

Apollo Tyres Africa Proprietary Limited
(Registration number 2003/128507/07)
Audited Annual Financial Statements
for the year ended 31 March 2018

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Marketing and supply of tyres and related products
Directors	Mr. Q. Steyn Mr. R. Arora Mr. M. Maharaj
Registered office	150 Denne Road Hughes Boksburg 1459
Holding company	Apollo (South Africa) Holdings Proprietary Limited incorporated in South Africa
Auditor	Grant Thornton Johannesburg Partnership Chartered Accountants (S.A.) Registered Auditor A South African member of Grant Thornton International Limited
Level of assurance	These audited annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The audited annual financial statements were internally compiled by: Eben Muller (Manager - Commercial)

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Contents

Index	Page
Directors' Responsibilities and Approval	3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 7
Statement of Financial Position	8
Statement of Profit or Loss and Other Comprehensive Income	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Accounting Policies	12 - 16
Notes to the Audited Annual Financial Statements	17 - 27

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the audited 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. The external auditor is engaged to express an independent opinion on the audited annual financial statements.

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

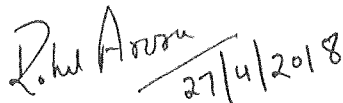
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had 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 audited annual financial statements. The audited annual financial statements have been examined by the company's external auditor and their report is presented on pages 6 to 7.

The audited annual financial statements set out on pages 4 to 27, which have been prepared on the going concern basis, were approved by the board of directors on 25 April 2018 and were signed on their behalf by:


27/4/2018

Director

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Directors' Report

The directors have pleasure in submitting their report on the audited annual financial statements of Apollo Tyres Africa Proprietary Limited for the year ended 31 March 2018.

1. Nature of business

The company engages in the marketing and supply of tyres and related products. The company's business model is import of Apollo & Vredestien branded tyres for its domestic and export market.

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

2. Review of financial results and activities

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. 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 audited annual financial statements.

3. Stated capital

Authorised			2018	2017
Ordinary shares			Number of shares 1 000	1 000
Issued	2018	2017	2018	2017
707 Ordinary shares	R 707	R 707	Number of shares 707	707

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

4. Interest of directors in the share capital of the company

The directors do not have any disclosable interest in the shares of the company.

5. Dividends

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

6. Holding company

The company's holding company is Apollo (South Africa) Holdings Proprietary Limited which holds 100% (2017: 100%) of the company's equity. The ultimate holding company is Apollo Tyres Limited, incorporated in India.

7. Special resolutions

There were no special resolution passed during the year.

8. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the audited annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

9. 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.

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Directors' Report

10. Directorate

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

Directors	Nationality
Mr. Q. Steyn	South African
Mr. R. Arora	Indian
Mr. M. Maharaj	Indian

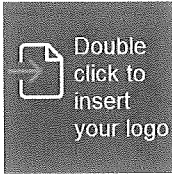
There have been no changes to the directorate for the year under review.

11. Directors emoluments

Directors emoluments are disclosed in note 28.

12. Auditors

Grant Thornton International Limited continued in office as auditors for the company for 2018.



Independent Auditor's Report

To the director of Apollo Tyres Africa Proprietary Limited

Opinion

I have audited the audited annual financial statements of Apollo Tyres Africa Proprietary Limited set out on pages 8 to 27, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the audited annual financial statements, including a summary of significant accounting policies.

In my opinion, the audited annual financial statements present fairly, in all material respects, the financial position of Apollo Tyres Africa Proprietary Limited as at 31 March 2018, 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 71 of 2008.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the audited annual financial statements section of my report. I am 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 audited annual financial statements in South Africa. I have fulfilled my 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the audited annual financial statements and my auditor's report thereon.

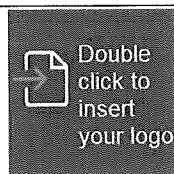
My opinion on the audited annual financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

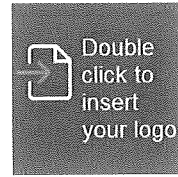
In connection with my audit of the audited annual financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited annual financial statements or my knowledge obtained in the audit, or otherwise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

Responsibilities of the directors for the Audited Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the audited annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of audited annual financial statements that are free from material misstatement, whether due to fraud or error.

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





Independent Auditor's Report

Auditor's responsibilities for the audit of the Audited Annual Financial Statements

My objectives are to obtain reasonable assurance about whether the audited annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 audited annual financial statements.

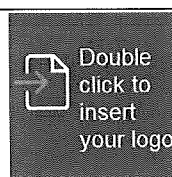
As part of an audit in accordance with International Standards on Auditing, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the audited annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the audited annual financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 audited annual financial statements, including the disclosures, and whether the audited annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

Grant Thornton International Limited
Partner
Chartered Accountant (SA)
Registered Auditor
A South African member of Grant Thornton International Limited

25 April 2018



Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

	Notes	2018 R '000	2017 R '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	202	138
Intangible assets	4	4 131	5 507
Deferred tax	5	25 432	27 868
		<u>29 765</u>	<u>33 513</u>
Current Assets			
Inventories	6	56 559	53 943
Trade and other receivables	7	30 889	29 255
Cash and cash equivalents	8	15 871	31 112
		<u>103 319</u>	<u>114 310</u>
Total Assets		<u>133 084</u>	<u>147 823</u>
Equity and Liabilities			
Equity			
Stated capital and premium	10	400 000	400 000
Accumulated loss		(362 362)	(351 685)
		<u>37 638</u>	<u>48 315</u>
Liabilities			
Non-Current Liabilities			
Operating lease liability	11	52	16
Post retirement medical aid obligation	12	24 424	27 404
		<u>24 476</u>	<u>27 420</u>
Current Liabilities			
Trade and other payables	13	57 110	58 203
Loan from shareholder	14	12 982	13 028
Operating lease liability	11	20	20
Provisions	15	858	837
		<u>70 970</u>	<u>72 088</u>
Total Liabilities		<u>95 446</u>	<u>99 508</u>
Total Equity and Liabilities		<u>133 084</u>	<u>147 823</u>

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 R '000	2017 R '000
Revenue	17	248 296	259 216
Cost of sales		(260 660)	(270 106)
Gross loss		(12 364)	(10 890)
Other operating income	18	5 029	5 011
Other operating gains (losses)	19	6	2 675
Operating expenses		(1 377)	-
Operating loss	20	(8 706)	(3 204)
Investment revenue	21	493	735
Finance costs	22	(28)	(24)
Loss before taxation		(8 241)	(2 493)
Taxation	23	(2 436)	683
Loss for the year		(10 677)	(1 810)
Other comprehensive income		-	-
Total comprehensive loss for the year		(10 677)	(1 810)

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Statement of Changes in Equity

	Stated capital and premium R '000	Accumulated loss R '000	Total equity R '000
Balance at 1 April 2016	400 000	(349 875)	50 125
Loss for the year	-	(1 810)	(1 810)
Total comprehensive loss for the year	-	(1 810)	(1 810)
Balance at 1 April 2017	400 000	(351 685)	48 315
Loss for the year	-	(10 677)	(10 677)
Total comprehensive loss for the year	-	(10 677)	(10 677)
Balance at 31 March 2018	400 000	(362 362)	37 638
Notes	10		

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Statement of Cash Flows

	Notes	2018 R '000	2017 R '000
Cash flows from operating activities			
Cash (used in) generated from operations	24	(15 564)	17 359
Interest revenue		493	735
Finance costs		(28)	(24)
Net cash from operating activities		(15 099)	18 070
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(96)	(33)
Cash flows from financing activities			
Repayment of shareholder loan		(46)	(26)
Total cash movement for the year		(15 241)	18 011
Cash at the beginning of the year		31 112	13 101
Total cash at end of the year	8	15 871	31 112

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 71 of 2008 in South Africa.

The financial statements have been prepared under the historical cost convention except for the valuation of certain financial instruments, which are carried at fair value. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving complex or subjective judgements or assessments. The items for consideration have been identified as follows:

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

2. Provisions - Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 & 12.

3. Taxation - Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the Foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

4. Inventory - The recoverable value of Inventory and obsolete stock is based on observable historic information, management's experience in Inventory write-offs and the recoverability of aged inventory.

5. Property, Plant & Equipment - The estimated useful lives and residual values used in the calculation of the net asset value of property, plant and equipment were determined by management based on information available.

Asset lives and residual values

Property, plant and equipment are depreciated over their useful lives taking into account residual values. The actual lives of the assets are assessed annually and are influenced by factors such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

Ongoing assessments are made regarding any potential impairment of assets across the company, using valuation models prescribed under IFRS

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment includes all expenditure of a capital nature and is stated at cost less accumulated depreciation and any adjusted impairment losses. All costs relating to the acquisition of fixed assets are capitalised and include finance costs on borrowed funds attributable to acquisition of qualifying fixed assets for the period up to date when the asset is ready for its intended use, and adjustments arising from foreign exchange differences arising on foreign currency borrowings to the extent they are regarded as an adjustment to interest costs. Other incidental expenditure attributable to bringing the fixed assets to their working condition for intended use are capitalised.

On the disposal or scrapping of property, plant and equipment, the gain or loss arising thereon is recognised in profit or loss.

All fixed assets are depreciated and charged to profit or loss over their expected useful lives to estimated residual values at rates appropriate to their useful lives of the assets. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The depreciation methods, estimated useful lives and residual values are reassessed annually. The useful lives of items of property, plant & equipment has been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	4 - 10 years
Office equipment	Straight line	4 - 10 years
Computer hardware	Straight line	3 - 5 years

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Trademark	Indefinite
Computer software	5 years

1.5 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loan from shareholder

Loan from shareholder is classified as financial liabilities measured at amortised cost.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

Trade and other payables

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

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Financial instruments (continued)

Cash and cash equivalents

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

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

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

1.7 Leases

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.8 Inventories

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.

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Accounting Policies

1.8 Inventories (continued)

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

1.9 Impairment of assets

At each statement of financial position date, the company reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The carrying amount of an asset or cash-generating unit is reflected at the lower of cost and the recoverable amount. Impairment losses, or reversals thereof, are recognised as expenses or income. An impairment loss reversal, however, cannot result in a carrying amount exceeding original cost.

1.10 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11 Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue comprises the invoiced value of sales, less discounts, rebates and returns, defective quality concession and excludes Value Added Taxation. Sales of goods are recognised when the significant risk and rewards of ownership have been transferred to the buyer.

Interest is recognised on a time proportional basis, which takes into account the effective yield on the asset over the period it is held.

1.13 Borrowing costs

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

1.14 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.

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

2018	2017
R '000	R '000

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">Amendments to IAS 7: Disclosure initiative	1 January 2017	The impact of the standard is not material.
<ul style="list-style-type: none">Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	The impact of the amendments is not material.

2.2 Relevant standards and interpretations not yet effective

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2018 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">IFRS 16 Leases	1 January 2019	Unlikely there will be a material impact
<ul style="list-style-type: none">IFRS 9 Financial Instruments	1 January 2018	Unlikely there will be a material impact
<ul style="list-style-type: none">IFRS 15 Revenue from Contracts with Customers	1 January 2018	Unlikely there will be a material impact

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

3. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	31	(8)	23	19	(5)	14
Office equipment	10	-	10	10	-	10
Computer hardware	220	(51)	169	137	(23)	114
Total	261	(59)	202	166	(28)	138

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	14	13	(4)	23
Office equipment	10	-	-	10
Computer hardware	114	83	(28)	169
	138	96	(32)	202

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	17	-	(3)	14
Office equipment	10	-	-	10
Computer hardware	95	33	(14)	114
	122	33	(17)	138

Register of land and buildings are kept in terms of the South African Companies Act at the companies' registered office and copies will be made available on written request.

The estimate useful lives are reflected under the accounting policies.

4. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademark	4 131	-	4 131	5 507	-	5 507
Computer software	31 914	(31 914)	-	31 914	(31 914)	-
Total	36 045	(31 914)	4 131	37 421	(31 914)	5 507

Reconciliation of intangible assets - 2018

	Opening balance	Impairment loss	Total
Trademarks	5 507	(1 376)	4 131

Reconciliation of intangible assets - 2017

	Opening balance	Total
Trademarks	5 507	5 507

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
5. Deferred tax		
Deferred tax asset		
Prepaid expense	76	(107)
Provisions	9 045	10 561
Assessed loss	16 311	17 414
Total deferred tax asset	25 432	27 868
Reconciliation of deferred tax asset / (liability)		
At beginning of year	27 868	27 185
Prepaid expenses	31	683
Provisions	(1 364)	-
Assessed loss	(1 103)	-
	25 432	27 868
6. Inventories		
Stock in trade - on hand	46 891	45 918
Stock in trade - in transit	12 097	10 732
	58 988	56 650
Provision for obsolete, slow/non-moving and net realisable values of inventories	(2 429)	(2 707)
	56 559	53 943
7. Trade and other receivables		
Trade receivables	35 013	32 990
Prepayments	271	504
Allowance for doubtful debts	(4 366)	(4 366)
Advance receivable in cash or in kind	6	21
Other receivable	(35)	106
	30 889	29 255
Trade and other receivables past due but not impaired		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R 4 022 (2017: R 9 965) million were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Past due over 30 days	1 351	6 397
Past due over 60 days	17	482
Past due over 90 days	392	149
Past due over +120 days	2 262	2 937
	4 022	9 965

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
7. Trade and other receivables (continued)		
Trade and other receivables impaired		
The amount of the provision was R 4 366 million as of 31 March 2018 (2017: R 4 366).		
The ageing of these receivables is as follows:		
Not yet due	1 695	798
Past due over 60 days	17	482
Past due over 90 days	392	149
Past due over +120 days	2 262	2 937
	<u>4 366</u>	<u>4 366</u>
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1	1
Bank balances	15 870	31 111
	<u>15 871</u>	<u>31 112</u>
9. Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
2018		
	Loans and receivables	Total
Trade and other receivables	30 618	30 618
Cash and cash equivalents	15 871	15 871
	<u>46 489</u>	<u>46 489</u>
2017		
	Loans and receivables	Total
Trade and other receivables	28 751	28 751
Cash and cash equivalents	31 112	31 112
	<u>59 863</u>	<u>59 863</u>
10. Stated capital and premium		
Authorised		
1 000 ordinary shares	<u>1 000</u>	<u>1 000</u>
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		
707 Ordinary shares	<u>400 000</u>	<u>400 000</u>

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
11. Operating lease liability		
Minimum lease payments due		
- Short term (due within one year)	20	20
Present value of minimum lease payments due		
- Long term (due within three years)	52	16
Non-current liabilities	52	16
Current liabilities	20	20
	72	36

The lease escalation liability relates to rental and lease contracts with fixed escalation clause. Rental payables under the contracts are charged to profit or loss account on a straight-line basis over the term of relevant lease.

12. Post retirement medical aid obligation

Defined benefit plan

Prior to 1998, it was the company's policy to provide post employment medical benefits for its employees, by the way of subsidies. These subsidies have been funded by means of pensions purchased from insurers. Each year additional amounts are paid in line with the increases in medical aid subscriptions. While selling Apollo Tyres South Africa (Pty) Ltd to Sumitomo Rubber Industries ("SRI"). The liability got transferred to them. However as per the sale agreement any cost incurred by SRI for these old employees should subsequently to be reimbursed by Apollo Tyres Africa (Pty) Ltd.

The SRI liability in respect of the post-employment medical obligation has been actuarially valued at R 24.4m (2016: R27.4m) at 31 December 2017 by Towers Watson Actuaries and Consultants. The actuarial valuation performed has been based on the following assumptions:

- a health care cost inflation rate of 7.6% (2017: 8.0% p.a)
- a discount rate of 9.6% (2017: 9.20% p.a)

Carrying value

Opening balance	(27 404)	(26 035)
Movement in the statement of profit or loss	2 980	(1 369)
	(24 424)	(27 404)

13. Trade and other payables

Employees related payable	618	816
Other payables and accruals	11 044	9 821
Other payables to related parties	4 643	4 455
VAT	285	(1 367)
Trade payables *	40 520	44 171
Unclaimed dividend payable	-	307
	57 110	58 203

* included payable to related parties

14. Loan from shareholder

Apollo (South Africa) Holdings Proprietary Limited	(12 982)	(13 028)
The loan is interest-free with no fixed terms of repayment and is unsecured.		

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000		
15. Provisions				
Reconciliation of provisions - 2018				
	Opening balance	Additions	Total	
Leave pay provisions	837	21	858	
Reconciliation of provisions - 2017				
	Opening balance	Additions	Utilised during the year	Total
Leave pay provisions	580	267	(10)	837
16. Financial liabilities by category				
The accounting policies for financial instruments have been applied to the line items below:				
2018				
	Financial liabilities at amortised cost	Total		
Loan from shareholder	12 982	12 982		
Trade and other payables	56 824	56 824		
	69 806	69 806		
2017				
	Financial liabilities at amortised cost	Total		
Loan from shareholder	13 028	13 028		
Trade and other payables	59 571	59 571		
	72 599	72 599		
17. Revenue				
Revenue from the sale of finished goods	248 296	259 216		
18. Other operating income				
Income from IT support service/APDP_Imports rebates	3 990	4 363		
Miscellaneous receipts	1 038	648		
	5 028	5 011		
19. Other operating gains				
Foreign exchange gains				
Net foreign exchange gains	6	2 675		

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
20. Operating loss		
Operating loss for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees - current year	160	230
Other services and expenses	-	130
	<u>160</u>	<u>360</u>
Employee cost	<u>14 749</u>	<u>13 040</u>
Depreciation and amortisation		
Depreciation of property, plant and equipment	<u>32</u>	<u>17</u>
21. Investment revenue		
Interest revenue		
Bank and other cash	<u>493</u>	<u>735</u>
22. Finance costs		
Interest paid	<u>28</u>	<u>24</u>
23. Taxation		
Major components of the tax expense (income)		
Deferred		
Originating and reversing temporary differences	<u>2 436</u>	<u>(683)</u>
Reconciliation of the tax expense (income)		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28,00 %	28,00 %
Non-deductible expenditure / Exempt income	(4,99)%	- %
Prior year over provision - deferred tax	(52,75)%	(0,60)%
	<u>(29,74)%</u>	<u>27,40 %</u>

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
24. Cash (used in) generated from operations		
Loss before taxation	(8 241)	(2 493)
Adjustments for:		
Depreciation	32	17
Interest revenue	(493)	(735)
Finance costs	28	24
Impairment losses and reversals	1 377	-
Post retirement medical aid obligation	(2 980)	1 369
Changes in working capital:		
Inventories	(2 616)	(11 334)
Trade and other receivables	(1 635)	9 983
Trade and other payables	(1 093)	20 413
Increase (decrease) in operating lease liability	36	(142)
Increase in leave pay provision	21	257
	(15 564)	17 359

25. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2018

	Opening balance	Cash flows	Closing balance
Loan from shareholder	13 028	(46)	12 982
	13 028	(46)	12 982
Total liabilities from financing activities	13 028	(46)	12 982

Reconciliation of liabilities arising from financing activities - 2017

	Opening balance	Cash flows	Closing balance
Loan from shareholder	13 054	(26)	13 028
	13 054	(26)	13 028
Total liabilities from financing activities	13 054	(26)	13 028

26. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	7 775	5 314
- in second to fifth year inclusive	7 620	3 327
	15 395	8 641

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
27. Related parties		
Relationships		
Ultimate holding company		Apollo Tyres Limited
Holding company		Apollo (South Africa) Holdings Proprietary Limited
Fellow subsidiaries		Apollo Tyres Holding Singapore Pte. Ltd Apollo Vredenstein Banden B.V. Apollo Tyres Global R&D B.V. Apollo Tyres Middle East Apollo Tyres AG Apollo Tyres Enschede Netherlands ATAG Switzerland Apollo Tyres UK PVT Limited
Directors		Mr. Quintin Steyn Mr. R. Arora Mr. M. Maharaj
Related party balances		
Loan account - Owing to related party		
Apollo (South Africa) Holdings Proprietary Limited	(12 982)	(13 028)
Payable to		
Apollo Tyres Limited	24 833	21 286
Apollo Vredenstein Banden B.V.	1 533	12 265
Apollo Tyres Global R&D B.V.	193	193
Apollo Tyres AG	-	29
ATAG Switzerland	83	-
Apollo Tyres Enschede Netherlands	46	-
Apollo Tyres UKL PVT Limited	2 973	-
	29 661	33 773
Related party transactions		
Purchases of inventories and finished goods from:		
Apollo Tyres Limited	151 318	132 307
Apollo Vredenstein Banden B.V.	23 886	57 023
Apollo Tyres Holding Singapore Pte. Ltd	-	426
Apollo Tyres Enschede Netherlands	2 117	-
	177 321	189 756
Group charges		
Apollo Tyres Limited	(300)	(550)
Apollo Tyres UK PVT Limited	(2 973)	-
	(3 273)	(550)
Royalties		
Apollo Tyres Limited	5 142	4 970
Apollo Tyres AG	-	151
Apollo Vredenstein Banden B.V.	-	1 323
ATAG Switzerland	374	-
Apollo Tyres Enschede Netherlands	777	-
	6 293	6 444

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
28. Directors' emoluments		
For services as director	3 213	3 025

29. Risk management

Capital risk management

The company's capital management objective is to achieve an optimal weighted average cost of capital while continuing to safeguard the company's ability to meet its liquidity requirements (including its commitments in respect of capital expenditure), repay loan from shareholder as it falls due and continue as a going concern.

The capital structure of the company consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 14, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Market risk

The company's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. There have been no changes to the company's exposure to market risk or the manner in which it manages and measures the risk.

Liquidity risk

The company manages liquidity risk by maintaining adequate reserve banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Interest rate risk

The company's exposure to the interest rates relates primarily to interest - bearing financial instruments at variable rates. Changes in the interest rates will not materially impact on the profitability of the company.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy customers. Trade receivables comprise a widespread customer base, and the company undertakes ongoing credit evaluations of financial conditions of its customers.

The granting of credit is controlled by well-established criteria which are reviewed and updated on an ongoing basis and, where appropriate, credit guarantee insurance cover is purchased. At 31 March 2018, the company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

The carrying amount of the financial assets recorded in the financial instruments, grossed up for any allowance for losses, represents the maximum exposure to credit risk.

Apollo Tyres Africa Proprietary Limited

(Registration number 2003/128507/07)

Audited Annual Financial Statements for the year ended 31 March 2018

Notes to the Audited Annual Financial Statements

	2018 R '000	2017 R '000
29. Risk management (continued)		
Foreign exchange risk		
Foreign currency exposure		
The company's exposure arises mainly on import and export of finished goods. The company follows a policy of matching of import and export exposures (natural hedge) to reduce the net exposure in any foreign currency.		
Foreign currency risk management		
Foreign currency transactions are managed within approved policy parameters. The recent volatility in the currency markets and the stronger Rand has necessitated a more dynamic approach to currency management. This has necessitated deviating from the set-off strategy at times considered appropriate.		
Foreign currency exposure at the end of the reporting period		
Current assets		
Foreign customers - USD	555	429
Foreign customers - Euro	-	165
Current liabilities		
Foreign suppliers - Euro	69	763
Foreign suppliers - USD	399	190
Foreign suppliers - GBP	174	-
Exchange rates used for conversion of foreign items were:		
USD	11.79	12.44
GBP	16.55	16.80
Euro	14.61	14.35
Cash flow sensitivity analysis		
A 10% strengthening of the Rand against the following currencies at 31 March 2018 would have increased profit or decrease the loss by the amounts shown below. The sensitivity analysis was calculated by multiplying the increase or (decrease) in the exchange rate by the year end balances, this analysis assumes that all other variables remain constant. The same approach was followed prior year.		
USD	184	297
GBP	(288)	-
Euro	(101)	(858)
Total net profit	(205)	(561)
A 10% weakening of the Rand against the following currencies at 31 March 2018 would have decrease profit or increased the loss by the amounts shown below. This analysis assumes that all other variables remain constant.		
USD	(184)	(297)
GBP	288	-
Euro	101	858
Total net loss	205	561