

# **SRF Industex Belting Proprietary Limited**

Annual Financial Statements

for the year ended 31 March 2021

Audited

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

# **SRF Industex Belting Proprietary Limited**

(Registration number 2008/014419/07)

Annual Financial Statements for the year ended 31 March 2021

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### **Preparer**

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

# **SRF Industex Belting Proprietary Limited**

(Registration number 2008/014419/07)

Annual Financial Statements for the year ended 31 March 2021

## **Directors' Responsibilities and Approval**

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

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

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

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

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

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

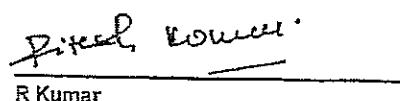
The annual financial statements set out on pages 8 to 27, which have been prepared on the going concern basis, were approved by the board of directors on 4 May 2021 and were signed on their behalf by:

### **Approval of financial statements**

P Jordaan



R Kumar



# **SRF Industex Belting Proprietary Limited**

(Registration number 2008/014419/07)

Annual Financial Statements for the year ended 31 March 2021

## **Directors' Report**

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The directors have pleasure in submitting their report on the annual financial statements of SRF Industex Belting Proprietary Limited for the year ended 31 March 2021.

### **1. Nature of business**

SRF Industex Belting Proprietary Limited was incorporated in South Africa in July 2008. The company is engaged in the import and distribution of refrigerant gases.

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

### **2. Registered office**

5 Eddie Haggen, Cato Ridge, KwaZulu-Natal, 3650

### **3. Postal address**

P O Box 2337, Hillcrest, KwaZulu-Natal, 3650

### **4. Review of financial results and activities**

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

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

### **5. Share capital**

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

### **6. Dividends**

No dividends were declared or paid in the current year (2020: Nil).

### **7. Directorate**

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

Directors	Nationality	Changes
A B Ram	Indian	
K B Ram	Indian	
F A Susainathan	Indian	Resigned 1 April 2020
P Yadav	Indian	
R Kumar	Indian	
P Jordaan	South African	Appointed 20 March 2020
H Makan	South African	Appointed 20 March 2020

### **8. Holding company**

The company's holding company is SRF Global B.V. (which in turn is wholly-owned by SRF Limited) which holds 100% (2020: 100%) of the company's equity. SRF Global B.V. is incorporated in Netherlands and SRF Limited is incorporated in India.

### **9. Ultimate holding company**

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

### **10. Auditors**

KPMG Inc. continued in office as auditors for the company for 2021.

# **SRF Industex Belting Proprietary Limited**

(Registration number 2008/014419/07)

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## **Directors' Report**

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At the AGM, the shareholder will be requested to reappoint KPMG Inc. as the independent external auditors of the company.

### **11. Secretary**

No secretary was appointed during the year.

### **12. Going concern**

The company currently has an accumulated loss of R49 618 394 (2020: R59 583 305) and the company's liabilities exceeds its assets by R36 298 192 (2020: R46 263 103).

The holding company has confirmed that it will financially support the company to ensure the company can pay its liabilities in the ordinary course of its business.

The holding company has subordinated its loan until such time as the Company's assets, fairly valued exceeds its liabilities. Furthermore, the holding company has also confirmed it would provide financial support if the Company required for its day to day operations.

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

### **13. Events after the reporting period**

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



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6 Nokwe Avenue, Umhlanga Ridge  
Durban, 4000  
PO Box 1496, Durban, 4320, South Africa  
Telephone +27 (0)31 327 6000  
Fax +27 (0)31 337 1157  
Docex246 Durban  
Web <http://www.kpmg.co.za/>

### **Independent Auditor's Report**

#### **To the shareholder of SRF Industex Belting Proprietary Limited**

##### ***Opinion***

We have audited the financial statements of SRF Industex Belting Proprietary Limited (the company) set out on pages 8 to 27, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and the notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SRF Industex Belting Proprietary Limited as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

##### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other information***

The directors are responsible for the other information. The other information comprises the information included in the document titled "SRF Industex Belting Proprietary Limited Annual Financial Statements for the year ended 31 March 2021", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the directors for the financial statements***

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Inc.

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

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

# **SRF Industex Belting Proprietary Limited**

(Registration number 2008/014419/07)

Annual Financial Statements for the year ended 31 March 2021

## **Statement of Financial Position as at 31 March 2021**

Figures in Rand	Notes	2021	2020
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	6 838 598	9 292 716
Trade and other receivables	4	860 087	4 034 279
Cash and cash equivalents	5	4 579 027	1 622 844
		<b>12 277 712</b>	<b>14 949 839</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	6	13 320 202	13 320 202
Accumulated loss		(49 618 394)	(59 583 305)
		<b>(36 298 192)</b>	<b>(46 263 103)</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Loans from group companies	7	48 375 025	44 129 250
<b>Current Liabilities</b>			
Trade and other payables	8	200 879	17 083 692
<b>Total Liabilities</b>		<b>48 575 904</b>	<b>61 212 942</b>
<b>Total Equity and Liabilities</b>		<b>12 277 712</b>	<b>14 949 839</b>

# SRF Industex Belting Proprietary Limited

(Registration number 2008/014419/07)

Annual Financial Statements for the year ended 31 March 2021

## Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2021	2020
Revenue	9	6 417 635	7 973 770
Cost of sales		(5 065 593)	(6 959 622)
<b>Gross profit</b>		<b>1 352 042</b>	<b>1 014 148</b>
Foreign exchange gain / (loss)		10 213 332	(11 054 759)
Other operating expenses		(1 600 684)	(1 741 187)
<b>Operating profit / (loss)</b>	10	<b>9 964 690</b>	<b>(11 781 798)</b>
Investment income	11	221	103
Finance costs	12	-	(566)
<b>Profit / (loss) before taxation</b>		<b>9 964 911</b>	<b>(11 782 261)</b>
Taxation	13	-	-
<b>Profit / (loss) for the year</b>		<b>9 964 911</b>	<b>(11 782 261)</b>
Other comprehensive income		-	-
<b>Total comprehensive income / (loss) for the year</b>		<b>9 964 911</b>	<b>(11 782 261)</b>

# **SRF Industex Belting Proprietary Limited**

(Registration number 2008/014419/07)

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## **Statement of Changes in Equity**

Figures in Rand	Share capital	Accumulated loss	Total equity
<b>Balance at 1 April 2019</b>	<b>13 320 202</b>	<b>(47 801 044)</b>	<b>(34 480 842)</b>
Loss for the year	-	(11 782 261)	(11 782 261)
Other comprehensive income	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(11 782 261)</b>	<b>(11 782 261)</b>
<b>Balance at 1 April 2020</b>	<b>13 320 202</b>	<b>(59 583 305)</b>	<b>(46 263 103)</b>
Profit for the year	-	9 964 911	9 964 911
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>9 964 911</b>	<b>9 964 911</b>
<b>Balance at 31 March 2021</b>	<b>13 320 202</b>	<b>(49 618 394)</b>	<b>(36 298 192)</b>

Note

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# SRF Industex Belting Proprietary Limited

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## Statement of Cash Flows

Figures in Rand	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Cash used in operations	14	(10 812 038)	(2 787 978)
Interest income		221	103
Finance costs		-	(566)
Foreign exchange gain		-	2 942 067
<b>Net cash from operating activities</b>		<b>(10 811 817)</b>	<b>153 626</b>
<b>Cash flows from financing activities</b>			
Net movement in loans from group companies		13 768 000	1 144 000
<b>Net cash from financing activities</b>		<b>13 768 000</b>	<b>1 144 000</b>
<b>Total cash movement for the year</b>		<b>2 956 183</b>	<b>1 297 626</b>
Cash at the beginning of the year		1 622 844	325 218
<b>Total cash at end of the year</b>	5	<b>4 579 027</b>	<b>1 622 844</b>

# **SRF Industex Belting Proprietary Limited**

(Registration number 2008/014419/07)

Annual Financial Statements for the year ended 31 March 2021

## **Accounting Policies**

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### **1. Significant accounting policies**

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

#### **1.1 Basis of preparation**

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

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

These accounting policies are consistent with the previous period.

The annual financial statements were approved by the board of directors on 4 May 2021.

#### **1.2 Significant judgements and sources of estimation uncertainty**

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

#### **Critical judgements in applying accounting policies**

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

#### **Key sources of estimation uncertainty**

##### **Impairment of financial assets**

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

##### **Allowance for slow moving, damaged and obsolete inventory**

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

##### **Impairment testing**

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

### **1.3 Financial instruments**

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

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

Financial assets which are debt instruments:

- Amortised cost.



# **SRF Industex Belting Proprietary Limited**

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Annual Financial Statements for the year ended 31 March 2021

## **Accounting Policies**

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### **1.3 Financial instruments (continued)**

Financial liabilities:

- Amortised cost.

#### **Trade and other receivables**

##### **Classification**

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 4).

##### **Recognition and measurement**

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

They are subsequently measured at amortised cost.

##### **Trade and other receivables denominated in foreign currencies**

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

##### **Impairment**

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

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

##### **Measurement and recognition of expected credit losses**

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

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

#### **Loans from group companies**

##### **Classification**

Loans from group companies (note 7) are classified as financial liabilities subsequently measured at amortised cost.

##### **Recognition and measurement**

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

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

#### **Loans denominated in foreign currencies**

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



# **SRF Industex Belting Proprietary Limited**

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Annual Financial Statements for the year ended 31 March 2021

## **Accounting Policies**

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### **1.3 Financial instruments (continued)**

#### **Trade and other payables**

##### **Classification**

Trade and other payables (note 8), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

##### **Recognition and measurement**

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

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

#### **Trade and other payables denominated in foreign currencies**

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

#### **Cash and cash equivalents**

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

#### **Derecognition**

#### **Financial assets**

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

#### **Financial liabilities**

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

### **1.4 Tax**

#### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

#### **Tax expenses**

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



# **SRF Industex Belting Proprietary Limited**

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Annual Financial Statements for the year ended 31 March 2021

## **Accounting Policies**

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### **1.5 Inventories**

Inventories are measured at the lower of cost and net realisable value on the weighted average cost basis.

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

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

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

### **1.6 Impairment of assets**

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

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

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

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

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

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

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

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

### **1.7 Share capital and equity**

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

### **1.8 Employee benefits**

#### **Short-term employee benefits**

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



# **SRF Industex Belting Proprietary Limited**

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## **Accounting Policies**

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### **1.9 Revenue from contracts with customers**

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

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

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

#### **Sale of goods**

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

#### **Interest income**

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

### **1.10 Cost of sales**

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



# **SRF Industex Belting Proprietary Limited**

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## **Accounting Policies**

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### **1.11 Translation of foreign currencies**

#### **Foreign currency transactions**

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

At the end of the reporting period:

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

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

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

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

### **1.12 Related parties**

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

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

Close family member of the family of an individual includes:

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

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

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### **2. New Standards and Interpretations**

#### **2.1 Standards and interpretations effective and adopted in the current year**

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

##### **Presentation of Financial Statements: Disclosure initiative**

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

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

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

The impact of the amendment is not material.

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

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

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

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

The impact of the amendment is not material.

#### **2.2 Standards and interpretations not yet effective**

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2021 or later periods:

<b>Standard / Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	1 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	1 January 2021	Unlikely there will be a material impact

### **3. Inventories**

Finished goods	6 838 598	7 885 984
Goods in transit	-	1 406 732
	<b>6 838 598</b>	<b>9 292 716</b>

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# SRF Industex Belting Proprietary Limited

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## Notes to the Annual Financial Statements

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### 4. Trade and other receivables

#### Financial instruments:

Trade receivables	851 127	3 954 716
Loss allowance	(27 386)	-
Trade receivables at amortised cost	823 741	3 954 716
Other advances	36 346	36 346

#### Non-financial instruments:

Prepayments	-	43 217
<b>Total trade and other receivables</b>	<b>860 087</b>	<b>4 034 279</b>

#### Loss allowance aging profile - 2021

	Current	1 - 30 days	31 - 60 days	61 - 90 days	90 days +	Total
Expected loss %	0%	0%	0%	0%	5,03%	3,22%
Gross carrying amount	208 093	98 395	-	-	544 639	851 127
Loss allowance calculated	-	-	-	-	27 386	27 386
Specific allowance	-	-	-	-	-	-
	-	-	-	-	27 386	27 386

#### Loss allowance aging profile - 2020

	Current	1 - 30 days	31 - 60 days	61 - 90 days	90 days +	Total
Expected loss %	0%	0%	0%	0%	0%	0%
Gross carrying amount	3 181 054	577 480	-	196 182	-	3 954 716
Loss allowance calculated	-	-	-	-	-	-
Specific allowance	-	-	-	-	-	-
	-	-	-	-	-	-

#### Categorisation of trade and other receivables

At amortised cost	860 087	3 991 062
Non-financial instruments	-	43 217
	<b>860 087</b>	<b>4 034 279</b>

#### Fair value of trade and other receivables

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

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 579 027	1 622 844
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# SRF Industex Belting Proprietary Limited

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### 6. Share capital

#### Authorised

15 000 000 Ordinary shares of R1 each

**15 000 000 15 000 000**

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

#### Issued

13 320 202 Ordinary shares of R1 each

**13 320 202 13 320 202**

### 7. Loans from group companies

#### Holding company

SRF Global B.V.

48 375 025 44 129 250

The holding company has subordinated the repayment of this loan until such time as the company's assets fairly valued exceed its liabilities. The loan is denominated in US dollars, the principal capital outstanding amount is USD 3 275 000 (2020: USD 2 475 000) and interest of USD Nil (2020: USD Nil). The company intends to recapitalise the loan to equity in the 2022 financial year.

#### Split between non-current and current portions

Non-current liabilities

48 375 025 44 129 250

Current liabilities

- -

**48 375 025 44 129 250**

#### Fair value of group loans payable

The fair value of group loans payable approximates their carrying amounts.

### 8. Trade and other payables

#### Financial instruments:

Trade payables	133 378	1 197 473
Trade payables - related parties	-	15 648 808
Other payables	187	29 321

#### Non-financial instruments:

VAT	67 314	208 090
	<b>200 879</b>	<b>17 083 692</b>

#### Categorisation of trade and other payables

At amortised cost	133 565	16 875 602
Non-financial instruments	67 314	208 090
	<b>200 879</b>	<b>17 083 692</b>

#### Fair value of trade and other payables

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

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# **SRF Industex Belting Proprietary Limited**

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### **9. Revenue**

#### **Revenue from contracts with customers**

Sale of goods

6 417 635      7 973 770

#### **Disaggregation of revenue from contracts with customers**

The company disaggregates revenue from customers as follows:

##### **Sale of goods**

Sale of goods - Local

6 417 635      7 973 770

#### **Timing of revenue recognition**

##### **At a point in time**

Sale of goods

6 417 635      7 973 770

There has been no export sales in the current financial year.

### **10. Operating profit / (loss)**

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

#### **Employee costs**

As at 31 March 2021 the company did not have any permanent employees (the previous employee resigned during the year (2020: 1). The total cost of employment of all employees, including executive directors, was as follows:

Salaries, wages, bonuses and other benefits

797 522      1 098 700

### **11. Investment income**

#### **Interest income**

#### **Investments in financial assets:**

Bank and other cash

221                    103

### **12. Finance costs**

Bank overdraft

Interest provision

**Total finance costs**

-                        370

-                        196

**-                        566**

### **13. Taxation**

#### **Major components of the tax expense**

##### **Current**

Local income tax - current period

-                        -

##### **Deferred**

Originating and reversing temporary differences

-                        -

-                        -

AB

# SRF Industex Belting Proprietary Limited

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## Notes to the Annual Financial Statements

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### 13. Taxation (continued)

#### Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit / (loss)	9 964 911	(11 782 261)
Tax at the applicable tax rate of 28% (2020: 28%)	2 790 175	(3 299 033)
<b>Tax effect of adjustments on taxable income</b>		
Effect of permanent differences	-	3 299 033
Deferred tax on assessed loss previously not recognised, now utilised	(2 790 175)	-
	-	-

No provision has been made for 2021 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R67 251 320 (2020: R67 694 005).

### 14. Cash used in operations

Profit / (loss) before taxation	9 964 911	(11 782 261)
<b>Adjustments for:</b>		
(Pofits) / losses on foreign exchange unrealised on loan	(9 522 225)	8 227 812
Interest income	(221)	(103)
Finance costs	-	566
<b>Changes in working capital:</b>		
Inventories	2 454 118	(8 759 902)
Trade and other receivables	3 174 192	(3 654 734)
Trade and other payables	(16 882 813)	13 180 644
	(10 812 038)	(2 787 978)

### 15. Related parties

#### Relationships

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

#### Related party balances

<b>Loan accounts - Owing to related parties</b>	
SRF Global B.V. - \$3 275 000 (2020: \$2 475 000)	(48 375 025) (44 129 250)
<b>Amounts included in trade payables regarding related parties</b>	
SRF Limited - \$0 (2020: \$877 667)	- (15 648 808)

#### Related party transactions

<b>Purchases from related parties</b>	
SRF Limited - \$140 614 (2020: \$1 050 358)	2 233 190 15 226 067

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### 16. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

2021

	Notes	Amortised cost	Total
Trade and other receivables	4	860 087	860 087
Cash and cash equivalents	5	4 579 027	4 579 027
		<b>5 439 114</b>	<b>5 439 114</b>

2020

	Notes	Amortised cost	Total
Trade and other receivables	4	3 991 062	3 991 062
Cash and cash equivalents	5	1 622 844	1 622 844
		<b>5 613 906</b>	<b>5 613 906</b>

#### Categories of financial liabilities

2021

	Notes	Amortised cost	Total
Trade and other payables	8	133 565	133 565
Loans from group companies	7	48 375 025	48 375 025
		<b>48 508 590</b>	<b>48 508 590</b>

2020

	Notes	Amortised cost	Total
Trade and other payables	8	16 875 602	16 875 602
Loans from group companies	7	44 129 250	44 129 250
		<b>61 004 852</b>	<b>61 004 852</b>



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### 16. Financial instruments and risk management (continued)

#### Capital risk management

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

	Notes	2021	2020
Loans from group companies	7	48 375 025	44 129 250
Trade and other payables	8	200 879	17 083 692
<b>Total borrowings</b>		<b>48 575 904</b>	<b>61 212 942</b>
Cash and cash equivalents	5	(4 579 027)	(1 622 844)
<b>Net borrowings</b>		<b>43 996 877</b>	<b>59 590 098</b>
Equity		(36 298 192)	(46 263 103)
Gearing ratio		(121)%	(129)%

#### Financial risk management

##### Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk).

##### Credit risk

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

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

Notes	2021			2020		
	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	4	887 473	(27 386)	860 087	3 991 062	- 3 991 062
Cash and cash equivalents	5	4 579 027	-	4 579 027	1 622 844	- 1 622 844
		<b>5 466 500</b>	<b>(27 386)</b>	<b>5 439 114</b>	<b>5 613 906</b>	<b>- 5 613 906</b>

##### Liquidity risk

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

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



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### 16. Financial instruments and risk management (continued)

2021

	Notes	Less than 1 year	2 to 5 years	Total	Carrying amount
<b>Non-current liabilities</b>					
Loans from group companies	7	-	48 375 025	48 375 025	48 375 025
<b>Current liabilities</b>					
Trade and other payables	8	133 565	-	133 565	133 565
		<b>133 565</b>	<b>48 375 025</b>	<b>48 508 590</b>	<b>48 508 590</b>

2020

	Notes	Less than 1 year	2 to 5 years	Total	Carrying amount
<b>Non-current liabilities</b>					
Loans from group companies	7	-	44 129 250	44 129 250	44 129 250
<b>Current liabilities</b>					
Trade and other payables	8	16 875 602	-	16 875 602	16 875 602
		<b>16 875 602</b>	<b>44 129 250</b>	<b>61 004 852</b>	<b>61 004 852</b>

### Foreign currency risk

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

### Exposure in Rand

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

US Dollar exposure:	Notes
<b>Non-current liabilities:</b>	
Loans from group companies	7 (48 375 025) (44 129 250)
<b>Current liabilities:</b>	
Trade and other payables	8 - (15 648 808)
<b>Net US Dollar exposure</b>	<b>(48 375 025) (59 778 058)</b>
<b>Euro exposure:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	5 - 2 442
<b>Net exposure to foreign currency in Rand</b>	<b>(48 375 025) (59 775 616)</b>



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### **16. Financial instruments and risk management (continued)**

#### **Exchange rates**

The following closing exchange rates were applied at reporting date:

##### **Rand per unit of foreign currency:**

US Dollar	14.767	17.830
Euro	17.598	19.435

#### **Foreign currency sensitivity analysis**

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

	2021	2021	2020	2020
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Increase or decrease in rate</b>				
<b>Impact on profit or loss:</b>				
US Dollar - 10% change in foreign currency exchange rate	(4 837 503)	4 837 503	(5 977 806)	5 977 806
Euro - 10% change in foreign currency exchange rate	-	-	244	(244)
	<b>(4 837 503)</b>	<b>4 837 503</b>	<b>(5 977 562)</b>	<b>5 977 562</b>

### **17. Going concern**

The company currently has an accumulated loss of R49 618 394 (2020: R59 583 305) and the company's liabilities exceeds its assets by R36 298 192 (2020: R46 263 103).

The holding company has confirmed that it will financially support the company to ensure the company can pay its liabilities in the ordinary course of its business.

The holding company has subordinated its loan until such time as the Company's assets, fairly valued exceeds its liabilities. Furthermore, the holding company has also confirmed it would provide financial support if the Company required for its day to day operations.

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

### **18. Events after the reporting period**

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



