Apollo (South Africa) Holdings Proprietary Limited

(Registration number 2005/035030/07)

Audited Annual Financial Statements

for the year ended 31 March 2019

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General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding company
Directors	Mr. R Rohit Arora Mr. M Maharaj
Registered office	150 Denne Road Hughes Boksburg 1459
Holding company	Apollo Tyres Cooperatief U A incorporated in The Netherlands
Ultimate holding company	Apollo Tyres Limited incorporated in India
Auditor	BDO South Africa Incorporated Chartered Accountants (S.A.) Registered Auditors
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 compiled by Reporting Partners (Pty) Ltd under the supervision of Eben Muller (Manager - Commercial) Aseem Varshneya (Group Manager: Commercial)

Contents

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 2020 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 8 to 26, which have been prepared on the going concern basis, were approved by the board of directors on 25 April 2019 and were signed on their behalf by:

Director

Directors' Report

The directors have pleasure in submitting their report on the audited annual financial statements of Apollo (South Africa) Holdings Proprietary Limited for the year ended 31 March 2019.

1. Nature of business

The company is an investment holding company.

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

	2019	2018
Authorised	Number of shares	
Ordinary shares	1 000	1000

	2019	2018		
Issued	R	R		
130 Ordinary shares	130	130	130	130

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

4. Dividends

No dividends were declared or paid during the current or prior financial year.

5. Directorate

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

Directors	Nationality	Changes
Mr. R Rohit Arora	Indian	
Mr. M Maharaj	Indian	

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

6. Interest of directors in the stated capital of the company

The directors do not have any disclosable interest in the shares of the company or *any* of its subsidiaries.

7. Investment in subsidiary

The company holds an investment in the following subsidiary company:
-Apollo Tyres Africa Proprietary Limited (South Africa)

8. Holding company

The company's holding company is Apollo Tyres Cooperatief U.A which holds 100% (2018: 100%) of the company's equity.

The ultimate holding company is Apollo Tyres Limited, incorporated in India.

Directors' Report

9. Special resolutions

No special resolutions, the nature of which might be significant to the shareholder in their appreciation of the state of affairs of the company were made by the company during the period covered by this report.

10. 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.

11. 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.

12. Auditors

BOO South Africa Incorporated were appointed as auditors for the company for 2019.

13. Directors emoluments

No directors' emoluments were paid by the company during the current and prior year.

14. Investment in subsidiary

Group accounts have been separately prepared as the directors have elected the exemption contained in IFRS 10: Consolidated and separate financial statements.

BDO

Independent Auditor's Report
To the shareholder of
Apollo (South Africa) Holdings Proprietary Limited

Opinion
We have audited the financial statements of Apollo (South Africa) Holdings Proprietary Limited set out on pages 8 to 25, which comprise the statement of financial position as at 31 March 2019, 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 financial statements, including a summary of significant accounting policies.

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

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

Other information
The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa set out on pages 25 to 26. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken based on 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates in addition, related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

MZ Sadek

Director
Registered Auditor

25 April 2019

Statement of Financial Position as at 31 March 2019

	Notes	2019 R '000	2018 R '000
Assets			
Non-Current Assets			
Investment in subsidiary	3	50 125	50 125
Current Assets			
Loan to group company	4	12 960	12 982
Cash and cash equivalents	5	2 465	2 327
Total current assets		**15 425**	**15 309**
Total Assets		**65 550**	**65 434**
Equity and Liabilities			
Equity			
Retained income		65 425	65 364
Liabilities			
Current Liabilities			
Current tax payable		125	70
Total Equity and Liabilities		**65 550**	**65 434**

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 R '000	2018 R '000
Other operating expenses		(14)	(10)
Operating loss	7	**(14)**	**(10)**
Investment income	8	141	137
Profit before taxation		127	127
Taxation	9	(66)	(75)
Profit for the year		**61**	**52**
Other comprehensive income		-	-
Total comprehensive income for the year		**61**	**52**

Statement of Changes in Equity

	Stated capital R '000	Retained income R '000	Total equity R '000
Balance at 01 April 2017	**-**	**65 312**	**65 312**
Profit for the year	-	52	52
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**52**	**52**
Balance at 01 April 2018	**-**	**65 364**	**65 364**
Profit for the year	-	61	61
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**61**	**61**
Balance at 31 March 2019	**-**	**65 425**	**65 425**
Note	6		

* Amount is less than R 1 000

Statement of Cash Flows

	Notes	2019 R '000	2018 R '000
Cash flows from operating activities			
Cash used in operations	10	(14)	(10)
Interest income		141	137
Tax paid	11	(11)	(39)
Net cash from operating activities		**116**	**88**
Cash flows from investing activities			
Decrease in loan to group company		22	46
Net cash from investing activities		**22**	**46**
Total cash movement for the year		**138**	**134**
Cash at the beginning of the year		2 327	2 193
Total cash at end of the year	5	**2 465**	**2 327**

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 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.

The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. The significant estimates and assumptions made by the board of directors in preparing these financial statements include assumptions used in estimating the following items:

Income taxes
The Company is subject to income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

These accounting policies are consistent with the previous period except for the list of amendments to IFRS that are mandatory and effective for the financial year ending 31 March 2019 as indicated in note 1.3 and 14 for IFRS 9 and 1.9 for IFRS 15.

1.2 Investment in subsidiary

Investment in subsidiary are carried at cost less any accumulated impairment losses.

1.3 Financial instruments

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

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

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Accounting Policies

1.3 Financial instruments (continued)

Loans receivable at amortised cost

Classification

Loan to group company (note 4) is classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

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

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Accounting Policies

1.3 Financial instruments (continued)

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the company consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Write off policy

The company writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 7).

Cash and cash equivalents

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

Derecognition

Financial assets

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

Accounting Policies

1.3 Financial instruments (continued)

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

1.4 Financial instruments: IAS 39 comparatives

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.

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.

Accounting Policies

1.4 Financial instruments: IAS 39 comparatives (continued)

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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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 to group company

Loan to group company consits of the loan to the subsidiary and is recognised initially at fair value plus direct transaction costs.

Loan to group company is classified as loans and receivables.

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.

1.5 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.

Accounting Policies

1.5 Tax (continued)

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).

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.

1.6 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.

1.7 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.

1.8 Provisions

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

1.9 Revenue

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

1.10 Critical accounting judgements and key sources of estimation uncertainty

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

Notes to the Audited Annual Financial Statements

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:
• IFRS 9 Financial Instruments	01 January 2018	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements. The company has provided the information for both the current and the comparative period in notes 1.3, 1.4 and 3.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	No impact

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

3 Investment in subsidiary

	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Apollo Tyres Africa Proprietary Limited 707 (2018: 707) ordinary shares	100.00 %	100.00 %	400 000	400 000
			400 000	400 000
Impairment of investment in subsidiary			(349 875)	(349 875)
			50 125	50 125

4. Loan to group company

Subsidiary

	2019	2018
Apollo Tyres Africa Proprietary Limited	12 960	12 982

The loan is interest-free unsecured and there are no fixed terms of repayment.

Split between non-current and current portions

	2019	2018
Current assets	12 960	12 982

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for group loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition

In determining the amount of expected credit losses, the company has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate.

The estimation techniques explained have been applied for the first time in the current financial period, which is the first time the company has applied IFRS 9. Group loans receivable were previously impaired only when there was objective evidence that the loan was impaired. The impairment was previously calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Notes to the Audited Annual Financial Statements

	2019	2018
	R '000	R '000

4. Loan to group company (continued)

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing	Low risk of default and no amounts are past due	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL (not credit impaired)
In default	There is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery	Amount is written off

Notes to the Audited Annual Financial Statements

Figures in Rand thousand	2019	2018

4. Loan to group company (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

2019

Instrument	External credit rating (where applicable)	Rating agency	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loan to subsidiary							
Apollo Tyres Africa Proprietary Limited	N/A	N/A	Performing	12m ECL	12 960	-	12 960

No external credit ratings or rating agency indicators were applied as it was not deemed applicable to the company. The company made no provision for credit losses as the credit losses were assessed to be immaterial.

Reconciliation of loss allowances

There has been no movement in the loss allowance for loans receivable. There has been no adjustment upon the application of IFRS 9.

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2 465	2 327

6. Stated capital

Authorised		
1 000 Ordinary shares	1	1

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 inforce until the next annual general meeting.

Issued		
130 ordinary shares	-	-

• Amount is less than R 1 000.

7. Operating loss

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

Remuneration, other than to employees		
Consulting and professional services	12	7

8. Investment income

Interest income		
Bank	141	137

9. Taxation

Major components of the tax expense

Current		
Local income tax - current period	35	38
Local income tax - recognised in current tax for prior periods	31	37
	66	75

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	127	127
Tax at the applicable tax rate of 28% (2018:28%)	36	36
Tax effect of adjustments on taxable income		
Prior year adjustment	30	37
Non-deductible expenditure		2
	66	75

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

10. Cash used in operations

	2019	2018
Profit before taxation	127	127
Adjustments for:		
Interest income	(141)	(137)
	(14)	(10)

11. Tax paid

	2019	2018
Balance at beginning of the year	(70)	(34)
Current tax for the year recognised in profit or loss	(66)	(75)
Balance at end of the year	125	70
	(11)	(39)

12. Related parties

Relationships	
Ultimate holding company	Apollo Tyres Limited
Holding company	Apollo Tyres Cooperatief U.A
Fellow subsidiaries	Apollo Vredestein 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 Ltd Apollo Tyres Africa Proprietary Limited
Directors	Mr. R Arora Mr. M Maharaj

Related party balances

	2019	2018
Loan accounts - Owing by related party		
Apollo Tyres Africa Proprietary Limited	12 960	12 982

13. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

Notes to the Audited Annual Financial Statements

14. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Notes	Amortised cost	Total	Fair value
Loan to group company	4	12 960	12 960	12 960
Cash and cash equivalents	5	2 465	2 465	2 465
		15 425	**15 425**	**15 425**

2018

	Notes	Amortised cost	Total	Fair value
Loan to group company	4	12 982	12 982	12 982
Cash and cash equivalents	5	2 327	2 327	2 327
		15 309	**15 309**	**15 309**

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2019

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest income	8	141	141

2018

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest income	8	137	137

Capital risk management

The capital structure of the Company consists of cash and cash equivalents as disclosed in note 5 and equity attributable to equity holders of the Company which comprises issued stated capital and premium and accumulated profits disclosed in note 6 and the statement of changes in equity respectively.

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 borrowings as they fall due and continue as a going concern.

Notes to the Audited Annual Financial Statements

14. Financial instruments and risk management (continued)

Financial risk management

Market risk

The company activities expose it primarily to the financial risk of changes in foreign currency exchange rates. There has 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's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The company is not sensitive to movements in the ZAR interest rates.

Detailed Income Statement

	Notes	2019 R '000	2018 R '000
Operating expenses			
Bank charges		(2)	(3)
Consulting fees		(12)	(7)
		(14)	**(10)**
Operating loss	7	**(14)**	**(10)**
Investment income	8	141	137
Profit before taxation		**127**	**127**
Taxation	9	(66)	(75)
Profit for the year		**61**	**52**

The supplementary information presented does not form part of the audited annual financial statements and is unaudited