VACUFORM 2000
Proprietary Limited
(Registration No. 1999/017013/07)

Annual Financial Statements
for the year ended 31 March 2019

General information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Manufactures and sells thermo-formed plastic, polyurethane and automotive components
Directors	A Taylor (Managing Director) MMD Mokgatle RJ Manyapye BK Garg V Johri A Bhakri R Gupta
Registered address	155 Van Eden Crescent Rosslyn East 0200
Business address	155 Van Eden Crescent Rosslyn East 0200
Postal address	PO Box 911-312 Rosslyn 0200
Holding company	MSSL Mauritius Holdings Limited Incorporated in Mauritius
Ultimate holding company	Motherson Sumi Systems Limited Incorporated in India
Bankers	The Standard Bank of South Africa Limited First National Bank
Auditors	Ernst & Young Inc.
Company registration number	1999/017013/07
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were independently complied under the supervision of: EM Taylor CA (SA)
Published	

Index

The reports and statements set out below comprise the financial statements presented to the shareholders:

The following supplementary information does not form part of the annual financial statements and is unaudited:

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 year end and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied 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 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 know forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimize 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 2019 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are 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 auditors and their report is presented on pages 6 to 7.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements set out on pages 8 to 38 which have been prepared on the going concern basis, were approved by the directors on 30-08-2019 and are signed on its behalf by:

Director
AJ Taylor (Managing Director)

Director

EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
Tel: +27 11 772 3000
Fax: +27 11 772 4000
Docex 123 Randburg
www.ey.com

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Vacuform 2000 (Pty) Ltd

Report on the audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Vacuform 2000 (Pty) Ltd set out on pages 10 to 40, which comprise the statement of financial position as at 31 March 2019, 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.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 42-page document titled "Vacuform 2000 Proprietary Limited Annual Financial Statements for the year ended 31 March 2019", which includes the Directors' Report as required by the Companies Act of South Africa, Directors' responsibility and Approval and a Detailed income statement. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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 Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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.

Building a better working world

- 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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.

Ernst & Young Inc.
Director – Dawid Petrus Venter
Registered Auditor
Chartered Accountant (SA)

19 September 2019

Directors' Report

The directors submit their report for the year ended 31 March 2019.

1. Incorporation

The company was incorporated in South Africa on 6 August 1999 and obtained its certificate to commence business on same day.

2. Review of activities

Main business and operations

The company is engaged in manufacturing and selling of thermo – formed plastic, polyurethane and automotive components and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net profit of the company was R5 138 052 (2018: R13 589 893).

Registered office	155 Van Eden Crescent Rosslyn East 0200
Business address	155 Van Eden Crescent Rosslyn East 0200
Postal address	PO Box 911 – 312 Rosslyn 0200

3. General review of operations

The financial position of the company and the results of its operations for the year is set out in the attached annual financial statements and do not require further amplifications.

4. Events after the reporting period

The directors are not aware of any other matter or circumstance arising since the end of the financial year that would materially impact the annual financial statements.

5. Authorised and issued share capital

There were no changes in the authorised or issued share capital of the company during the year under review.

6. Property, plant and equipment

There were no changes in the nature of property, plant and equipment in the policy regarding their use during the financial period.

7. Borrowings

No new borrowings were received.

8. Dividends

No dividends were declared or paid to the shareholders during the year.

9. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
AJ Taylor (Managing Director)	South African
MMD Mokgatle	South African
RJ Manyapye	South African
BK Garg	Australian
V Johri	Indian
A Bhakri	Indian
R Gupta	Indian

10. Secretary

The company has not appointed a secretary.

11. Auditors

Ernst & Young Inc will continue in office in accordance with section 90 of the Companies Act of South Africa.

12. 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.

13. Holding company

The company's holding company is MSSL Mauritius Holdings Limited incorporated in Mauritius.

14. Ultimate holding company

The company's ultimate holding company is Motherson Sumi Systems Limited incorporated in India.

15. Liquidity and solvency

The directors have performed the required liquidity and solvency test required by the Companies Act of South Africa.

Vacuform 2000 Proprietary Limited
(Registration Number: 1999/017013/07)
Annual Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

	Note	31 March 2019 R	31 March 2018 R
Assets			
Non-current assets			
Property, plant and equipment	*6*	21 967 510	23 216 821
Goodwill	*7*	2 356 476	2 356 476
Intangible assets	*8*	1 519	2 185
		24 325 505	25 575 482
Current assets			
Inventories	*10*	16 763 803	18 167 398
Trade and other receivables	*11*	53 669 516	55 010 471
Cash and cash equivalents	*12*	27 837 834	9 209 315
Tax receivable		628 291	-
		98 899 444	82 387 184
Total assets		123 224 949	107 962 666
Equity and liabilities			
Equity			
Share capital	*13*	1 100 100	1 100 100
Retained income		9 127 019	3 988 967
		10 227 119	5 089 067
Liabilities			
Non-current liabilities			
Long term liabilities	*14*	1 647 781	2 875 079
Loans from shareholders	*15*	53 557 946	49 935 379
		55 205 727	52 810 458
Current liabilities			
Current portion of long-term liabilities	*14*	1 284 993	5 998 198
Loans from shareholders	*15*	1 476 617	1 476 617
Trade and other payables	*16*	53 657 819	42 588 326
Deferred tax	*17*	1 372 674	-
		57 792 103	50 063 141
Total Liabilities		112 997 830	102 873 599
Total equity and liabilities		123 224 949	107 962 666

Vacuform 2000 Proprietary Limited
(Registration Number: 1999/017013/07)
Annual Financial Statements for the year ended 31 March 2019

Statement of Comprehensive Income

	Note	31 March 2019 R	31 March 2018 R
Revenue	*18*	200 431 194	178 218 353
Cost of sales	*19*	(134 083 908)	(113 094 476)
Gross profit		66 347 286	65 123 877
Other income	*20*	2 348 255	1 020 298
Operating expenses	*21*	(58 360 087)	(48 230 873)
Operating profit		10 335 454	17 913 302
Investment revenue	*22*	536 910	222 969
Finance costs	*23*	(4 162 333)	(4 546 378)
Profit before taxation		6 710 031	13 589 893
Income tax expense	*24*	(1 571 979)	-
Total comprehensive income for the year		5 138 052	13 589 893

Vacuform 2000 Proprietary Limited
(Registration Number: 1999/017013/07)
Annual Financial Statements for the year ended 31 March 2019

Statement of Changes in Equity

	Share capital R	Share premium R	Retained income/ (Accumulated loss) R	Total R
Balance as at 31 March 2017	**100**	**1 100 000**	**(9 600 926)**	**(8 500 826)**
Total comprehensive profit for the year	-	-	13 589 893	13 589 893
Balance as at 31 March 2018	**100**	**1 100 000**	**3 988 967**	**5 089 067**
Total comprehensive profit for the year	-	-	5 138 052	5 138 052
Balance as at 31 March 2019	**100**	**1 100 000**	**9 127 019**	**10 227 119**

Vacuform 2000 Proprietary Limited
(Registration Number: 1999/017013/07)
Annual Financial Statements for the year ended 31 March 2019

Statement of Cash Flows

	Note	31 March 2019 R	31 March 2018 R
Cash generated from operations	*25.1*	27 886 511	10 105 557
Interest income		536 910	222 969
Finance cost		(4 162 333)	(4 546 378)
Taxation paid	*25.2*	(827 596)	-
Net cash flows from operating activities		23 433 492	5 782 148
Cash flows from investing activities			
(Additions) to property, plant, and equipment		(2 651 708)	(1 661 683)
Disposal of fixed assets		164 671	-
Net cash flows from investing activities		(2 487 037)	(1 661 683)
Cash flows from financing activities			
Increase in shareholders' loan		3 622 567	3 588 501
Repayment of long-term liabilities		(5 940 503)	(2 447 825)
Net cash flows from financing activities		2 317 936	1 140 676
Total cash and cash equivalents movement for the year		18 628 519	5 261 141
Cash at beginning of the year		9 209 315	3 948 174
Total cash and cash equivalents at end of the year	*12*	27 837 834	9 209 315

Accounting Policies

Vacuform 2000 Proprietary Limited (the company) is a company domiciled in the Republic of South Africa.

1. Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value and incorporate the principal accounting policies set out below. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Significant judgements include:

Trade receivables
The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit/loss when there is objective evidence that the balance is impaired, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared for expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with other economic factors.

Taxation
Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Residual values and useful lives of plant and equipment
The directors reviewed the residual values, useful lives and carrying amount of its plant and equipment to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The directors judged a residual value of zero as a result of the fact that furniture and equipment are held for trading and are normally scrapped.

1.2 Property, plant and equipment

The cost of 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.

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. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The cost of self-constructed assets includes the cost of material and direct labour.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Land is not depreciated. Property, plant and equipment is depreciated on the straight-line basis over its expected useful lives to the estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	**Average useful life**
Buildings	20 years
Computer equipment	3 years
Furniture and fittings	10 years
Motor vehicles	5 years
Plant and equipment	10 years
Electrical installation	10 years
Moulds	3 years
Office equipment	5 years

Capital work in progress is reflected at cost and is only depreciated once available for use as intended by management.

The residual value, useful life and depreciation method of each asset is reviewed, and adjusted if appropriate, at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Accounting Policies

1.2 Property, plant and equipment (continued)

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets acquired by instalments sale agreements

Assets acquired in terms of instalment credit agreements are capitalised at their cash cost equivalent and the corresponding liability to the financier is raised. Instalments paid are allocated using the effective interest rate method to determine the finance cost, which is charged against income, and the capital repayment, which reduces the liability to the financier. These assets are depreciated on the same basis as similar categories of property, plant and equipment owned by the company over the estimated useful life of the asset.

1.3 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired and the fair value of the non-controlling interest in the acquiree. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of any entity include the carrying amount of goodwill relating to the entity sold.

Goodwill represents the excess of the cost of an acquisition over the fair value of the company’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Item	Useful life
Computer software	3 years

1.5 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement (continued)

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the company's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Gains and losses on subsequent measurement

Gains and losses arising from the change in fair value of the financial instruments that are not part of a relationship are included in net profit or loss for the period in which the change occurs.

Accounting Policies

1.5 Financial instruments (continued)

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.6 Income tax

Current income tax assets and liabilities

Current income 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 income 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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income 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.

Income tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Accounting Policies

1.6 Income tax (continued)

Income tax expenses (continued)

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

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

Finance leases – lessee

Finance leases are recognised as assets in the statement of financial position at amounts equal to the fair value of the leased property or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

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

1.8 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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. It excludes borrowing costs.

Raw materials and consumable stores and spares are measured at costs or net realisable value on a first-in-first out basis.

Work in progress is measured at cost of raw material, determined as above, direct labour and an appropriate portion of manufacturing overheads.

1.9 Impairment of non-financial 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:

Accounting Policies

1.9 Impairment of non-financial assets (continued)

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

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 re-valued asset is treated as a revaluation increase.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service), are recognised in the period on which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.11 Provisional 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.

Accounting Policies

1.11 Provisional and contingencies (continued)

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.12 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 during the period in which it becomes receivable.
Government grants related to assets, including non-monetary grants at fair value, 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 assets.
Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.13 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company 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 company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Accounting Policies

1.13 Revenue (continued)

Revenue is earned from two separate revenue streams:

1) Tooling revenue

The Company changed its accounting policy with respect to the recognition of tooling revenue. The Company applies the ‘percentage of completion method’ to determine the appropriate amount to recognize in a given period. The Company determines the stage of completion on the basis of milestones achieved to date. When the outcome of a contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable. The company does not recognize profit on booking of such revenue (“Zero profit margin method”) the costs include all expenses incurred in direct relation to the specific projects and a proportion of the fixed and variable general costs incurred on the basis of normal capacity for the Company’s contracts. On the balance sheet, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Prior to this change in policy the Company recognized tooling based on the ‘completed contract method’.

The Company believes that the new policy is preferable and it aligns more closely to the accounting for tooling transactions based on ‘percentage of completion method’.

The impact of this change in accounting policy on the financial statements is primarily on the recognition of revenue and cost on achievement/completion of milestone of related tooling transactions. This change did not result in a material impact on the profitability of the current year or any years included within these financial statements. The impact on each line item of the primary financial statements since the adoption of above is provided as restated figures on the respective years.

2) Deferred revenue

Deferred revenue is earned in its entirety from the sale of tools to contract customers. The deferred revenue is recognised per the conditions and terms as set out in the customer contracts. Balances will be transferred from deferred revenue to revenue on the passing of risks and rewards to the contract customer per the revenue recognition criteria above.

3) Component revenue

Component revenue is earned from the manufacture and supply of motor vehicle components to the various contract customers. The risks and rewards of ownership are transferred to the customer on delivery of the components to the customers’ premises.

All recognition criteria are applied when accounting for both revenue streams per the conditions above.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.14 Borrowing costs

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

Accounting Policies

1.15 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 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.

Notes to the annual financial statements

2. New Standards and Interpretations

2.1 Standards and Interpretations

These standards and interpretations will have an immaterial effect on the above financial statements except where otherwise noted.

New pronouncements applicable to the 31 March 2019 year-end

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The following new and amended IFRSs did not have any impact on the accounting policies, financial position or performance of the Company:

Title	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments – Classification and Measurement, and Disclosures	1 January 2019
Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	1 January 2019
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	1 January 2019
Transfers of Investment Property - Amendments to IAS 40	1 January 2019
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	1 January 2019
IFRS 15 Revenue from Contracts with Customers	1 January 2019

The adoption of the above standards and/or interpretations did not have any material impact on the financial statement

2.2 Standards issued but not yet effective

The Company expects that adoption of these standards, amendments and interpretations will in most cases not have any significant impact on the Company’s financial position or performance in the period of initial application.

Standards issued, but not yet effective are listed below:

Title	Effective date (annual periods beginning on or after)
IFRS 17 Insurance Contracts	1 Jan 2020
Conceptual Framework for Financial Reporting	1 Jan 2021

Note: An entity shall apply the amendments for annual periods beginning on or after 1 January 2019. If an entity applies the standard for an earlier period, these amendments shall be applied for that earlier period.

Notes to the annual financial statements

3. Risk management

Capital risk management

The company policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The company monitors the return on capital, which the company defines as net operating income divided by total shareholders' equity.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 31 March 2019 and 31 March 2018 are as follows:

	31 March 2019	**31 March 2018**
Long term debts	56 682 344	54 287 075
Current maturity of long term debts	1 284 993	5 998 198
Less: Cash and cash equivalents	27 837 834	9 209 315
Net debts	**30 129 503**	**51 075 958**
Total equity	10 227 119	5 089 067
Total capital	40 356 621	56 165 025
Gearing ratio	**75%**	**91%**

The decrease in the gearing ratio during the 2019 financial year resulted primarily from the repayment of the long-term loans and profit during the year.

Financial risk management

The company's activities expose it to a variety of financial risk, market risk (including currency risk, cash flow and interest rate risk), credit risk and liquidity risk.

The company's principal financial instruments comprise of the following loans and receivables (including trade and other receivables and cash and cash equivalents) and held to maturity financial instruments. The main purpose of these financial instruments is to fund the company's current and future operations. The majority of the company's financial instruments arise directly from its operations.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The table below analyses the company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2019	**Within 1 Year**	**Within 5 Years**
Shareholders loans	1 476 617	53 557 946
Trade and other payables	39 712 922	-
IDC loans	1 111 580	1 513 781
SBSA Vehicle Finance	173 413	133 999

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

3. Risk management (continued)

At 31 March 2018	**Within 1 Year**	**Within 5 Years**
Shareholders loans	1 476 617	49 935 379
Trade and other payables	42 588 326	-
IDC loans	5 842 385	2 587 489
SBSA Vehicle Finance	155 813	287 589

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return. The company is exposed to the following market risks: interest rate risk and foreign exchange risk.

Interest rate risk

As the company has no interest-bearing assets, the company's income and operating cash flows are independent of changes in market interest rates.

The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Currently the borrowings of the company are at variable rates.

The following table reflects the market value of the company's interest-bearing liabilities as reflected in note 14 and shareholders' loans which are reflected in note 15.

Sensitivity analysis

The company analyses its interest rate exposure. The company calculates the impact on profit and loss by simulating scenarios of interest rate shifts. These are done only for major interest-bearing liabilities. Based on the simulation the impact on post tax profit of a 1 percent shift would be a maximum increase or decrease of R353 542 (2018: R453 212).

IDC loan	2 625 361	8 429 874
SBSA Vehicle Finance	307 412	443 402
Shareholders loans:		
MSSL Mauritius Holdings Limited	44 133 421	41 337 816
AJ Taylor	2 000 000	2 000 000
WJ du Toit	6 410 701	5 788 680

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 and arises principally from the company's trade and other receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. For other financial assets the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

3. Risk management (continued)

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Trade receivables	53 177 540	54 891 500
Cash and cash equivalents	27 837 834	9 209 315

Foreign exchange risk
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The company does not hedge foreign exchange fluctuations.

The following table reflects the market value of the company's liabilities at year end in other currencies.

Foreign currency exposure at the end of the reporting period	**31 March 2019**	**31 March 2018**
Liabilities		
Trocellen creditor, USD 112 441.65 (2018: USD 73 739.46)	1 681 003	874 063
Kautex Tectron – Creditor USD 273.23	4 085	-
Nengbo Henshuai – Creditor USD 12	179	-
Cheauyan Design – Creditor USD 7810.40	116 765	-
Rochelling creditor, EUR 273.23 (2018: EUR 49 414.8)	-	721 891
Matsui creditor USD 5775 (2018: 5 775)	-	68 453
Aeroklas – creditor USD 27 844.32	-	330 050
Geiss EUR 7 948.31 (2018: 7 548.73)	129 240	110 278
IMATUVE EUR 234 (2018: 769.39)	3 805	11 634
SK Auto India INR 322 330.00	67 689	-
MSSL GMBH EUR 11844	192 583	-
Vehicle Certification Agency GBP 268	5 068	

Exchange rates used for conversion of foreign items were:		
US Dollar	14.95	11.85
EURO	16.26	14.61
INR	0.21	-
GDP	18.91	-

Sensitivity analysis

A 25 percent strengthening of the Rand against the USD and EURO currency as at 31 March 2019 would have increased profit by the amount R550 104 (2018: R263 023). This analysis assumes that all other variables, in particular interest rates, remains constant.

A 25 percent weakening of the Rand against the same currency will have an equal but opposite effect on the profit and loss, on the basis that all other factors remain constant.

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

4. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2019	**Loans and Receivables**	**Total**
Trade and other receivables	53 669 516	53 141 759
Cash and cash equivalents	27 837 834	27 837 834
	81 507 349	80 979 593

2018	**Loans and Receivables**	**Total**
Trade and other receivables	55 010 471	54 855 718
Cash and cash equivalents	9 209 315	9 209 315
	64 219 786	64 065 033

5. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2019	**Loans and Payables**	**Total**
Long term liabilities	1 647 781	1 647 781
Shareholders’ loans	55 034 563	55 034 563
Trade and other payables	53 657 819	39 712 922
Current portion of long term liabilities	1 284 993	1 284 993
	111 625 156	97 680 259

2018	**Loans and Payables**	**Total**
Long term liabilities	2 875 079	2 879 137
Shareholders’ loans	51 411 996	51 411 996
Trade and other payables	42 588 326	37 042 693
Current portion of long-term liabilities	5 998 178	5 994 139
	102 873 579	97 327 965

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

6. Property, plant and equipment

2019	**Cost R**	**Accumulated Depreciation R**	**Net book Value R**
Owned assets			
Land	610 181	-	610 181
Buildings	7 166 661	4 521 736	2 644 925
Plant and equipment	36 990 974	19 825 861	17 165 113
Furniture and fittings	68 423	68 423	-
Motor vehicles	1 350 756	1 116 448	234 308
Office equipment	164 575	145 049	19 526
Computer equipment	513 466	513 466	-
Moulds	164 150	164 150	-
Capital work in progress	1 293 457	-	1 293 457
	48 322 643	26 355 133	21 967 510

2018	**Cost R**	**Accumulated Depreciation R**	**Net book Value R**
Owned assets			
Land	610 181	-	610 181
Buildings	7 166 661	4 166 373	3 000 288
Plant and equipment	33 105 769	16 630 704	16 475 065
Furniture and fittings	68 423	64 710	3 713
Motor vehicles	1 344 850	965 672	379 178
Office equipment	142 992	140 735	2 257
Computer equipment	513 465	513 465	1
Moulds	164 150	137 125	27 025
Capital work in progress	2 719 114	-	2 719 114
	45 835 605	22 618 784	23 216 821

Land and buildings consist of the following properties:

Erf 328, Rosslyn East, City of Tshwane Metropolitan Municipality, Registration Division JR, Gauteng measuring 5 240 square metres. The property is held under title deed T 10991/2001 and encumbered per note 14.

Erf 157, Rosslyn East, City of Tshwane Metropolitan Municipality, Registration Division JR, Gauteng measuring 2 400 square metres acquired on 29 November 2004. The property is held under title deed T 87823/2005 and encumbered per note 14.

Notes to the annual financial statements

6. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment assets – 2019

	2018 R	Additions R	Disposals R	Transfers R	Depreciation R	2019 R
Owned assets						
Land	610 181	-	-	-	-	610 181
Buildings	3 000 288	-	-	-	(377 180)	2 623 108
Plant and equipment	16 475 065	3 885 205	-	-	(3 173 911)	17 186 359
Furniture and fittings	3 713	-	-	-	(3 713)	-
Motor vehicles	379 178	170 578	(164 671)	-	(150 777)	234 308
Office equipment	2 257	21 582	-	-	(3 742)	20 097
Moulds	27 025	-	-	-	(27 025)	-
Capital work in progress	2 719 114	2 459 548	-	(3 885 205)	-	1 293 457
	23 216 821	6 536 913	(164 671)	(3 885 205)	(3 736 348)	21 967 510

Reconciliation of property, plant and equipment assets – 2018

	2017 R	Additions R	Disposals R	Transfers R	Depreciation R	2018 R
Land	610 181	-	-	-	-	610 181
Buildings	3 358 621	-	-	-	(358 333)	3 000 288
Plant and equipment	14 537 381	4 767 377	-	-	(2 829 693)	16 475 065
Furniture and fittings	10 555	-	-	-	(6 842)	3 713
Motor vehicles	529 954	-	-	-	(150 776)	379 178
Office equipment	3 416	-	-	-	(1 159)	2 257
Moulds	63 058	-	-	-	(36 033)	27 025
Capital work in progress	5 824 808	498 759	-	(3 604 453)	-	2 719 114
	24 937 974	5 266 136	-	(3 604 453)	(3 382 836)	23 216 821

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

	31 March 2019 R	31 March 2018 R
7. Goodwill		
Goodwill – at cost	2 356 476	2 356 476

Goodwill arose as a result of the purchase price exceeding the net book value of assets purchased from Vacuform Proprietary limited. Goodwill is allocated to the company's cash – generating units (CGUs) identified according to business segments.

The key assumptions used for the value-in-use calculations are as follows:

Vacuform 2000 Proprietary Limited		
Gross margin	16%	16%
Growth rate	6.3%	6.3%
Discount rate (pre-tax)	8%	8%

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

8. Intangible assets

2019	**Cost R**	**Accumulated Amortisation R**	**Carrying Value R**
Computer software	1 057 557	(1 056 038)	1 519

2018	**Cost R**	**Accumulated Amortisation R**	**Carrying Value R**
Computer software	1 057 557	(1 055 372)	2 185

Reconciliation of Intangible assets – 2019

	2018 R	**Depreciation R**	**2019 R**
Computer software	2 185	(666)	1 519

Reconciliation of Intangible assets – 2018

	2017 R	**Depreciation R**	**2018 R**
Computer software	2 851	(666)	2 185

10. Inventories

Raw materials	10 344 096	12 918 474
Work in progress	3 861 881	2 754 850
Finished goods	2 557 826	2 494 074
	16 763 803	18 167 398

The cost of inventories recognised as an expense and included in “cost of sales” amounted to R134 083 908 (2018: R113 094 476) as referenced in note 19.

11. Trade and other receivables

Trade receivables	38 974 764	41 326 568
Deposits	118 972	118 972
South African Revenue Services – VAT	373 004	-
Other receivables	14 202 776	13 564 931
	53 669 516	55 010 471

Fair value of trade and other receivables

Trade and other receivables	53 669 516	55 010 471

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

11. Trade and other receivables (Continued)

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 6 months past due date are not considered to be impaired.
At 31 March 2019, R 2 553 210 (2018: R 4 838 173) were past due date but not impaired.

Trade and other receivables past due but not impaired

The ageing of amount past due date but not impaired is as follows:

Past due 0 – 30 days	27 707 373	26 789 877
Past due 31 – 120 days	2 465 194	4 767 348
More than 121 days	2 553 210	3 280 948
	32 725 777	34 838 173

Trade and other receivables past due but not impaired (continued)

Due to the short-term nature of current receivables, their carrying amount is assumed to be the same as their fair value. The effect of discounting is negligible. The fair value is classified as level 3 fair value in the fair value hierarchy due to the inclusion of unoberservable inputs, including contemporary credit risk.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the assets directly.

12. Cash and cash equivalents

For the purpose of the statement of cash flows, cash, cash equivalents and bank overdrafts include total cash assets less bank overdrafts.

Current accounts	12 110	10 335
Cash on hand	27 825 724	9 198 980
Cash on hand in the cash flow statement	27 837 834	9 209 315

13. Share capital

Authorised		
1 000 Ordinary shares of R1 each	1 000	1 000
Issued		
100 Ordinary shares of R1 each	100	100
Share premium	1 100 000	1 100 000
	1 100 100	1 100 100

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**
14. Long term liabilities		
Secured		
Industrial Development Corporation of South Africa Limited		
Suspensive sale agreements		
IDC Loan number: 712		
The loan is repayable in 60 monthly payments commencing on 31 March 2014. Interest is payable at prime plus 3%.	-	769 052
IDC Loan number: 703		
The loan is repayable in 60 monthly payments commencing on 31 March 2014. Interest is payable at prime plus 0.4%.		1 700 336
IDC Loan number: 704		
The loan is repayable in 60 monthly payments commencing on 31 March 2014. Interest is payable at prime rate.	-	373 033
IDC Loan number: 246		
The loan is repayable in 60 monthly payments commencing on 31 January 2015. Interest is payable at prime less 3%.	311 576	2 552 901
IDC Loan number: 856		
The loan is repayable in 60 monthly payments commencing on 30 September 2017. Interest is payable at prime less 3%.	2 313 785	3 034 552
Standard Bank Vehicle Finance		
The loan is repayable in 60 monthly payments commencing on 01 November 2015. Interest is payable at prime plus 0.50%	307 413	443 403
	2 932 774	8 873 277

The IDC loans are secured by means of the following securities:
-Joint and several suretyships in favour of the IDC by all shareholders for loans provided to Vacuform.
-All shares held in Vacuform are ceded/pledged to the IDC.
-All shareholder loans are ceded to the IDC.
-General Notarial Bond over all moveable assets for R17 750 000
-Mortgage Bond over ERF 328 for R13 500 000
-Mortgage Bond over ERF 157 for R1 900 000
-Special Notarial Bond over new assets to be financed for R4 000 000

Secured

Industrial Development Corporation of South Africa Limited

The Standard Bank vehicle finance is secured by means of value of the respective vehicles under contract.

Non-current liabilities	1 647 781	2 875 079
Current liabilities	1 284 993	5 998 198
	2 932 774	8 873 277

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

15. Shareholders' loans

RJ Manyapye	30 000	30 000
AJ Taylor	4 060 440	3 855 440
WJ du Toit	6 410 702	5 788 680
MMD Mokgatle	400 000	400 000
MSSL Mauritius Holdings Limited	44 133 421	41 337 876
	55 034 563	51 411 996

Non – current liabilities

AJ Taylor	3 013 823	2 808 823
WJ du Toit	6 410 702	5 788 680
MSSL Mauritius Holdings Limited	44 133 421	41 337 876
	53 557 946	49 935 379

The shareholders loans are only repayable upon repayment of the IDC loan agreement. The payment of the shareholders' loans is readily only applicable from 1 April 2019.

Current liabilities

RJ Manyapye	30 000	30 000
AJ Taylor	1 046 617	1 046 617
MMD Mokgatle	400 000	400 000
	1 476 617	1 476 617

The above loans are unsecured, interest free and terms of repayment have not been determined, except for the following:
- R 2 000 000 of the loan from AJ Taylor carries interest at prime rate.
- The principal and accrued interest from WJ Du Toit carries interest at prime rate.
- MSSL Mauritius Holdings Limited loan carries an interest at prime rate on principal amount.

16. Trade and other payables

Trade payables	29 035 798	25 474 374
SARS – VAT	-	558 875
Deferred income	12 832 043	4 974 503
Accrued leave pay	944 364	9 072
Accrued bonus	(17 584)	(246 979)
Payroll accruals	186 074	250 163
Other payables	10 677 124	11 568 318
	53 657 819	42 588 326

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

16. Trade and other payables (Continued)

Fair value of trade and other payables

Trade and other payables	53 657 819	42 588 326

The fair value of trade and payables approximate their carrying value at the end of the year, due to their short term nature

17. Deferred tax

Deferred tax asset		
Deferred tax on provision	259 498	(66 614)
Deferred tax on unutilized tax losses	-	3 256 577
Deferred tax on unrealized forex gain / losses	-	43 924
Deferred tax on income received in advance	2 885 522	1 436 184
	3 145 020	4 670 071
Deferred tax liability		
Deferred tax on fixed assets	4 517 694	5 229 348
Deferred tax on Section 24C allowance	-	(559 277)
	4 517 694	4 670 071
Deferred tax		
Current deferred tax asset	3 145 020	4 670 071
Deferred tax liability	(4 517 694)	(4 670 071)
	1 372 674	-

18. Revenue

Component sales	185 139 908	162 564 196
Tooling revenue	15 291 286	15 654 157
	200 431 194	178 218 353

19. Cost of sales

Inventory at beginning of period	18 167 398	13 854 601
Purchases	132 680 313	117 407 273
	150 847 711	131 261 874
Less: Inventory at closing of period	16 763 803	18 167 398
Cost of goods sold	134 083 908	113 094 476

Notes to the annual financial statements

	31 March 2019 R	31 March 2018 R

20. Other income

Miscellaneous income	2 183 584	757 275
Profit on sale on fixed assets	164 671	-
Profit on exchange differences	-	263 023
	2 348 255	1 020 298

21. Expenses by nature

Operating profit is arrived at after taking into account:

Audit fees	232 605	288 640
Depreciation and amortisation	3 737 014	3 383 503
Donations	6 837	9 700
Employee costs	31 256 392	25 849 773
Fines and penalties	-	95 673
Lease rentals on operating lease	2 783 690	2 192 725
Loss on forex exchange differences	887 555	-
Municipal expenses	5 382 673	4 817 626
Other expenses	7 272 534	6 850 787
Production costs of goods for sale	134 083 908	113 094 476
Repairs and maintenance	6 040 374	4 085 891
Transportation expenses	760 413	656 555
Total costs of sales, distribution costs and administrative expenses	192 443 995	161 325 349

22. Investment revenue

Interest received	536 910	222 969
	536 910	222 969

23. Finance expense

Interest on long term loans	4 101 957	4 485 941
Other interest	60 376	60 437
	4 162 333	4 546 378

24. Income tax expense

Major components of the income tax expense		**-**
Income tax - current	199 305	-
Deferred tax - current	1 372 674	-
	1 571 979	-

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

24. Income tax expense (Continued)

Reconciliation of the income tax expense

Reconciliation between accounting profit and income tax expense.

Accounting profit	6 710 031	13 589 893
Tax at the applicable tax rate of 28%	1 878 808	3 805 170
Tax effect of adjustments on taxable income		
Permanent difference	-	95 673
Unrecognised deferred tax asset on assessed loss	(1 679 503)	(3 900 843)
Tax applicable rate @ 28%	199 305	-

25. Notes to the cash flow statement

25.1 Cash generated by operations

Net profit before taxation	6 710 031	13 589 893
Adjusted for:		
Depreciation and amortisation	3 737 014	3 383 502
Interest received	(536 910)	(222 969)
Finance expense	4 162 333	4 546 378
Operating profit before working capital changes	14 072 468	21 296 804
Decrease /(increase) in inventories	1 403 595	(4 312 797)
Decrease /(increase) in trade and other receivables	1 340 955	(9 938 047)
Increase in trade and other payables	11 069 493	3 059 597
	27 886 511	10 105 557

25.2 Taxation paid

Amount outstanding at beginning of the year	-	-
Normal income taxation	199 305	-
Amount to be refunded at end of the year	628 291	-
Tax applicable rate @ 28%	827 596	-

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**

26. Related parties

Relationships

Ultimate holding company	Motherson Sumi Systems Limited
Holding company	MSSL Mauritius Holdings Limited
Related parties	MSSL Global RSA Module Engineering Limited
	Edcol Global Proprietary Limited
	MothersonSumi Infotech and Designs Limited
	Motherson Auto Limited
Key management and personnel	RJ Manyapye
	AJ Taylor
	WJ Du Toit
	MMD Mokgatle
	BK Garg
	V Johri
	A Bhakri
	R Gupta

Related party balances

	31 March 2019 R	31 March 2018 R
Loan accounts – owing to related parties		
RJ Manyapye	30 000	30 000
AJ Taylor	4 060 440	3 855 440
WJ du Toit	6 410 701	5 788 680
MMD Mokgatle	400 000	400 000
MSSL Mauritius Holdings Limited	44 133 421	41 337 876
	55 034 562	51 411 996
Amounts included in trade receivables regarding related parties		
MSSL Global RSA Module Engineering Limited	118 476	71 007
	118 476	71 007
Amounts included in trade payables regarding related parties		
MothersonSumi Infotech and Designs Limited	(30 193)	(560 002)
MSSL Global RSA Module Engineering Limited	821 088	294 898
MSSL GMBH	(190 865)	-
Motherson Air Travel Agency	(81 261)	
Motherson Auto Limited	-	(134 608)
	518 769	(399 712)
Sales to related parties		
MSSL Global RSA Module Engineering Limited	41 278	46 786
	41 278	46 786

Notes to the annual financial statements	**31 March 2019 R**	**31 March 2018 R**
26. Related parties (Continued)		
Related party transactions		
Purchases from related parties		
MothersonSumi Infotech and Designs Limited	637 499	368 524
MSSL Global RSA Module Engineering Limited	795 690	-
MSSL GMBH	213 016	-
Motherson Auto Limited	14 931	80 796
Motherson Air Travel Agency	81 281	-
	1 742 417	449 320
Interest expenses on long term related party loans		
MSSL Mauritius Holding Limited	2 795 545	2 816 281
	2 795 545	2 816 281
Remuneration to key management and personnel		
AJ Taylor	2 248 779	1 464 000

Detailed income statement
for the year ended 31 March 2019

	31 March 2019 R	31 March 2018 R
Sales	200 431 194	178 218 353
Revenue	200 431 194	178 218 353
Cost of sales	(134 083 908)	(113 094 476)
Inventory at beginning of period	18 167 398	13 854 601
Purchases	132 680 313	117 407 273
	150 847 711	131 261 874
Less: Inventory at end of period	(16 763 803)	(18 167 398)
Gross profit	66 347 286	65 123 877
Other income	2 885 165	1 243 267
Interest received	536 910	222 969
Other income	2 348 255	1 020 298
	69 232 451	66 367 144
Less: Expenditure	(62 522 420)	(52 777 251)
Net profit before taxation	6 710 031	13 589 893
Less: Taxation	(1 571 979)	-
Net profit for the year	5 138 052	7 084 164

The supplementary information presented on page 41 and page 42 does not form part of the annual financial statements and is unaudited.

Detailed income statement
for the year ended 31 March 2019

	31 March 2019 R	31 March 2018 R
Expenditure	62 522 420	52 777 251
Advertising and promotions	105 829	62 928
Auditors' remuneration	232 605	288 640
Bank charges	179 429	175 014
Computer expenses	501 501	578 178
Consumables stores	780 359	686 710
Courier and postage	495	483
Depreciation and amortisation	3 737 014	3 383 502
Discount allowed	-	453
Donations	6 837	9 700
Electricity, water, rates and taxes	5 382 673	4 817 626
Finance costs	4 162 333	4 546 378
Freight charges	760 413	656 555
General expenses	214 961	133 648
Insurance	508 006	481 032
Legal and professional fees	1 538 905	1 343 979
Loss on foreign transactions	887 555	-
Motor vehicle expenses	1 064 373	856 122
Printing and stationery	264 201	238 386
Penalties	-	95 673
Protective clothing	92 878	102 067
Quality control	72 662	327 718
Rental	2 783 690	2 192 725
Repairs and maintenance	6 040 374	4 085 891
Salaries and wages	31 256 392	25 849 773
Security	437 590	397 762
Staff training	212 523	517 754
Subscriptions	121 365	155 349
Telephone and fax	488 684	398 927
Travel and accommodation	688 773	394 278

The supplementary information presented on page 41 and page 42 does not form part of the annual financial statements and is unaudited.