Apollo Tyres (Middle East) FZE

P.O. Box 263391
Jebel Ali Free Zone, Dubai,
United Arab Emirates

Financial Statements and Auditor's Report
For the Year Ended March 31, 2018

CONTENTS

APOLLO TYRES (MIDDLE EAST) FZE
Licence No. 125707
P.O. Box No. 263391
Building No. 3
Galleries – Office No. GB030603
Jebel Ali – Dubai
United Arab Emirates

ابولو تايرز (ميدل ايست) م م ح
رقم الرخصة 125707
ص ب 263391
بناية رقم 3
جاليريز – رقم مكتب 030603 جي بي
جبل علي – دبي
الامارات العربية المتحدة

Board of Director's Report to the Shareholder

The Board of Director has pleasure in submitting the Report and Financial Statements for the year ended March 31, 2018.

Review of the Business and Results for the Year

The principal activity of the Establishment is to trade in auto spare parts and components.

Sales of the Establishment for the current year is AED 104.25 million as compared to AED 105.13 million in the previous year. Gross Profit to sales ratio is 7.67% in the current year as compared to 14.99% in the previous year.

Net loss for the year is AED. 3,821,851 as compared to profit of AED.1,210,884 in the previous year.

Auditors

A resolution to re-appoint N. R. Doshi & Partners, Public Accountants as Auditors and fix their remuneration will be put to the shareholder at the Annual General Meeting.

On Behalf of the Board

Director

Date : April 30, 2018

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APOLLO TYRES (MIDDLE EAST) FZE

Independent Auditor's Report to the Shareholder of

Apollo Tyres (Middle East) FZE
P.O. Box 263391, Jebel Ali Free Zone, Dubai - United Arab Emirates

Opinion

We have audited the accompanying financial statements of **Apollo Tyres (Middle East) FZE** ("the Establishment"), which comprise the statement of financial position as at March 31, 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended March 31, 2018 and a summary of significant accounting policies and other explanatory notes as set out on pages - 5 to 25.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Establishment as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

We conducted our audit in accordance with the 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 Establishment in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing the Establishment'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 management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishments's financial reporting process.

(Auditor's Report Continued on Next Page...)

ان. آر. دوشي وشركاه محاسبون قانونيون
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DUBAI - U.A.E.
N.R. Doshi & Partners - Public Accountants

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 skepticism 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 Establishment's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Establishment'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 Establishment 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 those charged with governance 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.

(Auditor's Report Continued on Next Page...)

M.R. Doshi & Partners - Public Accountants
P.O. Box: 13742
DUBAI - U.A.E.

Independent Auditor's Report on Apollo Tyres (Middle East) FZE (Continued...)

Report on Other Legal and Regulatory Requirements

As required by the Jebel Ali Free Zone Companies Implementing Regulations 2016 and the UAE Federal Law No. 2 of 2015, we report that:

i. we have obtained all the information we considered necessary for the purposes of our audit;

ii. the financial statements of the Establishment have been prepared and comply, in all material respects, with the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations 2016 and the UAE Federal Law 2 of 2015;

iii. the Establishment has maintained proper books of accounts, and records of the Establishment are in agreement with it;

iv. an inventory was duly carried out;

v. the Establishment has not purchased any shares or stocks during the financial year;

vi. the financial information included in the Board of Director's report is consistent with the Establishment's books of accounts;

vii. note 15 to the financial statements of the Establishment discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;

viii. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Establishment has contravened during the financial year ended March 31, 2018 any of the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations 2016 and the UAE Federal Law No. 2 of 2015 or its Articles of Association which would materially affect its activities or its financial position as at March 31, 2018.

Public Accountants

Dubai, United Arab Emirates

Date : April 30, 2018

Apollo Tyres (Middle East) FZE

P.O. Box 263391, Jebel Ali Free Zone, Dubai - United Arab Emirates

Statement of Profit or Loss and Other Comprehensive Income

Year Ended : March 31, 2018 All figures are expressed in Arab Emirate Dirhams	Note	Year Ended 31.03.2018	Year Ended 31.03.2017
Continuing Operations			
Sales		104,254,300	105,129,627
Cost of sales	7	(96,258,194)	(89,372,978)
Gross profit		7,996,106	15,756,649
Other income	8	1,088,728	2,566,670
Salaries and benefits		(3,757,709)	(4,866,839)
Selling and administration expenses		(8,333,800)	(11,273,074)
Allowance for slow moving and obsolete Inventories		(50,417)	(32,014)
Provision for doubtful debts		(518,998)	(523,000)
Depreciation		(245,761)	(351,759)
Results from Operating Activities		(3,821,851)	1,276,633
Finance cost		0	(65,749)
Finance income		0	0
(Loss) / Profit for the year from Continuing Operations		(3,821,851)	1,210,884
Discontinued Operations			
Profit for the year from discontinued operations		0	0
(Loss) / Profit for the year		**(3,821,851)**	**1,210,884**
Other Comprehensive Income			
Items that will not be reclassified subsequent to profit or loss		0	0
Items that will be reclassified subsequent to profit or loss		0	0
Total Comprehensive Income for the Year		**(3,821,851)**	**1,210,884**
(Loss) / Profit attributable to:			
Shareholder of the Establishment		(3,821,851)	1,210,884
Non-controlling interest		0	0
(Loss) / Profit for the year		(3,821,851)	1,210,884
Total comprehensive income attributable to:			
Shareholder of the Establishment		(3,821,851)	1,210,884
Non-controlling interest		0	0
Total comprehensive income for the year		(3,821,851)	1,210,884

These financial statements on pages 5 to 25 are approved on April 30, 2018 and signed by

On Behalf of the Board

Director

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Apollo Tyres (Middle East) FZE

P.O. Box 263391, Jebel Ali Free Zone, Dubai - United Arab Emirates

Statement of Financial Position

As at March 31, 2018 All figures are expressed in Arab Emirate Dirhams	Note	31.03.2018	31.03.2017
Assets			
Property, plant and equipment	9	258,695	429,579
Total Non - Current Assets	**(A)**	258,695	429,579
Inventories	10	1,045,649	5,052,912
Trade and other receivables	11	14,476,017	14,547,548
Cash and bank balance	12	3,749,558	1,118,019
Due from related parties		705,438	196,008
Deposits, advances and prepayments	13	930,962	1,079,812
Total Current Assets	**(B)**	20,907,624	21,994,299
Total Assets	**(A + B)**	**21,166,319**	**22,423,878**
Equity and Liabilities			
Share capital	1a	2,000,000	2,000,000
Accumulated profit		4,569,707	8,391,558
Total Equity	**(C)**	6,569,707	10,391,558
Employees terminal benefits		232,658	381,765
Total Non - Current Liabilities	**(D)**	232,658	381,765
Due to related parties		7,779,340	6,875,807
Advance received from customers		4,074,977	1,047,259
Provisions and accruals		2,509,637	3,727,489
Total Current Liabilities	**(E)**	14,363,954	11,650,555
Total Liabilities	**(D + E)**	14,596,612	12,032,320
Total Equity and Liabilities	**(C + D + E)**	**21,166,319**	**22,423,878**

We approve these financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgment underlying them. We also confirm that we have made available all relevant accounting records and information for their compilation. These financial statements on pages 5 to 25 are approved on April 30, 2018 and signed by

On Behalf of the Board

Shubhu Jal

Director

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Auditor's Report Pages - 2 to 4

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Statement of Changes in Equity

Year Ended : March 31, 2018
All figures are expressed in Arab Emirate Dirhams

	Share Capital	Accumulated Profit	Total
Balance as at 01.04.2016	2,000,000	7,180,674	9,180,674
Profit or loss	0	1,210,884	1,210,884
Other comprehensive income	0	0	0
Total comprehensive income for the year	0	1,210,884	1,210,884
Transaction with shareholder recorded directly in equity	0	0	0
Balance as at 01.04.2017	**2,000,000**	**8,391,558**	**10,391,558**
Profit or loss	0	(3,821,851)	(3,821,851)
Other comprehensive income	0	0	0
Total comprehensive income for the year	0	(3,821,851)	(3,821,851)
Transaction with shareholder recorded directly in equity	0	0	0
Balance as at 31.03.2018	**2,000,000**	**4,569,707**	**6,569,707**

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Statement of Cash Flows

	Year Ended : March 31, 2018 All figures are expressed in Arab Emirate Dirhams		Year Ended 31.03.2018	Year Ended 31.03.2017
I.	**Cash Flow from Operating Activities**			
	(Loss) / Profit for the year		(3,821,851)	1,210,884
	Adjustments:			
	Allowance for Slow moving and obsolete Inventories		50,417	32,014
	Depreciation		245,761	351,759
	Provision for Employee Terminal Benefits		0	198,326
	Operating Cash (Loss) / Profit Before Changes in Operating Assets and Liabilities		(3,525,673)	1,792,983
	Change in inventories		3,956,846	1,546,692
	Change in trade and other receivables		71,531	(5,444,024)
	Change in deposits, advances and prepayments		148,850	(55,371)
	Change in advance received from customers		3,027,718	300,035
	Change in provisions and accruals		(1,217,852)	1,648,970
	Change in due from related parties		(509,430)	767,903
	Change in due to related parties		903,533	1,198,341
	Change in employee terminal benefits		(149,107)	(165,742)
	Net Cash Flow from Operating Activities		**2,706,416**	**1,589,787**
II.	**Cash Flow from Investing Activities**			
	Purchase of property, plant and equipment		(96,988)	(410,287)
	Proceeds from sale of property, plant and equipment		22,111	72,963
	Net Cash used in Investing Activities		**(74,877)**	**(337,324)**
III.	**Cash Flow from Financing Activities**			
	Change in bank borrowings		0	(2,231,247)
	Net Cash Used in Financing Activities		**0**	**(2,231,247)**
	Increase / (Decrease) in Cash and Cash Equivalents	(I+II+III)	**2,631,539**	**(978,784)**
	Cash and cash equivalents as at 1.4.2017	(Note 4k,14)	1,118,019	2,096,803
	Cash and cash equivalents as at 31.3.2018	(Note 4k,14)	**3,749,558**	**1,118,019**
	Supplemental Cash Flow Statement Information			
	Non-Cash Transactions		Nil	Nil

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Accounting Policies and Explanatory Notes

Year Ended : March 31, 2018
All figures are expressed in Arab Emirate Dirhams

1. Legal Status, Business Activities and Management

a. Legal Status

Apollo Tyres (Middle East) FZE (" the Establishment") is registered as a Free Zone Establishment with Limited Liability Pursuant to Law No. 9 of 1992 of H.H Sheikh Mohammad Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued there under by the Jebel Ali Free Zone Authority, Dubai, U.A.E.

The Jebel Ali Free Zone Authority has issued Trade Licence No. 125707 and Registration No. 143054 dated 1.2.2011.

The issued and paid up capital of the Establishment is AED.2,000,000/- divided into 2 shares of AED.1,000,000/- each.

The Shares were held by Apollo (Mauritius) Holdings Pvt. Limited, a registered Establishment in Mauritius till January 25, 2015.

Apollo (Mauritius) Holdings Pvt. Limited has sold 100% shares of the company to Apollo Tyres Co - Operatief U.A on January 26, 2015, and consequently Apollo Tyres Co - Operatief U.A a registered company in Netherlands became the sole shareholder of the Establishment.

The Establishment is a 100% subsidiary of Apollo Tyres Co - Operatief U.A, Netherlands (the parent), which in turn is a 100% subsidiary of Apollo Tyres Ltd, India (the ultimate parent).

The registered office of the Establishment is located at Office No. GB030603, Jebel Ali Free Zone, Dubai, U.A.E.

b. Business Activities

The principal activity of the Establishment is to trade in auto spare parts and components.

c. Management

The Establishment is managed by Directors, Mr. Shubhro Ghosh, Mrs. Seema Thapar and Ms Nina Soorana Auchoybur and Manager, Mr. Gaurav Narain Adeshwar Nath Mathur.

2. Basis of Preparation

a. Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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b. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss are measured at fair value.

c. Functional and Presentation Currency

The financial statements are presented in AED (Arab Emirate Dirhams), which is the Establishment's functional currency. All financial information presented in AED (Arab Emirate Dirhams) has been rounded to the nearest Dirhams.

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with IFRSs required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting judgements and key source of estimation uncertainty

In the process of applying the Establishment's accounting policies, which are described in Note 4 to the financial statements, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

Revenue Recognition

Management has considered the detailed criteria for the recognition of revenue from the sale of goods set out in International Accounting Standard no. 18: Revenue, and in particular whether the Establishment has transferred risks and rewards of ownership of the goods. Based on the acceptance by the customer of the liability of the goods sold, management is satisfied that the significant risks and rewards have been transferred and the recognition of the revenue is appropriate.

Key Sources of Estimation Uncertainty

The key assumption concerning the future, and the other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i. Allowance of Doubtful Debts

Allowance of doubtful debts is determined based upon a combination of factors to ensure that the trade receivables are not overstated due to un-collectability. The allowance of doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of the receivables, and continuing credit evaluation of the customers financial conditions. Also, specific allowances for individual accounts are recorded when the Establishment becomes aware of the customer's inability to meet its financial obligations such as in the case of deterioration in the customer's operating results or financial position.

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ii. Useful Lives of Property and Equipment

Management reviews the estimated useful lives of property and equipment at the end of each reporting period. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Establishment's management determined that the useful lives of property and equipment are still appropriate. The carrying values of property and equipment are disclosed in property, plant and equipment schedule.

iii. Allowance for Slow Moving and Obsolete Inventories

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, physical deterioration and quality issues.

3.1 New and Amended Standards and Interpretations

The Establishment applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2017. The Establishment has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Establishment. The new standard or amendment is described below:

IAS / IFRS	Brief Description
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

3.2 Standards Issued but Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Establishment's financial statements are disclosed below. The Establishment intends to adopt these standards, if applicable, when they become effective.

IAS / IFRS	Effective Date	Brief Description
Amendments to IFRS 2	January 1, 2018	Classification and Measurement of Share-based Payment Transactions
IFRS 9	January 1, 2018	Financial Instruments
IFRS 15	January 1, 2018	Revenue from Contracts with Customers
IFRS 16	January 1, 2019	Leases
Amendments to IFRS 10 and IAS 28	To be determined	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 40	January 1, 2018	Transfer of Investment property
IFRIC 22	January 1, 2018	Foreign currency transactions and advance consideration

4. **Significant Accounting Policies**

a. **Foreign Currency**

Foreign Currency Transactions

Transactions in foreign currencies are translated to functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available for sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation. 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.

b. **Financial Instruments**

i. **Non - Derivative Financial Assets**

The Establishment initially recognises loans and receivable and deposits on the date that they are originated.

The Establishment derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Establishment is recognised as a separate asset or liability.

The Establishment has the following non-derivative financial assets:

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivable comprise trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of cash in hand, bank current and call accounts and bank fixed deposits free from lien with a maturity date of three months or less from the date of deposit.

ii. **Non - Derivative Financial Liabilities**

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Establishment becomes a party to the contractual provisions of the instrument.

The Establishment derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Establishment has the following non-derivative financial liabilities: due to related parties, provisions, accruals and employee terminal benefits.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

c. **Property, Plant and Equipment**

i. **Recognition and Measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

ii. **Subsequent Costs**

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the items if it is probable that the future economic benefits embodied within the part will flow to the Establishment, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii. **Depreciation**

Depreciation on property, plant and equipment has been computed on straight-line method at the annual rates estimated to write off the cost of the assets over their expected useful lives as under:

Furniture and Fixtures	5 years	(20.00%)
Office Equipment	3 years	(33.33%)
Vehicles	3 years	(33.33%)

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Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d. Impairment

i. Financial Assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Establishment on terms that the Establishment would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in a equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Establishment considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment the Establishment uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non Financial Assets

The carrying amounts of the Establishment's non-financial assets, other than inventories are reviewed each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

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An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

e. **Revenue Recognition**

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

* The Establishment has transferred to the buyer the significant risks and rewards of ownership of goods.
* The Establishment 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 Establishment.
* The cost incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognized when it is probable that the economic benefits associated with the transactions will flow to the Establishment, the stage of the completion of services rendered can be reliably measured and the costs incurred and the costs to complete the transactions can be measured reliably.

f. **Provisions**

Provisions are recognized when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that the Establishment will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

g. **Employee Terminal Benefits**

A provision is made for the estimated liability for staff terminal benefits as a result of services rendered by employees up to the date of statement of financial position as per the implementing rules regulating employment relationship. Provision made for employee terminal benefits are disclosed as non-current liabilities.

h. **Leases**

Leases in terms of which the Establishment assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the parent value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and except for investment property, the leased assets are not recognised in the Establishment's statement of financial position. Investment property held under an operating lease is recognised in the Establishment's statement of financial position at its fair value.

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Payments made under operating leases are recognised in the profit and loss on a straight line basis over the terms of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease terms so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining terms of the lease when the lease adjustment is confirmed.

i. Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss on the date that the Establishment's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

j. Inventories

Inventories have been valued at lower of cost and net realisable value. Cost is determined by Weighted Average method. Cost includes purchase value and other expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of selling expenses.

k. Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprises of cash in hand, bank current and call accounts and bank fixed deposits free from lien with a maturity date of three months or less from the date of deposit.

5. Financial Risk Management Overview

The Establishment has exposure to the following risks from its use of financial instruments.

Credit Risk
Liquidity Risk
Market Risk
Operational Risk

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This note presents information about the Establishment's exposure to each of the above risks, the Establishment's objectives, policies and processes for measuring and managing risk, and the Establishment's management of capital. Further quantitative disclosures are included throughout these financial statements.

a. Credit Risk

Credit risk is the risk of financial loss to the Establishment if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Establishment's trade and other receivables.

The Establishment's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the customer base including the default risk of the industry and country in which customer operates. Credit policy and benchmark creditworthiness established by the management is reviewed at frequent intervals.

b. Liquidity Risk

Liquidity risk is the risk that the Establishment will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Establishment's approach to managing liquidity 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 Establishment's reputation.

Typically, the Establishment ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Establishment has a commitment from its parent Establishment of a continuous support in terms of cash flow management.

c. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Establishment'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 optimizing the return.

The Establishment's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Establishment's financial performance.

d. Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Establishment's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Establishment's operations.

The Establishment's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Establishment's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Establishment standards for the management of operational risk in the following areas:

* requirements for appropriate segregation of duties, including the independent authorisation of transactions.
* requirements for reconciliation and monitoring of transactions.
* compliance with regulatory and other legal requirements.
* documentation of controls and procedures.
* requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
* requirements for the reporting of operational losses and proposed remedial action.
* development of contingency plans.
* training and professional development.
* ethical and business standards.
* risk mitigation, including insurance where this is effective.

6. Fair Values of Financial Instruments

Financial instruments comprise financial assets and financial liabilities

The fair value of financial assets and financial liabilities not carried at fair value are not materially different from their carrying value.

The Establishment uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique :

Level 1 : quoted (unadjusted) prices in an active market for identical assets and liabilities.

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

7. Cost of Sales

	31.03.2018	31.03.2017
Opening inventory as at the 1.4.2017	5,281,994	7,039,365
Purchases and direct expenses	92,072,266	87,615,607
Closing inventory as at 31.3.2018	(1,096,066)	(5,281,994)
	96,258,194	89,372,978

8. Other Income

Other income includes AED 1,088,728/- (Previous year - AED 2,565,026/-) received as commission on sales from Apollo Tyres Ltd., India.

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9. Property, Plant and Equipment

Year Ended: March 31, 2018

	Furniture & Fixtures	Office Equipment	Vehicles	Total
Rate of Depreciation	20.00%	33.33%	33.33%	
Cost				
As at 01.04.2016	560,015	51,770	676,462	1,288,247
Additions for year	0	19,228	391,059	410,287
On Disposal	0	0	(278,590)	(278,590)
As at 31.3.2017	560,015	70,998	788,931	1,419,944
Additions for year	57,298	0	39,690	96,988
On Disposal	0	0	(225,414)	(225,414)
As at 31.3.2018	617,313	70,998	603,207	1,291,518
Depreciation				
As at 01.04.2016	502,427	33,342	308,463	844,232
For the year	43,814	14,020	293,926	351,760
On Disposal	0	0	(205,627)	(205,627)
As at 31.3.2017	546,241	47,362	396,762	990,365
For the year	21,772	12,979	211,010	245,761
On Disposal	0	0	(203,303)	(203,303)
As at 31.3.2018	568,013	60,341	404,469	1,032,823
Net Value				
As at 31.3.2018	**49,300**	**10,657**	**198,738**	**258,695**
As at 31.3.2017	13,774	23,636	392,169	429,579

10. Inventories

	31.03.2018	31.03.2017
Tyres	850,106	4,764,554
Tubes	163,182	361,035
Flaps	82,778	156,405
Allowance for slow moving and obsolete inventories	(50,417)	(229,082)
	1,045,649	5,052,912

Note :

Details of Allowance for slow moving and obsolete inventories.		
Opening balance as at 01.04.2017	229,082	407,747
Additions for the year	50,417	32,014
Inventory written off during the year	(229,082)	(210,679)
Closing Balance as at 31.03.2018	50,417	229,082

i. Inventory account is integrated with financial accounts in the software.

ii. Tubes and flaps are integral part of the tyres and are sold together with tyres.

11. Trade and Other Receivables

	31.03.2018	31.03.2017
Trade Receivables (Note i)	15,421,435	15,066,548
Other Receivables	96,580	4,000
Less: Provision for doubtful debts (Note iii)	(1,041,998)	(523,000)
	14,476,017	14,547,548

Notes :

i. Ageing analysis of trade receivables

0- 30 days	9,843,374	6,911,517
31 to 60 days	3,968,124	5,802,919
More than 60 days	1,609,937	2,352,112
	15,421,435	15,066,548

ii. The average credit period on sale of goods is between 25 to 60 days. No interest is charged on the past due trade receivables.

iii. Movement in provision for doubtful debts is as below:

Opening balance	523,000	0
Provision made during the year	518,998	523,000
Closing balance	1,041,998	523,000

12. Cash and Bank Balances

Cash on Hand	1,441	5
Balances with Bank in :		
Current Account	3,748,117	1,118,014
	3,749,558	1,118,019

13. Deposits, Advances and Prepayments

Deposits	515,972	503,076
Advances	188,053	205,650
Prepayments	226,937	371,086
	930,962	1,079,812

14. Cash and Cash Equivalents

Cash on Hand	1,441	5
Balances with Banks in :		
- Current Account	3,748,117	1,118,014
	3,749,558	1,118,019

15. Related Party Transactions

Related parties represent shareholders, directors and key management personnel of the Establishment and companies of which they are principal owners.

The summary of transactions which were carried out during the period in the normal course of business on terms agreed between the related parties and balances with related parties as at March 31, 2018 are as under :

A. Related Party Transactions During the Year	31.03.2018	31.03.2017
i. Apollo Tyres Ltd, India		
Purchases and direct expenses	86,113,386	83,766,537
Commission income	1,084,293	2,565,026
Selling and administrative expenses (Royalty)	611,415	862,857
ii. Apollo Tyres AG, Switzerland		
Selling and administrative expenses (Royalty)	1,640,674	1,643,617
iii. Apollo Vredestein B.V, Netherland		
Purchases and direct expenses	6,485,517	3,634,225
Selling and administrative expenses (Royalty)	192,423	128,114
iv. Apollo Tyres (U.K.) Pvt. Ltd., U.K.		
Selling and administrative expenses	824,047	858,131

B. Related Party Balances as March 31, 2018		
i. Apollo Tyres Ltd, India		
Due from related parties	705,438	196,008
Due to related parties	6,951,890	5,607,800
ii. Apollo Tyres AG, Switzerland		
Due to related parties	431,233	434,511
iii. Apollo Vredestein B.V, Netherland		
Due to related parties	213,270	619,868
iv. Apollo Tyres (U.K.) Pvt. Ltd., U.K.		
Due to related parties	182,947	213,628

16. Financial Instruments

16.1 In accordance with the International Accounting Standards 32 regarding financial instruments the following disclosure are made.

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Financial instruments means financial assets, financial liabilities and equity instruments. The following table summarized the carrying amount of financial assets and financial liabilities recorded by category.

Financial assets	**31.03.2018**	**31.03.2017**
Cash and cash equivalents:		
- Cash	1,441	5
- Balance with bank in current account	3,748,117	1,118,014
Loans and receivables:		
- Trade and other receivables	14,476,017	14,547,548
- Deposits and advances (excluding prepayments)	704,025	708,726
Due from related parties	705,438	196,008
	19,635,038	16,570,301

Financial liabilities

Other financial liabilities measured at amortised cost:		
- Employee terminal benefits	232,658	381,765
- Due to related parties	7,779,340	6,875,807
- Provisions and accruals	2,509,637	3,727,489
	10,521,635	10,985,061

At present, the Establishment expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Establishment expects the operating activity to generate sufficient cash inflows. In addition, the Establishment holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

16.2 Fair Values

The fair value of the Establishment's financial assets and liabilities approximate their carrying values.

16.3 Credit Risk, Interest Rate Risk, Exchange Rate Risk Exposure and Liquidity Risk

i. Credit Risk

Financial assets, which potentially expose the organisation to concentration of credit risk comprises principally of bank current accounts, trade and other receivables.

a. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was :

Carrying Amount

Trade and other receivables, deposit, advance and due from related party	15,885,480	15,452,282

b. As at March 31, 2018, top 5 party balance represents 72.15% of the total value of trade receivables outstanding. (As at March 31, 2017 : 88.26%)

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c. Country wise break-up of the trade debtors are as under

Name of Country	31.03.2018	31.03.2017
U.A.E	30.00%	60.00%
Turkey	9.46%	0.48%
Qatar	2.67%	2.28%
Ethopia	19.73%	21.76%
Labanon	0.00%	3.34%
Jordan	0.00%	3.15%
Egypt	0.00%	0.00%
Kenya	4.52%	0.00%
Sudan	8.67%	0.00%
Ivory Coast	4.45%	0.00%
Iraq	13.71%	1.72%
Others	6.79%	7.27%
	100.00%	100.00%

d. The bank current account are placed with high credit quality financial institutions.

e. Due from related parties are considered good and recoverable in normal course of business.

f. Impairment Loss - Based on historic default rates, the Establishment believes that no impairment allowance is necessary in respect of trade receivables not past due or past due. All trade receivable balances relates to customers that have a good payment record with the Establishment.

ii. Interest rate risk

Interest rates on borrowings from bank and fixed deposits is at floating rates generally obtained in U.A.E.

iii. Exchange Rate Risks

There is no exchange rate risk as substantially all the transactions are denominated in Arab Emirate Dirhams or U.S. Dollars to which the Arab Emirate Dirhams is fixed except as stated below.

Foreign currency financial assets and financial liabilities outstanding other than in AED (Arab Emirate Dirhams) or US Dollars as at financial position dates are as follows :

	(In AED.)	(In AED.)
Trade and other receivable (In Euro)	693,438	176,695
Due to related parties (In Euro)	213,270	619,868
Due to related parties (In GBP)	182,947	213,628

The following significant exchange rates applied during the current year.

AED	31.03.2018		31.03.2017	
	Average Rate	Reporting Date spot rate	Average Rate	Reporting Date spot rate
Eur 1	4.29	4.52	4.03	3.94
GBP 1	4.86	5.15	4.81	4.57

iv. Liquidity Risk

The following are the contractual maturities of financial liabilities

As at March 31, 2018
All figures are expressed in Arab Emirate Dirhams

	Contractual Cash Flows	6 Months or Less	Above 6 Months
Non-Derivative financial liabilities			
Due to related parties	7,779,340	7,779,340	0
Provisions and accruals	2,509,637	2,509,637	0
Employees terminal benefits	232,658	0	232,658
Derivative financial liabilities	0	0	0
Total financial liabilities	**10,521,635**	**10,288,977**	**232,658**

As at March 31, 2017
All figures are expressed in Arab Emirate Dirhams

	Contractual Cash Flows	6 Months or Less	Above 6 Months
Non-Derivative financial liabilities			
Due to related parties	6,875,807	6,875,807	0
Provisions and accruals	3,727,489	3,727,489	0
Employees terminal benefits	381,765	0	381,765
Derivative financial liabilities	0	0	0
Total financial liabilities	**10,985,061**	**10,603,296**	**381,765**

17 Lease Commitments

i. The Establishment has entered into an operating lease with respect to its office.

ii. There is no commitment for the lease since the rent agreement will expire in June 2018 and is renewable on yearly basis.

18 Contingent Liabilities

	31.03.2018	31.03.2017
Labour Guarantees	158,671	345,500

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19 Significant Events Occurring after the Financial Position Date

There were no significant events occurring after the financial position date which require disclosure in the financial statements

20 Comparative Figures

Previous year's figures have been re-grouped or re-classified wherever necessary so as to conform to the current year's presentation.

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