EMOLUMENTS

No emoluments were paid to the directors of the company by the company.

21. GOING CONCERN

The company incurred a loss for the year of R52 786 629 (2013: R12 014 668), resulting in an accumulated loss at the end of the year of R63 791 383 (2013: R11 004 754), as well as the company's total liabilities exceeds its total assets by R63 791 183 (2013: R12 177 949).

The cumulative loss has been funded through the support of the company's holding company, SRF Global B.V. At year-end the loan from SRF Global B.V. amounts to R215 662 331 (2013: R133 108 372). The loan has no fixed repayment terms and is considered to be long-term in nature. The loan from SRF Global B.V. has been subordinated in favour of International Finance Corporation (IFC) under the Share Retention and Subordination Agreement dated 10 August 2012. Details of this loan are included in note 10.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2015 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

22. SUBSEQUENT EVENTS

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