Apollo Tyres Africa Proprietary Limited

(Registration number 2013/128507/07)
Audited Annual Financial Statements
for the year ended 31 March 2019

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. A. Varshneya
Registered office	150 Denne Road Hughes Boksburg 1459
Holding company	Apollo (South Africa) Holdings Proprietary Limited incorporated in South Africa
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 34, 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 Tyres Africa Proprietary Limited for the year ended 31 March 2019.

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 & Vredestein 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

	2019	2018
Authorised	Number of shares	
Ordinary shares	1 000	1 000

	2019	2018	2019	2018
Issued	R	R	Number of shares	
707 Ordinary shares	707	707	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% (2018: 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 facilties 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 other material event which occurred after the reporting date and up to the date of this report.

Directors' Report

10. Directorate

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

Directors	Nationality	Changes
Mr. Q. Steyn	South African	
Mr. R. Arora	Indian	
Mr. M. Maharaj	Indian	Resigned 04 December 2018
Mr. A. Varshneya	Indian	Appointed 29 November 2018

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

11. Directors emoluments

Directors emoluments are disclosed in note 26.

12. Auditors

BDO South Africa Incorporated were appointed in office as auditors for the company for 2019.

Independent Auditor's Report

To the shareholder of

Apollo Tyres Africa Proprietary Limited

Opinion

We have audited the financial statements of Apollo Tyres Africa Proprietary Limited set out on pages 8 to 34, 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 Tyres Africa 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 3 to 5. 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 and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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			
Property, plant and equipment	3	221	202
Intangible assets	4	2 754	4 131
Deferred tax	5	25 432	25 432
		28 407	**29 765**
Current Assets			
Inventories	6	61 177	56 559
Trade and other receivables	7	30 329	30 889
Cash and cash equivalents	8	13 135	15 871
		104 641	**103 319**
Total Assets		**133 048**	**133 084**
Equity and Liabilities			
Equity			
Stated capital and premium	9	400 000	400 000
Accumulated loss		(374 210)	(362 362)
		25 790	**37 638**
Liabilities			
Non-Current Liabilities			
Operating lease liability	10	-	52
Post retirement medical aid obligation	11	24 414	24 424
		24 414	**24 476**
Current Liabilities			
Trade and other payables	12	68 896	57 110
Loan from shareholder	13	12 959	12 982
Operating lease liability	10	-	20
Provisions	14	989	858
		82 844	**70 970**
Total Liabilities		**107 258**	**95 446**
Total Equity and Liabilities		**133 048**	**133 084**

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 R '000	2018 R '000
Revenue	15	262 273	248 296
Cost of sales		(277 527)	(260 660)
Gross loss		**(15 254)**	**(12 364)**
Other operating income	16	4 337	5 029
Other operating gains	17	49	6
Operating expenses		(1 377)	(1 377)
Operating loss	18	**(12 245)**	**(8 706)**
Investment revenue	19	425	493
Finance costs	20	(28)	(28)
Loss before taxation		**(11 848)**	**(8 241)**
Taxation	21	-	(2 436)
Loss for the year		**(11 848)**	**(10 677)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(11 848)**	**(10 677)**

Statement of Changes in Equity

	Stated capital and premium R '000	Accumulated loss R '000	Total equity R '000
Balance at 01 April 2017	**400 000**	**(351 685)**	**48 315**
Loss for the year	-	(10 677)	(10 677)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	**(10 677)**	**(10 677)**
Balance at 01 April 2018	**400 000**	**(362 362)**	**37 638**
Loss for the year	-	(11 848)	(11 848)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	**(11 848)**	**(11 848)**
Balance at 31 March 2019	**400 000**	**(374 210)**	**25 790**
Notes	9		

Statement of Cash Flows

	Notes	2019 R '000	2018 R '000
Cash flows from operating activities			
Cash used in operations	22	(2 957)	(15 564)
Interest revenue		425	493
Finance costs		(28)	(28)
Net cash from operating activities		**(2 560)**	**(15 099)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(82)	(96)
Sale of property, plant and equipment	3	1	-
Net cash from investing activities		**(81)**	**(96)**
Cash flows from financing activities			
Repayment of shareholder loan		(23)	(46)
Finance lease payments		(72)	-
Net cash from financing activities		**(95)**	**(46)**
Total cash movement for the year		**(2 736)**	**(15 241)**
Cash at the beginning of the year		15 871	31 112
Total cash at end of the year	8	**13 135**	**15 871**

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 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 1.2, 1.5 and 27 for IFRS 9 and 1.13 for IFRS 15.

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 - Loss allowances are recognised for all trade receivables and is monitored at the end of each reporting period. Refer to note 7 for additional detail.

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 11 & 14.

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 bandit 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.

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.

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

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

Accounting Policies

1.5 Financial instruments (continued)

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:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 7).

They have been classified in this manner because their contractual terms 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 trade and other receivables.

Recognition and measurement

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

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable 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 trade receivables is dependent on the credit risk of the receivable as follows:
- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Accounting Policies

1.5 Financial instruments (continued)

Impairment

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

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

Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 7.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance (note 18).

Write off policy

The company writes off a receivable 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. Receivables 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.

Borrowings and loans from related parties

Classification

Loan from shareholder (note 13) is classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

Accounting Policies

1.5 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 12), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Cash and cash equivalents

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

Derecognition

Financial assets

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

Financial liabilities

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

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.

Financial liabilities

Financial liabilities are not reclassified.

Accounting Policies

1.6 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 and takes place at initial recognition. Classification is re-assessed on an annual basis, except for financial assets, 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, 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.

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, 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.

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.

Accounting Policies

1.5 Financial instruments (continued)

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.

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.

1.7 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.

1.8 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 liability. This liability is not discounted.

Accounting Policies

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 Revenue from contracts with customers

The majority of the company's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

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.

1.14 Borrowing costs

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

1.15 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.

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 1.5, 1.6 and 7.
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	The measurement and recognition of revenue in terms of IFRS 15 is the same as IAS 18.

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	Impact is currently being assessed.

Notes to the Audited Annual Financial Statements

3. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	42	(13)	29	31	(8)	23
Office equipment	10	-	10	10	-	10
Computer hardware	271	(89)	182	220	(51)	169
Total	**323**	**(102)**	**221**	**261**	**(59)**	**202**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	23	11	-	(5)	29
Office equipment	10	-	-	-	10
Computer hardware	169	71	(14)	(44)	182
	202	**82**	**(14)**	**(49)**	**221**

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**

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

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Trademark	2 754	-	2 754	4 131	-	4 131
Computer software	31 914	(31 914)	-	31 914	(31 914)	-
Total	**34 668**	**(31 914)**	**2 754**	**36 045**	**(31 914)**	**4 131**

Reconciliation of intangible assets - 2019

	Opening balance	Impairment loss	Total
Trademarks	4 131	(1 377)	2 754

Reconciliation of intangible assets - 2018

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

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

5. Deferred tax

Deferred tax asset

	2019 R '000	2018 R '000
Prepaid expenses	76	76
Provisions	9 045	9 045
Assessed loss	16 311	16 311
Total deferred tax asset	**25 432**	**25 432**

Reconciliation of deferred tax asset / (liability)

	2019 R '000	2018 R '000
At beginning of year	25 432	27 868
Prepaid expenses	-	31
Provisions	-	(1 364)
Assessed loss	-	(1 103)
	25 432	**25 432**

6. Inventories

	2019 R '000	2018 R '000
Stock in trade - on hand	40 669	46 891
Stock in trade - in transit	22 688	12 097
	63 357	58 988
Provision for obsolete, slow/non-moving and net realisable values of inventories	(2 180)	(2 429)
	61 177	**56 559**

7. Trade and other receivables

	2019 R '000	2018 R '000
Financial instruments:		
Trade receivables	34 305	35 013
Loss allowance	(4 366)	(4 366)
Trade receivables at amortised cost	29 939	30 647
Advance receivable in cash or in kind	-	6
Other receivable	41	(35)
Non-financial instruments:		
Prepayments	349	271
Total trade and other receivables	**30 329**	**30 889**

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	2019 R '000	2018 R '000
At amortised cost	29 980	30 618
Non-financial instruments	349	271
	30 329	**30 889**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

	2019 R '000	2018 R '000

7. Trade and other receivables (continued)

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date. Organisation takes credit insurance from CGIC on all trade receivables. It is 90% covered.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2019	2019	2018	2018
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Not past due: 0% (2018: 0%)	-	-	-	-
Less than 30 days past due: 0% (2018: 0%)	-	-	-	-
31 - 60 days past due: 0% (2018:0%)	-	-	-	-
61 - 90 days past due: 0% (2018: 0%)	-	-	-	-
91 - 120 days past due: 0% (2018: 0%)	-	-	-	-
More than 150 days past due: 100% (2018: 0%)	4 366	-	4 366	-
Total	**4 366**	**-**	**4 366**	**-**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2019	2018
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	(4 366)	(4 366)
Adjustments upon application of IFRS 9	-	-
Opening balance in accordance with IFRS 9	**(4 366)**	**(4 366)**
Provision raised	-	-
Closing balance	**(4 366)**	**(4 366)**

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

7. Trade and other receivables (continued)

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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, R4,022 million were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2019 R '000	2018 R '000
Past due over 30 days		1 351
Past due over 60 days		17
Past due over 90 days		392
Past due over +120 days		2 262
		4 022

Trade and other receivables impaired

The amount of the provision was R 4,366 million as of 31 March 2018 .

The ageing of these receivables is as follows:

	2019 R '000	2018 R '000
Not yet due		1 695
Past due over 60 days		17
Past due over 90 days		392
Past due over +120 days		2 262
		4 366

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019 R '000	2018 R '000
Cash on hand	1	1
Bank balances	13 134	15 870
	13 135	**15 871**

9. Stated capital and premium

	2019 R '000	2018 R '000
Authorised		
1 000 ordinary shares	1 000	1 000

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.

	2019 R '000	2018 R '000
Issued		
707 Ordinary shares	400 000	400 000

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

10. Operating lease liability

	2019 R '000	2018 R '000
Minimum lease payments due		
- Short term (due within one year)	-	20
Present value of minimum lease payments due		
- Long term (due within three years)	-	52
Non-current liabilities	-	52
Current liabilities	-	20
	-	72

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.

11. 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 (2018: R24.4m) at 31 December 2018 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% (2018: 7.6% p.a)
- a discount rate of 9.9% (2018: 9.6% p.a)

Carrying value

	2019 R '000	2018 R '000
Opening balance	(24 424)	(27 404)
Movement in the statement of profit or loss	10	2 980
	(24 414)	(24 424)

12. Trade and other payables

	2019 R '000	2018 R '000
Financial instruments:		
Employees related payable	1 100	618
Other payables and accruals	4 395	11 044
Other payables to related parties	10 402	4 643
Trade payables *	52 141	40 520
Non-financial instruments:		
VAT	858	285
	68 896	57 110

* included payable to related parties

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

13. Loan from shareholder

Apollo (South Africa) Holdings Proprietary Limited	12 959	12 982

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

Split between non-current and current portions

Current liabilities	12 959	12 982

14. Provisions

Reconciliation of provisions - 2019

	Opening balance	Additions	Total
Leave pay provisions	858	131	989

Reconciliation of provisions - 2018

	Opening balance	Additions	Total
Leave pay provisions	837	21	858

15. Revenue

	2019 R '000	2018 R '000
Revenue from contracts with customers		
Revenue from the sale of finished goods	262 273	248 296

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

	2019 R '000	2018 R '000
Sale of goods		
Domestic sales	216 951	169 820
Export sales	45 322	78 476
	262 273	**248 296**

Timing of revenue recognition

	2019 R '000	2018 R '000
At a point in time		
Domestic sales	216 951	169 820
Export sales	(45 322)	(78 476)
	(262 273)	**(248 296)**

16. Other operating income

	2019 R '000	2018 R '000
Income from IT support service/APDP Imports rebates	3 448	3 990
Miscellaneous receipts	889	1 038
	4 337	**5 028**

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

17. Other operating gains

	2019 R '000	2018 R '000
Losses on disposals		
Property, plant and equipment	(13)	-
Foreign exchange gains		
Net foreign exchange gains	62	6
Total other operating gains	**49**	**6**

18. Operating loss

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

	2019 R '000	2018 R '000
Auditor's remuneration - external		
Audit fees - current year	343	160
Employee costs		
Employee cost	16 786	14 749
Depreciation and amortisation		
Depreciation of property, plant and equipment	49	32

19. Investment revenue

	2019 R '000	2018 R '000
Interest revenue		
Bank and other cash	425	493

20. Finance costs

	2019 R '000	2018 R '000
Interest paid	28	28

21. Taxation

Major components of the tax expense

	2019 R '000	2018 R '000
Deferred		
Originating and reversing temporary differences	-	2 436

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2019	2018
Applicable tax rate	(28.00)%	28.00 %
Non-deductible expenditure / Exempt Income	- %	(4.99)%
Prior year over provision - deferred tax not recognised in current year	- %	(52.75)%
	(28.00)%	**(29.74)%**

Notes to the Audited Annual Financial Statements

	2019 R'000	2018 R'000

22. Cash used in operations

	2019 R'000	2018 R'000
Loss before taxation	(11848)	(8 241)
Adjustments for:		
Depreciation	49	32
Loss on disposals	13	-
Interest revenue	(425)	(493)
Finance costs	28	28
Impairment losses and reversals	1377	1377
Postretirement medical aid obligation	(10)	(2 980)
Changes in working capital:		
Inventories	(4 618)	(2 616)
Trade and other receivables	560	(1635)
Trade and other payables	11 786	(1093)
Increase in operating lease liability		36
Increase in leave pay provision	131	21
	(2 957)	(15 564)

23. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2019

	Opening balance	Cash flows	Closing balance
Loan from shareholder	12 982	(23)	12 959
	12 982	(23)	12 959
Total liabilities from financing activities	12 982	(23)	12 959

Reconciliation of liabilities arising from financing activities - 2018

	Opening balance	Cash flows	Closing balance
Loan from shareholder	13028	(46)	12 982
	13 028	(46)	12 982
Total liabilities from financing activities	13028	(46)	12982

24. Commitments

Operating leases - as lessee (expense)

	2019 R'000	2018 R'000
Minimum lease payments due		
- within one year		7 775
- in second to fifth year inclusive		7 620
		15 395

The Boksburg warehouse Rental Agreement expired in the Current Year and is continued on a month-to-month basis. The Durban Warehouse agreement was terminated in December 2018

Notes to the Audited Annual Financial Statements

	2019 R'000	2018 R'000

25. Related parties

Relationships	
Ultimate holding company	Apollo Tyres Limited
Holding company	Apollo Holdings South Africa Proprietary Limited
Fellow subsidiaries	Apollo Vredestein B.V
	Apollo Tyres Global R&D B.V
	Apollo Tyres Middle East
	Apollo Tyres Enschede Netherlands
	ATAG Switzerland
	Apollo Tyres UK PVT Ltd.
Directors	Mr. Quintin Steyn
	Mr. R. Arora
	Mr. A. Varshneya

Related party balances

	2019 R'000	2018 R'000
Loan account - Owing to related party		
Apollo (South Africa) Holdings Proprietary Limited	(12 959)	(12 982)
Payable to		
Apollo Tyres Limited	44 478	24 833
Apollo Vredestein Banden B.V.	6753	1 533
Apollo Tyres Global R&D B.V.	193	193
Apollo Tyres Enschede Netherlands	647	46
Apollo Tyres UK PVT Limited	3 267	2 973
ATAG Switzerland	60	83
	55398	29 661

Related party transactions

	2019 R'000	2018 R'000
Purchases of inventories and finished goods from:		
Apollo Tyres Limited	154 542	151 318
Apollo Vredestein Banden B.V.	8467	23 886
Apollo Tyres Enschede Netherlands	418	2 117
	163 427	177321
Group charges		
Apollo Tyres Limited	720	(300)
Apollo Tyres UK PVT Limited	3 267	(2 973)
	3 987	(3273)
Royalties		
Apollo Tyres Limited	6 010	5 142
Apollo Tyres Enschede Netherlands	246	777
ATAG Switzerland	273	374
	6 529	6293

Notes to the Audited Annual Financial Statements

26. Directors' emoluments

Executive

2019

	Emoluments	Bonus and perfomance related payments	Provident fund contributions	Total
Mr. Q. Steyn	1 467	385	235	2 087
Mr. R. Arora	-	-	-	-
Mr. A. Varshneya	1 257	222	-	1 479
	2 724	**607**	**235**	**3 566**

2018

	Emoluments	Bonus and perfomance related payments	Provident fund contributions	Total
Mr. Q. Steyn	1 956	-	-	1 956
Mr. M. Maharaj	1 320	-	-	1 320
	3 276	-	-	**3 276**

27. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note	Amortised cost	Total
Trade and other receivables	7	29 980	29 980
Cash and cash equivalents	8	13 135	13 135
		43 115	**43 115**

2018

	Note	Amortised cost	Total
Trade and other receivables	7	30 618	30 618
Cash and cash equivalents	8	15 871	15 871
		46 489	**46 489**

Notes to the Audited Annual Financial Statements

27. Financial instruments and risk management (continued)

Categories of financial liabilities

2019

	Note	Amortised cost	Total
Trade and other payables	12	68 037	68 037
Loan from shareholder	13	12 959	12 959
		80 996	**80 996**

2018

	Note	Amortised cost	Total
Trade and other payables	12	56 825	56 825
Loan from shareholder	13	12 982	12 982
		69 807	**69 807**

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 revenue	19	425	425
Gains on foreign exchange	17	62	62
Net gains (losses)		**487**	**487**

2018

	Note	Amortised cost	Total
Recognised in profit or loss:			
Interest revenue	19	493	493
Gains on foreign exchange	17	6	6
Net gains (losses)		**499**	**499**

Notes to the Audited Annual Financial Statements

27. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

2019

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	20	(28)	(28)

2018

	Note	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	20	(28)	(28)

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 note 13, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Financial risk management

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.

Credit risk

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

The company is exposed to credit risk on trade and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the company through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Notes to the Audited Annual Financial Statements

27. Financial instruments and risk management (continued)

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on lifetime time expected credit losses. Credit risk is assessed as low if there is a low risk of default. When determining the risk of default, management consider information such as payment history to date, period for which the customer has been employed. Trade receivables which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments.

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.

Notes to the Audited Annual Financial Statements

	2019 R '000	2018 R '000

27. Financial instruments and risk management (continued)

Foreign currency 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.

	2019 R '000	2018 R '000
Foreign currency exposure at the end of the reporting period		
Current assets		
Foreign customers - USD	285	555
Foreign customers - Euro	-	-
Current liabilities		
Foreign suppliers - Euro	397	69
Foreign suppliers - USD	496	399
Foreign suppliers - GBP	181	174
Exchange rates used for conversion of foreign items were:		
USD	14.45	11.79
GBP	18.87	16.55
Euro	16.24	14.61

Cash flow sensitivity analysis

A 10% strenghtening of the Rand against the following currencies at 31 March 2019 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.

	2019 R '000	2018 R '000
USD	305	184
GBP	(645)	(288)
Euro	(342)	(101)
Total net profit	**(682)**	**(205)**

A 10% weakening of the Rand against the following currencies at 31 March 2019 would have decrease profit or increased the loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2019 R '000	2018 R '000
USD	(305)	(184)
GBP	645	288
Euro	342	101
Total net loss	**682**	**205**

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.