
APOLLO TYRES (THAILAND) LIMITED

Financial Statements

Year ended March 31, 2019

REPORT OF THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS APOLLO TYRES (THAILAND) LIMITED

Opinion

We have audited the financial statements of Apollo Tyres (Thailand) Limited (the “Company”), which comprise the statement of financial position as at March 31, 2019, and the related statements of income, and changes in shareholders’ equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Apollo Tyres (Thailand) Limited as at March 31, 2019, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standard for Non-Publicly Accountable Entities.

Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). 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 Federation of Accounting Professions’ Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standard for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Company or to cease operations, or has 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 TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgment 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 and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 management 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.



Porakoch Jongkolsiri
Certified Public Accountant (Thailand)
Registration No. 7150

BANGKOK
May 3, 2019

DELOITTE TOUCHE TOHMATSU JAIYOS AUDIT CO., LTD.

APOLLO TYRES (THAILAND) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

UNIT : BAHT

	Notes	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	57,708,798	43,647,604
Trade and other receivables	4	227,395,348	163,523,028
Inventories	5	99,395,595	151,340,501
Total Current Assets		384,499,741	358,511,133
NON-CURRENT ASSETS			
Leasehold improvements and equipment	6	18,085,859	6,337,483
Intangible asset	7	30,923	39,924
Other non-current assets		578,066	577,667
Total Non-current Assets		18,694,848	6,955,074
TOTAL ASSETS		403,194,589	365,466,207

Notes to the financial statements form an integral part of these statements

APOLLO TYRES (THAILAND) LIMITED
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT MARCH 31, 2019

UNIT : BAHT

	Notes	2019	2018
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	8	260,872,212	232,067,761
Current portion of long-term liability under finance lease agreement	9	34,174	31,216
Current income tax payable		493,320	-
Provision for warranty claims		6,093,680	4,692,632
Other current liabilities		1,918,537	1,370,325
Total Current Liabilities		269,411,923	238,161,934
NON-CURRENT LIABILITIES			
Long-term liability under finance lease agreement	9	1,200	31,375
Employee benefit obligations	10	6,711,837	4,780,606
Total Non-current Liabilities		6,713,037	4,811,981
TOTAL LIABILITIES		276,124,960	242,973,915
SHAREHOLDERS' EQUITY			
SHARE CAPITAL			
Authorized share capital			
4,000,000 ordinary shares of Baht 100 each		400,000,000	400,000,000
Paid-up share capital			
4,000,000 ordinary shares of Baht 100 each, Baht 25 called and paid-up		100,000,000	100,000,000
RETAINED EARNINGS			
Appropriated			
Legal reserve	12	3,000,000	3,000,000
Unappropriated		24,069,629	19,492,292
TOTAL SHAREHOLDERS' EQUITY		127,069,629	122,492,292
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		403,194,589	365,466,207

Notes to the financial statements form an integral part of these statements

APOLLO TYRES (THAILAND) LIMITED
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2019

UNIT : BAHT

	Note	2019	2018
REVENUES			
Revenue from sales		1,169,329,143	1,166,528,989
Net gain on foreign exchange rate		7,510,791	6,751,839
Other income		30,435,741	10,676,463
Total Revenues		<u>1,207,275,675</u>	<u>1,183,957,291</u>
EXPENSES			
Cost of sales		967,923,321	984,028,240
Selling expenses		70,170,765	39,718,875
Administrative expenses		164,110,932	168,812,935
Total Expenses		<u>1,202,205,018</u>	<u>1,192,560,050</u>
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		5,070,657	(8,602,759)
INCOME TAX EXPENSE	13	493,320	-
NET PROFIT (LOSS)		<u><u>4,577,337</u></u>	<u><u>(8,602,759)</u></u>

Notes to the financial statements form an integral part of these statements

APOLLO TYRES (THAILAND) LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2019

UNIT : BAHT

	Paid-up share capital	Retained earnings		Total shareholders' equity
		Appropriated Legal reserve	Unappropriated	
Beginning balance as at April 1, 2017	100,000,000	3,000,000	28,095,051	131,095,051
Net loss	-	-	(8,602,759)	(8,602,759)
Ending balance as at March 31, 2018	100,000,000	3,000,000	19,492,292	122,492,292
Beginning balance as at April 1, 2018	100,000,000	3,000,000	19,492,292	122,492,292
Net profit	-	-	4,577,337	4,577,337
Ending balance as at March 31, 2019	100,000,000	3,000,000	24,069,629	127,069,629

Notes to the financial statements form an integral part of these statements

APOLLO TYRES (THAILAND) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

1. THE OPERATIONS AND GENERAL INFORMATION OF THE COMPANY

Apollo Tyres (Thailand) Limited (the “Company”) was registered as a limited company under Thai laws on January 22, 2013. The registered office was located at 23rd Floor, Unit A, KPN Tower, No. 719 Rama 9 Road, Bangkok Sub-district, Huaykwang District, Bangkok.

The principal business of the Company is trading and generally carrying business of manufacturer in tyres of vehicles.

The parent company is Apollo Tyres Co-operatief (U.A.), which is incorporated in Netherlands, by holding 99.99% of the Company’s paid-up share capital. The ultimate parent of the group is Apollo Tyres Ltd., which is incorporated in India.

The Company has extensive transactions and relationships with related companies. Accordingly, the financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred if the Company had operated without such affiliations.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with Thai Financial Reporting Standard for Non-Publicly Accountable Entities (“TFRS for NPAs”) issued by the Federation of Accounting Professions and accounting practices generally accepted in Thailand.

The financial statements of the Company are prepared in compliance with the Notification of the Department of Business Development dated September 28, 2011 regarding “The Brief Particulars in the Financial Statements B.E. 2554”.

The financial statements have been prepared on the historical cost convention except as disclosed in the significant accounting policies.

Significant accounting policies are summarized as follows:

2.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks with original maturities of three months or less from the date of acquisition and exclude deposits at banks used as collateral, if any.

2.2 Trade and other receivables

Trade and other receivables are stated at their invoice value less allowance for doubtful accounts, if any.

An allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

2.3 Inventories

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

Cost is calculated using the weighted average cost method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

Allowance for inventory obsolescence is estimated from obsolete and slow moving inventories.

2.4 Leasehold office improvements and equipment

Leasehold office improvements and equipment is stated at cost less accumulated depreciation and allowance for devaluation, if any.

Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows:

Leasehold office improvement	5 years
Moulds	5 years
Furniture and fixture	5 years
Office equipment	3 - 5 years
Vehicle	5 years

In case permanent devaluation of leasehold office improvements and equipment has occurred, the resultant loss on devaluation will be recognized as expense in the statement of income.

2.5 Intangible asset

Intangible asset is software licenses which are stated at cost, net of accumulated amortization and allowance for devaluation, if any.

Amortization is calculated by the straight-line method, based on the estimated useful lives of the assets as follows:

Software licenses	5 - 10 years
-------------------	--------------

If there is an indicator that the value of an intangible asset has permanently declined, the Company shall recognize a loss on devaluation of an intangible asset in the statement of income.

2.6 Long-term lease

Operating lease

Lease in which substantially all the risk and rewards of ownership of assets remain with the lessor are accounted for as operating lease. Operating lease expenses are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Finance lease

Leases of assets where the Company assumes substantially all the risks and rewards are classified as finance leases. Assets acquired by way of finance leases are capitalized at the net present value of the minimum lease payments at the inception of the lease. The corresponding lease liability is recorded in the statement of financial position. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve effective interest rate on the remaining balance of the liability. Finance charges are charged directly to the statement of income.

2.7 Provision for warranty claim

The provision for warranty claim is estimated by the management based on past experience. The Company recognized warranty claim in the statement of income.

2.8 Employee benefits

2.8.1 Employee benefit obligations

Employee benefit obligations are the provision of the post-employment benefit obligations under the Thai Labor Protection Act. Employee benefit obligations which is calculated based on the last month salary of the year, years of services and possibilities that employee will work with the Company until retire.

Gain or loss from change in estimate related to the post-employment benefits amendment is recognized as an expense in the income statement when such amendment is effective.

2.8.2 Provident fund

The Company's contributions to the provident fund are charged to the statement of income in the year to which they incur.

2.9 Revenue recognition

Revenue from sales

Revenues from domestic sales are recognized when goods are delivered to customers.

In the case of export sales, revenues are recognized when goods are shipped and titles are passed to the buyers. Titles are passed to the buyers when the Company delivers the goods to the common carriers who act as agents for the buyers.

Interest income and other income

Interest income and other income are recognized on an accrual basis.

2.10 Recognition of expenses

Expenses are recognized on an accrual basis.

2.11 Income tax expense

Income tax expense is based on tax paid and accrued for the year.

2.12 Foreign currency transactions

Transactions during the year denominated in foreign currencies are translated into Baht at rates of exchange prevailing at the transaction dates. All balances of monetary assets and liabilities in foreign currencies at the end of the year are converted at the reference exchange rates established by the Bank of Thailand at the end of the year.

Gain or loss on foreign exchange arising on settlements and translation is recognized as an income or expense in the statement of income.

2.13 Use of management judgments

The preparation of financial statements in conformity with TFRS for NPAEs and accounting practices generally accepted in Thailand also requires the Company's management to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the last date of the reporting period and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at March 31, are as follows:

	2019 Baht	2018 Baht
Cash at banks - current accounts	3,132,238	(849,881)
Cash at banks - savings accounts	54,576,560	44,497,485
	<u>57,708,798</u>	<u>43,647,604</u>

4. TRADE AND OTHER RECEIVABLES

Trade and other receivables as at March 31, are as follows:

	2019 Baht	2018 Baht
Trade receivables - other companies	134,912,616	125,453,052
Other receivables		
Other receivables - related companies	90,296,629	29,565,532
Receivable - the Revenue Department	548,741	3,072,030
Prepaid expenses	1,325,752	2,052,099
Other receivables	311,610	3,380,315
Total other receivables	<u>92,482,732</u>	<u>38,069,976</u>
	<u>227,395,348</u>	<u>163,523,028</u>

5. INVENTORIES

Inventories as at March 31, are as follows:

	2019 Baht	2018 Baht
Finished goods	79,440,255	138,600,313
Goods in transit	23,012,579	12,740,188
	<u>102,452,834</u>	<u>151,340,501</u>
<u>Less Allowance for devaluation of inventories</u>	<u>(3,057,239)</u>	<u>-</u>
	<u>99,395,595</u>	<u>151,340,501</u>

For the year ended March 31, 2019, the Company recorded the write-down of cost to net realizable value in the amount of Baht 3.06 million, as part of cost of goods sold (For the year ended March 31, 2018 : nil).

6. LEASEHOLD OFFICE IMPROVEMENTS AND EQUIPMENT

Leasehold office improvements and equipment as at March 31, are as follows:

	Balance as at April 1, 2018 Baht	Additions Baht	Disposals Baht	Balance as at March 31, 2019 Baht
Cost:				
Leasehold office improvements	4,418,114	-	-	4,418,114
Moulds	-	13,795,104	-	13,795,104
Furniture and fixture	2,518,888	-	-	2,518,888
Office equipment	5,699,710	675,138	-	6,374,848
Vehicle	4,256,095	-	-	4,256,095
Total cost	<u>16,892,807</u>	<u>14,470,242</u>	<u>-</u>	<u>31,363,049</u>
Accumulated depreciation:				
Leasehold office improvements	(3,486,889)	(328,660)	-	(3,815,549)
Moulds	-	(525,755)	-	(525,755)
Furniture and fixture	(2,031,236)	(216,046)	-	(2,247,282)
Office equipment	(3,788,811)	(800,186)	-	(4,588,997)
Vehicle	(1,248,388)	(851,219)	-	(2,099,607)
Total accumulated depreciation	<u>(10,555,324)</u>	<u>(2,721,866)</u>	<u>-</u>	<u>(13,277,190)</u>
Leasehold office improvements and equipment	<u>6,337,483</u>			<u>18,085,859</u>
	Balance as at April 1, 2017 Baht	Additions Baht	Disposals Baht	Balance as at March 31, 2018 Baht
Cost:				
Leasehold office improvements	4,418,114	-	-	4,418,114
Furniture and fixture	2,518,888	-	-	2,518,888
Office equipment	5,023,021	676,689	-	5,699,710
Vehicle	4,513,241	1,411,000	(1,668,146)	4,256,095
Total cost	<u>16,473,264</u>	<u>2,087,689</u>	<u>(1,668,146)</u>	<u>16,892,807</u>
Accumulated depreciation:				
Leasehold office improvements	(2,603,266)	(883,623)	-	(3,486,889)
Furniture and fixture	(1,527,458)	(503,778)	-	(2,031,236)
Office equipment	(2,705,578)	(1,083,233)	-	(3,788,811)
Vehicle	(878,272)	(898,362)	528,246	(1,248,388)
Total accumulated depreciation	<u>(7,714,574)</u>	<u>(3,368,996)</u>	<u>528,246</u>	<u>(10,555,324)</u>
Leasehold office improvements and equipment	<u>8,758,690</u>			<u>6,337,483</u>
Depreciation for the years ended March 31,				
2019			Baht	<u>2,721,866</u>
2018			Baht	<u>3,368,996</u>

7. INTANGIBLE ASSET

Intangible asset as at March 31, are as follows:

	Balance as at April 1, 2018 Baht	Additions Baht	Disposals Baht	Balance as at March 31, 2019 Baht
Cost:				
Software	123,361	3,322	-	126,683
Total	123,361	3,322	-	126,683
Accumulated amortization:				
Software	(83,437)	(12,323)	-	(95,760)
Total	(83,437)	(12,323)	-	(95,760)
Intangible asset	39,924			30,923
	Balance as at April 1, 2017 Baht	Additions Baht	Disposals Baht	Balance as at March 31, 2018 Baht
Cost:				
Software	107,511	15,850	-	123,361
Total	107,511	15,850	-	123,361
Accumulated amortization:				
Software	(63,989)	(19,448)	-	(83,437)
Total	(63,989)	(19,448)	-	(83,437)
Intangible asset	43,522			39,924
Amortization for the years ended March 31,				
2019			Baht	12,323
2018			Baht	19,448

8. TRADE AND OTHER PAYABLES

Trade and other payables as at March 31, are as follows:

	2019 Baht	2018 Baht
Trade payables - related companies	131,766,842	79,120,904
Other payables		
Payables - related companies	27,691,025	16,752,527
Payables - other companies	6,571,615	9,616,388
Accrued selling expenses	63,951,617	91,899,863
Accrued advertising expenses	9,631,577	12,784,944
Accrued transportation expenses	3,441,648	1,458,119
Accrued bonus	6,093,109	5,013,484
Other accrued expenses	11,724,779	15,421,532
Total other payables	129,105,370	152,946,857
	260,872,212	232,067,761

9. LIABILITY UNDER FINANCE LEASE AGREEMENT

The aggregate minimum rental commitment under the finance lease agreement as at March 31, consist of the following:

	Minimum lease payments		Present value of minimum lease payments	
	2019 Baht	2018 Baht	2019 Baht	2018 Baht
Periods				
Within 1 year	36,000	36,000	34,174	31,216
Later than 1 year and not later than 5 years	1,200	37,200	1,200	31,375
	<u>37,200</u>	<u>73,200</u>	<u>35,374</u>	<u>62,591</u>
<u>Less</u> Deferred interest	<u>(1,826)</u>	<u>(10,609)</u>	<u>-</u>	<u>-</u>
	<u>35,374</u>	<u>62,591</u>	<u>35,374</u>	<u>62,591</u>

10. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations as at March 31, are as follows;

	2019 Baht	2018 Baht
Balance brought forward	4,780,606	3,877,745
Addition during the year	<u>1,931,231</u>	<u>902,861</u>
Balance carried forward	<u>6,711,837</u>	<u>4,780,606</u>

The Labor Protection Act (No. 7) B.E. 2562 has been announced in the Royal Gazette on April 5, 2019. This Labor Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than 400 days at the employees' latest wage rate. This change is considered an amendment to post-employment benefits. The Company will reflect the effect of such change by recognizing gain or loss from change in estimate as an expense in the income statement of the period in which the law is effective (see Note 16).

11. PROVIDENT FUND

The Company has a provident fund for those employees who indicated their willingness to join. The contributions from employees are deducted from the employee's monthly salaries, with the Company's contribution at 10% with minimum contribution of 3% from employee. The fund is managed by an authorized fund manager in accordance with the Provident Fund Act B.E. 2530 (1987).

The Company's contributions to the fund recorded as expense in the statements of income for the years ended March 31, 2019 and 2018, were Baht 3.99 million and Baht 3.06 million, respectively.

12. LEGAL RESERVE

According to the Civil and Commercial Code, the Company must appropriate to a reserve fund at each distribution of dividend at least one-twentieth of the profit arising from the business of the Company until the reserve fund reaches one-tenth part of the capital of the Company. Such reserve fund is not available for distribution as a dividend until the Company is finally wound up.

13. INCOME TAX EXPENSE

For the year ended March 31, 2019, the Company's effective tax rate is not equal to the statutory tax rate because the Company has tax loss carried forward from prior year and certain expenses are non-taxable expenses according to the Revenue Code.

14. SIGNIFICANT AGREEMENTS

On June 1, 2013, the Company entered into Trademark License & Royalty Agreement with the ultimate parent company of the group and the related companies, for the latter to grant the Company to commercially exploit the Trademarks for the sale of tyres as specified in the agreement. In this regard, the Company agreed to pay royalty fee at the rates specified in the agreement which shall be effective from June 1, 2013 to March 31, 2014 and thereafter it shall be renewed automatically, for further successive periods of 1 year each unless either party notifies the termination to the other in writing at least 6 months.

15. COMMITMENTS

As at March 31, 2019 and 2018, the Company has commitments on office premises rental and utilities agreements have minimum future lease and service payments as follows:

	2019	2018
	Baht	Baht
Not later than one year	190,300	2,283,591
Later than one year but not over 5 years	-	190,300
	<u>190,300</u>	<u>2,473,891</u>

The Company recorded rental fees as expenses in the statement of income for the years ended March 31, 2019 and 2018 of Baht 2.31 million and Baht 2.28 million, respectively.

16. EVENT AFTER THE REPORTING PERIOD

The Labor Protection Act (No. 7) B.E. 2562 has been announced in the Royal Gazette on April 5, 2019. The Company will recognize the effect of the change in such estimate in the financial statements when the law is effective in the amount of Baht 0.49 million (see Note 10).

17. RECLASSIFICATIONS

Certain reclassifications have been made in the financial statements for the year ended March 31, 2018 in order to conform to the classification used in current period of financial statements, such reclassifications have no effect on the previously reported net loss and shareholders' equity. The reclassifications are as follows:

Accounts	Amount Baht	Previous classification	Current classification
Provision for warranty claims	4,692,632	Trade and other payables	Provision for warranty claims
Trade discounts and volume rebates	241,668,695	Selling expenses	Revenue from sales

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved for issuance by an authorized director of the Company on May 3, 2019.