Continental Tyre South Africa (Pty) Ltd
(Registration number 1998/005020/07)
Financial statements
for the year ended 31 December 2020
These financial statements were prepared by:
Casey-Anne Isaacs CA (SA)
Finance Manager, Continental Tyre South Africa (Pty) Ltd
Issued 06 May 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The company is engaged principally in the manufacture and distribution of a wide range of vehicle tyres for the local and export markets
Directors	Mr. J.J. Dowling Mrs. G.L. Jozaffe-Naidoo Dr. V. Pillay Mr. P.W.U.G. von Hirschheydt* *German
Registered office	Cadle Street New Brighton West Port Elizabeth 6001
Business address	Cadle Street New Brighton West Port Elizabeth 6001
Postal address	P.O. Box 699 Port Elizabeth 6000
Holding company	Continental Global Holding Netherlands B.V. incorporated in the Netherlands
Bankers	First National Bank, a division of First Rand Bank Limited
Auditors	KPMG Inc
Company registration number	1998/005020/07
Tax reference number	9506422840
Preparer	The financial statements were internally compiled by: Casey-Anne Isaacs CA (SA) Finance Manager, Continental Tyre South Africa (Pty) Ltd
Issued	06 May 2021

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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 financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 and the Companies Act, 71 of 2008.The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act, 71 of 2008 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 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 December 2021 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 auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 7 to 10.

The financial statements set out on pages 11 to 67, which have been prepared on the going concern basis, were approved by the Board on 6 May 2021 and were signed on their behalf by:

Signed on behalf of the Board of Directors by:

Gardn
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Director

Directors' Report

The Directors have pleasure in submitting their report on the financial statements of Continental Tyre South Africa (Pty) Ltd for the year ended 31 December 2020.

1. Nature of business

Continental Tyre South Africa (Pty) Ltd was incorporated in South Africa with interests in the Manufacturing industry. The company operates in South Africa.

The company is engaged in the manufacture and distribution of a wide range of vehicle tyres for the local and export market.

As an integrated part of Continental AG Corporation, the governance of the company is based on corporate standard by laws, and corporate policies.

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 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, except for the applicable policies relating to the new accounting standards.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Share capital

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

4. Dividends

The company's dividend policy is to consider an interim and a final dividend in respect of each financial year. At its discretion, the Board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the Board may pass on the payment of dividends.

Given the current state of the global economic environment, the Board believes that it would be more appropriate for the company to conserve cash and maintain adequate debt headroom to ensure that the company is best placed to withstand any prolonged adverse economic conditions. Therefore the Board has resolved not to declare a dividend for the financial year ended 31 December 2020.

5. Insurance and risk management

The company follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. Wherever possible assets are automatically included. There is also a continuous asset risk control programme, which is carried out in conjunction with the company's insurance brokers. All risks are considered to be adequately covered.

6. Directorate

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

Directors	Office	Designation	Nationality	Changes
Mr. S.A. Uys	Director	Executive		Resigned 8 October 2020
Mr. J.J. Dowling	Director	Executive		Appointed 8 October 2020
Mrs. G.L. Jozaffe-Naidoo	Director	Executive		
Dr. V. Pillay	Director	Non-executive Independent		
Mr. P.W.U.G. von Hirschheydt*	Chairperson	Non-executive		

*German

Directors' Report

Mr. S.A. Uys resigned on 8 October 2020 and his successor Mr. J.J. Dowling was temporarily appointed on 8 October 2020 as the Managing Director.

7. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

At 31 December 2020 the company's investment in property, plant and equipment amounted to R564 830 000 (2019: R 586 314 000), of which R109 744 000 (2019: R118 370 000) was added in the current year through acquisitions.

8. Holding company

The company's holding company is Continental Global Holding Netherlands B.V. which holds 100% (2019: 100%) of the company's equity. Continental Global Holding Netherlands B.V. is incorporated in the Netherlands.

9. Special resolutions

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

10. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

The board is aware of the COVID-19 pandemic as well as the country's downgrade to sub-investment grade. The pandemic is considered to be a non-adjusting event and there is no immediate concern around going concern. Management has established high-level task teams that are continually assessing and monitoring developments with regard to the disease and at the time of finalising the report, the board is confident that our responses are adequate and the crisis is being continuously monitored to assess the impact on the company. The financial estimate cannot be determined reliably as the extent of COVID-19 is unknown.

The 2021 Budget Speech was delivered by the Minister of Finance in February 2021. The corporate tax rate will be reduced from 28% to 27% for years of assessment commencing on or after 1 April 2022. The impact of the tax rate reduction will only apply in the 2022 financial year.

11. Going concern

The COVID-19 pandemic has developed rapidly in 2020. The President of South Africa anounced a national lockdown commencing on 27 March 2020. The lockdown stages fluctuated through the 5 stages implemented by the President throughout the 2020 year. At the time of preparation of the financial statements, the country was at level 1.

Due to the national lockdown the manufacturing facilities of the Company was closed during April and May 2020 with a steady increase in production between the periods June to July 2020. Cost saving measures have been implemented, however, revenues was negatively affected in the region of 19% for the year.

The credit risk and payment behaviour of debtors have not yet been materially impacted. No changes in credit terms were made with suppliers.

Management is reviewing the cash flows of the Company on a continuous basis incorporating the above possible events and conditions that affect, or may affect, the future performance of the Company. In making the going concern assessment, management considered the period up to 12 months after the end of the reporting period.

Based on the above considerations, the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Directors' Report

12. Contingent liability

The company becomes involved from time to time in claims incidental to the ordinary course of business.

In 2010, the Competition Commissioner referred a complaint to the Competition Tribunal against the Tyre Manufacturing Industry for alleged contraventions of the Competition Act 89 of 1998. The alleged activities in the industry, span the years between 1999 and 2007 and relate to the revenue streams that generated income in the OE market, replacement market and the State Tender Board. The Commissioner seeks a penalty against Continental of 10% of annual turnover for the 2008 financial year which may be limited to one or more of the above-mentioned streams. All parties to the matter held a pre-trial hearing on the 5th February 2021 to align diaries and consider the logistical aspects, they concluded that the hearing is to take place in Q2/3 of 2022.

13. Auditors

KPMG Inc continued in office as auditors for the company for 2020.

Pricewaterhouse Coopers have been appointed as the independent external auditors of the company for the 2021 financial year.

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Independent Auditor's Report

To the shareholder of Continental Tyre South Africa (Pty) Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Continental Tyre South Africa (Pty) Ltd (the company) set out on pages 11 to 67, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Continental Tyre South Africa (Pty) Ltd as at 31 December 2020, 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

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 information included in the document titled "Continental Tyre South Africa (Pty) Ltd Annual Financial Statements for the year ended 31 December 2020", which includes the Directors' Report as required by the Companies Act of South Africa. 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 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

KPMG Inc

Per AD Barr
Chartered Accountant (SA)
Registered Auditor
Director
7 May 2021

Statement of Financial Position as at 31 December 2020

	Note(s)	2020 R '000	2019 R '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	564 830	586 314
Right-of-use assets	4	19 331	42 936
		584 161	**629 250**
Current Assets			
Inventories	5	367 982	580 632
Trade and other receivables	6	377 621	367 435
Other financial assets	7	1 501	2 116
Current tax receivable	8	177	13
Non-current assets held for sale and assets of disposal groups	9	24 918	25 393
Amounts owing by group companies	10	39 921	48 838
Cash and cash equivalents	11	587 051	296 023
		1 399 171	**1 320 450**
Total Assets		**1 983 332**	**1 949 700**
Equity and Liabilities			
Equity			
Stated capital	12	115 470	115 470
Reserves		291 566	288 142
Retained income		810 708	841 319
		1 217 744	**1 244 931**
Liabilities			
Non-Current Liabilities			
Lease liabilities	15	13 869	20 718
Deferred tax	16	39 035	49 802
		52 904	**70 520**
Current Liabilities			
Trade and other payables	17	205 337	213 976
Lease liabilities	15	7 020	26 669
Provisions	18	6 521	12 795
Other current liabilities	19	153 710	162 930
Amounts due to group companies	20	340 096	217 879
		712 684	**634 249**
Total Liabilities		**765 588**	**704 769**
Total Equity and Liabilities		**1 983 332**	**1 949 700**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 R '000	2019 R '000
Revenue	23	2 259 092	2 787 833
Cost of sales		(1 863 902)	(2 573 896)
Gross profit		**395 190**	**213 937**
Other income	24	85 498	81 910
Other operating expenses		(526 769)	(335 531)
Operating loss	25	**(46 081)**	**(39 684)**
Investment income	26	61 496	39 098
Finance costs	27	(58 114)	(40 349)
Loss before taxation		**(42 699)**	**(40 935)**
Taxation	28	12 088	8 984
Loss for the year		**(30 611)**	**(31 951)**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Defined benefit plan actuarial gain/(loss)		4 755	(8 600)
Income tax relating to other comprehensive income		(1 331)	2 408
Total items that may be reclassified to profit or loss		**3 424**	**(6 192)**
Other comprehensive income for the year net of taxation		**3 424**	**(6 192)**
Total comprehensive income for the year		**(27 187)**	**(38 143)**

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Statement of Changes in Equity

	Share Capital R '000	Share Premium R '000	Total Stated Capital R '000	Special Reserve R '000	Fair Value Reserve R '000	Share Buy Back Reserve R '000	Total reserves R '000	Retained income R '000	Total equity R '000
Balance at 01 January 2019	**201**	**115 269**	**115 470**	**65 594**	**(11 260)**	**240 000**	**294 334**	**873 270**	**1 283 074**
Loss for the year	-	-	-	-	-	-	-	(31 951)	(31 951)
Other comprehensive income	-	-	-	-	(6 192)	-	(6 192)	-	(6 192)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(6 192)**	**-**	**(6 192)**	**(31 951)**	**(38 143)**
Balance at 01 January 2020	**201**	**115 269**	**115 470**	**65 594**	**(17 452)**	**240 000**	**288 142**	**841 319**	**1 244 931**
Loss for the year	-	-	-	-	-	-	-	(30 611)	(30 611)
Other comprehensive income	-	-	-	-	3 424	-	3 424	-	3 424
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**3 424**	**-**	**3 424**	**(30 611)**	**(27 187)**
Balance at 31 December 2020	**201**	**115 269**	**115 470**	**65 594**	**(14 028)**	**240 000**	**291 566**	**810 708**	**1 217 744**
Notes	12	12	12	13		14			

Statement of Cash Flows

	Note(s)	2020 R '000	2019 R '000
Cash flows from operating activities			
Cash generated from operations	29	388 090	207 140
Interest income		61 496	39 098
Finance costs		(52 571)	(33 654)
Tax (paid) / refunded		(174)	7 489
Net cash from operating activities		**396 841**	**220 073**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(109 744)	(118 370)
Sale of property, plant and equipment	3	2 841	12 892
Sale of assets held for sale		475	-
Net movement in other financial assets		615	1 551
Net cash from investing activities		**(105 813)**	**(103 927)**
Cash flows from financing activities			
Total cash movement for the year		**291 028**	**116 146**
Cash at the beginning of the year		296 023	179 877
Total cash at end of the year	11	**587 051**	**296 023**

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Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the requirements of the Companies Act of South Africa.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in the note dealing with International Financial Reporting Standards.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These judgements, estimates and assumptions were applied to the provision for credit loss; the useful lives, residual values and impairment of property, plant and equipment; the extent and value deferred tax, accrued trade expenses, deferred income, post retirement medical liability and contingent liabilities. Details of the judgements, estimates and assumptions applied in these areas are set out in the detailed accounting policies to follow.

These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

1.3 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	25 years
Plant and machinery	Straight line	5 - 10 years
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4 years
IT equipment	Straight line	4 years
Computer software	Straight line	3 years
Moulds	Straight line	4 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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1.4 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	**Useful life**
Computer software	3 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 equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination.

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

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

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.

Note 37 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Accounting Policies

1.5 Financial instruments (continued)

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

Loans receivable at amortised cost

Classification

Loans to group companies, are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 26).

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

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is 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 loan, even if it is no longer credit-impaired.
- If a loan 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 loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management note.

Impairment

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

AB

Accounting Policies

1.5 Financial instruments (continued)

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

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

Significant increase in credit risk

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

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

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

Definition of default

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

Irrespective of the above analysis, the company considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

AB

Accounting Policies

1.5 Financial instruments (continued)

Measurement and recognition of expected credit losses

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

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

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management note.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost.

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 6).

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.

Accounting Policies

1.5 Financial instruments (continued)

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 26).

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.

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note.

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding 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.

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 other operating expenses in profit or loss as a movement in credit loss allowance (note 25).

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.

Accounting Policies

1.5 Financial instruments (continued)

Credit risk

Details of credit risk are included in the trade and other receivables note (note 6) and the financial instruments and risk management note.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

Borrowings and loans from related parties

Classification

Loans from group companies and borrowings are 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.

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.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 27).

Borrowings expose the company to liquidity risk and interest rate risk. Refer to the financial instruments and risk management note for details of risk exposure and management thereof.

Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management note.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification

Trade and other payables (note 17), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Accounting Policies

1.5 Financial instruments (continued)

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.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 27).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to the financial risk exposure and management note setting out details thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

1.5 Financial instruments (continued)

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss.

When a financial liability is contingent consideration in a business combination, the company classifies it as a financial liability at fair value through profit or loss.

The company, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss.

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other operating gains (losses) note.

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the company's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs (note 27).

Financial liabilities denominated in foreign currencies

When a financial liability at fair value through profit or loss is denominated in a foreign currency, the fair value of the instrument is determined in the foreign currency. The fair value is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised as part of the fair value adjustment in profit or loss. To the extent that the foreign exchange gain or loss relates to the portion of the fair value adjustment recognised in other comprehensive income, that portion of foreign exchange gain or loss is included in the fair value adjustment recognised in other comprehensive income.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note.

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

The changes in fair value attributable to changes in own credit risk which accumulated in equity for financial liabilities which were designated at fair value through profit or loss are not reclassified to profit or loss. Instead, they are transferred directly to retained earnings on derecognition.

Accounting Policies

1.5 Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the company are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:
- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Cash and cash equivalents

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Accounting Policies

1.7 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the company is a lessee are presented in Note 4 Leases (company as lessee).

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Accounting Policies

1.7 Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (Note 27).

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:
- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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Accounting Policies

1.7 Leases (continued)

Right-of-use assets

Lease payments included in the measurement of the lease liability comprise the following:
- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

When the company incurs an obligation for the costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying assets to the condition required by the terms and conditions of the lease, a provision is recognised in the Statement of Financial Position in note Provisions.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

As an exception, when the underlying assets are land and buildings, the company adopts the revaluation model consistent with the accounting policy for land and buildings which are owned by the company.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their lease terms, the lease terms are presented in the following table:

Item	**Depreciation method**	**Useful life**
Buildings	Straight line	3 - 15 years
Plant and machinery	Straight line	1 - 5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another
asset.

1.8 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

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

Accounting Policies

1.9 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated or amortised while it is classified as held for sale, or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.10 Impairment

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Share 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.

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Accounting Policies

1.11 Share capital and equity (continued)

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.13 Provisions and contingencies

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

Accounting Policies

1.13 Provisions and contingencies (continued)

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.14 Government grants

Government grants are recognised when there is reasonable assurance that:
- the company will comply with the conditions attaching to them; and
- the grants will be received.

Both conditions are equally important for the recognition and both have to be fulfilled. To comply with the conditions attached to the grant, this requires that the company's performance is complete and that there is a high probability to fulfil the conditions for a non-reimbursement.

A grant relating to assets is deducted from acquisition costs reducing future depreciation charges.

Production rebates earned under the Automotive Productive Plan (APDP) are recognised on the accrual basis.

1.15 Revenue from contracts with customers

The company recognises revenue from the following major sources:
- Sale of manufactured goods

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Accounting Policies

Revenue from contracts with customers (continued)

The sale of manufactured goods

The company sells various manufactured tyres. Revenue is recognised at a point in time for sales of goods. For sales of goods to customers, revenue is recognised when control of the goods has transferred, being at the point the customer accepts delivery of the goods. Payment of the transaction price is due within the payment term period, applicable for each individual customer, at the point the customer accepts delivery of the goods. A receivable is recognised for these customers accordingly. No financing element is recognised as the payment terms are within the payment term period.

1.16 Cost of sales

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

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

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Accounting Policies

1.18 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.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.19 Finance income / expense

Finance income comprises interest income on funds invested and changes in fair value of financial assets and liabilities at fair value through profit or loss. Interest income is recognised as it accrues in profit and loss, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings and changes in the fair value of financial assets and liabilities at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit and loss using the effective interest method.

1.20 Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit and loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably; the product or process is technically and commercially feasible; the future economic benefits are probable; and the company intends to and has sufficient rescources to complete development and to use or sell the asset.

Otherwise, it is recognised in profit or loss as incurred.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Notes to the 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:

Amendments to IFRS16

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;

- the reduction in lease payments relates to payments due on or before 30 June 2021; and

- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and

- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient

The amendments did not have an impact on the company's financial statements

Interest rate Benchmark Reform - Phase 2 - Onerous contracts

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs – e.g. direct labour and materials; and

- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract

The amendments did not have an impact on the company's financial statements.

Annual Improvements to IFRS Standards 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

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Notes to the Financial Statements

2. New Standards and Interpretations (continued)

IFRS 16 Leases

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive

The amendments did not have an impact on the company's financial statements

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and

- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments did not have an impact on the company's financial statements

IFRS 17 Insurance Contracts (and its related amendments)

IFRS 17 supersedes IFRS 4 *Insurance Contracts* and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held --- -
- Direct participating contracts; and - - -
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.

The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements.

The amendments did not have an impact on the company's financial statements

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management’s intentions or expectations for settling a liability when determining its classification is unchanged.

The amendments did not have an impact on the company's financial statements.

Notes to the Financial Statements

3.
Property, plant and equipment

	2020			2019		
	Cost or revaluation R'000	**Accumulated depreciation R'000**	**Carrying value R'000**	**Cost or revaluation R'000**	**Accumulated depreciation R'000**	**Carrying value R'000**
Land	1 425	-	1 425	1 425	-	1 425
Buildings	118 015	(65 348)	52 667	116 028	(60 146)	55 882
Plant and machinery	1 553 042	(1 142 004)	411 038	1 534 293	(1 089 607)	444 686
Computer software	14 954	(14 371)	583	14 734	(13 576)	1 158
Capital work in progress	99 117	-	99 117	83 163	-	83 163
Total	**1 786 553**	**(1 221 723)**	**564 830**	**1 749 643**	**(1 163 329)**	**586 314**

Reconciliation of property, plant and equipment - 2020

	Opening balance R'000	**Additions R'000**	**Disposals R'000**	**Transfers R'000**	**Depreciation R'000**	**Total R'000**
Land	1 425	-	-	-	-	1 425
Buildings	55 882	-	-	1 987	(5 202)	52 667
Plant and machinery	444 686	1 193	(1 467)	90 391	(123 765)	411 038
Computer software	1 158	-	-	219	(794)	583
Capital work in progress	83 163	108 551	-	(92 597)	-	99 117
	586 314	**109 744**	**(1 467)**	**-**	**(129 761)**	**564 830**

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance R'000	Additions R'000	Disposals R'000	Classified as held for sale R'000	Transfers R'000	Depreciation R'000	Impairment loss R'000	Total
Land	1 425	-	-	-	-	-	-	1 425
Buildings	58 999	724	-	-	2 052	(5 091)	(802)	55 882
Plant and machinery	554 338	45 725	(5 670)	(25 394)	51 699	(130 284)	(45 728)	444 686
Computer software	1 923	65	-	-	337	(1 167)	-	1 158
Capital work in progress	71 082	71 856	(5 687)	-	(54 088)	-	-	83 163
	687 767	**118 370**	**(11 357)**	**(25 394)**	**-**	**(136 542)**	**(46 530)**	**586 314**

Details of properties

Land and buildings
Freehold land and buildings comprise the following properties, at cost:

Remainder of Erf 119 New Brighton West, Port Elizabeth, Eastern Cape

In the extent of 18,9055 hectares
First registered by Certificate of Consolidated Tile T34054/1985

- Purchase price: 1 December 2005	1 425	1 425
- Additions since purchase or valuation	118 015	116 028
	119 440	**117 453**

The open market value placed on the Company's land and buildings by the local municipal authorities as at 13 January 2021 was R121,200,000 (2019: R121,200,000).

Notes to the Financial Statements

	2020 R '000	2019 R '000

4. Right-of-use assets

	2020	2019
Right-of-use assets	19 331	42 936

Net carrying amounts of right-of-use assets

	2020	2019
Buildings	17 879	39 788
Plant and machinery	1 452	3 148
	19 331	**42 936**

Reconciliation of right-of-use assets - 2020

	Buildings R'000	Plant and machinery R'000	Total R'000
At 1 January 2020	39 788	3 148	42 936
Additions	57	252	309
Amortisation	(21 966)	(1 867)	(23 833)
Disposal	-	(81)	(81)
At 31 December 2020	**17 879**	**1 452**	**19 331**

Reconciliation of right-of-use assets - 2019

	Buildings R'000	Plant and machinery R'000	Total R'000
At 1 January 2019	65 356	3 281	68 637
Additions	1 997	1 788	3 785
Amortisation	(24 690)	(1 921)	(26 611)
Impairment	(2 875)	-	(2 875)
At 31 December 2019	**39 788**	**3 148**	**42 936**

Depreciation recognised on right-of-use assets

	2020	2019
Buildings	21 966	24 690
Plant and machinery	1 867	1 921
	23 833	**26 611**

Depreciation recognised on each class of right-of-use assets, is presented above. It includes depreciation which has been expensed in the total depreciation charge in profit or loss, as well as depreciation which has been capitalised to the cost of other assets.

Nature of leasing activities (in the capacity as lessee)

The company leases properties (buildings) in the jurisdiction from which it operates. It is customary for these lease contracts to provide for payments to increase each year by a determined percentage.

The company also leases certain motor vehicles (categorised under plant and machinery). It is customary for these lease contracts to comprise of only fixed payments over the lease terms.

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Notes to the Financial Statements

	2020 R '000	2019 R '000

5. Inventories

Raw materials	74 989	87 105
Work in progress	46 402	52 079
Finished goods	239 414	401 130
Goods in transit	7 177	40 318
	367 982	**580 632**

An amount of R9,025,762 (2019: R6,559,859) has been provided against finished goods, and the inventory is reflected at Net Realisable Value.

6. Trade and other receivables

Financial instruments:		
Trade receivables	297 733	296 687
Provision for credit loss	(16 882)	(9 456)
Other receivables	15 908	8 424
Non-financial instruments:		
Government grants receivable	76 084	71 780
VAT receivable	4 778	-
Total trade and other receivables	**377 621**	**367 435**

Categorisation of trade and other receivables

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

At amortised cost	296 759	295 655
Non-financial instruments	80 862	71 780
	377 621	**367 435**

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.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed and approved by credit management. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

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. A 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.

Notes to the Financial Statements

	2020 R '000	2019 R '000

6. Trade and other receivables (continued)

The loss allowance provision is determined as follows:

Expected credit loss rate:	2020 Estimated gross carrying amount at default R'000	2020 Loss allowance (Lifetime expected credit loss) R'000	2019 Estimated gross carrying amount at default R'000	2019 Loss allowance (Lifetime expected credit loss) R'000
Performing - no default history				
Not past due: 0.02% (2019: 0.02%)	271 950	47	267 183	53
Less than 15 days past due: 0.06% (2019: 0.06%)	2 046	2	3 209	2
15 - 30 days past due: 0.14% (2019: 0.14%)	1 821	3	6 530	9
30 - 60 days past due: 0.25% (2019: 0.07%)	2 620	8	4 008	3
More than 120 days past due: 0.0% (2019: 0,00%)	2 626	151	6 368	-
Specific debtors	16 670	16 671	9 389	9 389
	297 733	**16 882**	**296 687**	**9 456**

7. Other financial assets

	2020 R '000	2019 R '000
Loans and receivables		
Engeli Enterprise Development (Pty) Ltd	1 001	1 411

The above loan is secured by a cession and pledge agreement in favour of Continental Tyre South Africa (Pty) Ltd to the right, title and interest in monies of Engeli Enterprise Development (Pty) Ltd held in the Investec Cash Investment account reference number 1100489807502 to the extent of R1 000 622. The aforementioned amount is unencumbered.

The loan between Continental Tyre South Africa (Pty) Ltd and Engeli Enterprise Development (Pty) Ltd is interest free and is repayable within 12 months.

Engeli Finance Solutions (Pty) Ltd	500	705

The above loan is secured by a cession and pledge agreement in favour of Continental Tyre South Africa (Pty) Ltd to the right, title and interest in monies of Engeli Finance Solutions (Pty) Ltd held in the Investec Cash Investment account reference number 1100519328501 to the extent of R500 311. The aforementioned amount is unencumbered.

The loan between Continental Tyre South Africa (Pty) Ltd and Engeli Enterprise Development (Pty) Ltd is interest free and is repayable within 12 months.

	1 501	**2 116**
Current assets		
At amortised cost	1 501	2 116

	2020 R '000	2019 R '000

8. Current tax payable (receivable)

Balance at beginning of the year	13	9 890
Current tax for the year recognised in profit or loss	(10)	(2 388)
Balance at end of the year	(177)	(13)
Tax (paid) / refunded	**(174)**	**7 489**

9. Non-current assets held for sale and assets of disposal group

Assets of the disposal group held for sale

The carrying amount of the assets that only consist of Property, plant and equipment are R 24,918,224 (2019: R 25,393,468).

Cummulative income or expenses in Other Comprehensive Income ("OCI")

There are no cumulative income or expenses included in OCI relating to the disposal group.

Reconciliation of non-current assets held for sale		
Balance at the beginning of the year	25 393	-
Transfers from property, plant and equipment	-	25 393
Disposals	(475)	-
	24 918	**25 393**

10. Amounts owing by group companies

Inter-company receivables		
Continental Tire the Americas LLC	4 131	8 417
ContiTrade Africa (Pty.) Ltd	17 419	16 333
Other group companies (refer to Note 36)	17 871	14 388
Continental Reifen Deutschland GmbH	500	9 700
	39 921	**48 838**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank	587 051	296 023

Refer to Financial Risk Management note for details regarding facilities and guarantees held with financial institutions.

12. Stated capital

Authorised		
385,000 Ordinary shares of R1 each (2019: 385,000)	385	385

Issued		
201,420 Ordinary shares of R1 each (2019: 201,420)	201	201
Share premium	115 269	115 269
	115 470	**115 470**

The unissued shares are under the control of the directors until the next Annual General Meeting of the company.

Notes to the Financial Statements

	2020 R '000	2019 R '000

13. Special reserve

The reserve was created pursuant to the Shareholders Agreement, and has not been distributed by way of a dividend as at 31 December 2020.

	2020	2019
	65 594	65 594

14. Share buy back reserve

The Share Buy back reserve was funded through an inter-company loan of R240,000,000, which was subsequently converted into Equity.

The reserve was not distributed as at 31 December 2020.

	2020	2019
	240 000	240 000

15. Lease liabilities

	2020	2019
Minimum lease payments due		
- within one year	8 270	29 266
- in second to fifth year inclusive	8 845	16 780
- later than five years	10 517	10 517
	27 632	56 563
less: future finance charges	(6 743)	(9 176)
Present value of minimum lease payments	**20 889**	**47 387**
Amounts recognised in statement of cash flows		
Lease payments for leases under IFRS16	29 298	29 419
Lease payments for short term or low value leases	13 869	18 178
	43 167	**47 597**
Non-current liabilities	13 869	20 718
Current liabilities	7 020	26 669
	20 889	**47 387**

Reconciliation of lease liability - 2020

	Buildings R'000	**Plant and Machinery R'000**	**Total R'000**
At 1 January 2020	42 163	5 224	47 387
Additions	-	(56)	(56)
Interest expense	2 365	207	2 572
Lease payments	(27 268)	(2 030)	(29 298)
Disposals	-	284	284
At 31 December 2020	**17 260**	**3 629**	**20 889**

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Notes to the Financial Statements

	2020 R '000	2019 R '000

15. Lease liabilities (continued)

Reconciliation of lease liability - 2019

	Buildings R'000	Plant and Machinery R'000	Total R'000
At 1 January 2019	65 356	3 281	68 637
Additions	-	3 785	3 785
Interest expense	4 075	309	4 384
Lease payments	(27 268)	(2 151)	(29 419)
At 31 December 2019	**42 163**	**5 224**	**47 387**

Refer to note 4 for the nature of the leases.

16. Deferred tax asset / (liability)

Deferred tax liability

	2020	2019
Capital Allowances	(89 636)	(89 343)
Deferred Expenditure	(3)	(5)
Total deferred tax liability	**(89 639)**	**(89 348)**

Deferred tax asset

	2020	2019
Assessed Loss	13 165	7 342
Provisions	29 839	23 850
Post Retirement Medical Benefit	7 600	8 354
Deferred tax balance from temporary differences other than unused tax losses	50 604	39 546
Total deferred tax asset	**50 604**	**39 546**

	2020	2019
Deferred tax liability	(89 639)	(89 348)
Deferred tax asset	50 604	39 546
Total net deferred tax liability	**(39 035)**	**(49 802)**

Reconciliation of deferred tax liability

	2020	2019
At beginning of year	(49 802)	(63 581)
Prior Year Adjustment (signage and IFRS 16 lease liability)	624	-
Current year adjustment for amounts recognised in profit and loss	5 651	11 371
Current year adjustment for amounts recognised in other comprehensive income	(1 331)	2 408
Assessed Loss Movement	5 823	-
	(39 035)	**(49 802)**

17. Trade and other payables

	2020	2019
Financial instruments:		
Trade payables	168 938	182 487
Recycling fee accrual	30 870	28 120
Other accrued expenses	5 529	3 369
	205 337	**213 976**

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	2020 R '000	2019 R '000

17. Trade and other payables (continued)

Fair value of trade and other payables

The carrying amount of trade and other payables approximates its fair value.

18. Provisions

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Restructuring	8 438	-	-	(3 058)	5 380
Provision for warranties	4 357	3 345	(6 561)	-	1 141
	12 795	**3 345**	**(6 561)**	**(3 058)**	**6 521**

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Total
Restructuring	-	55 000	(46 562)	8 438
Provision for warranties	5 395	2 931	(3 969)	4 357
	5 395	**57 931**	**(50 531)**	**12 795**

Restructuring

In the prior year the decision was made to restructure the company's current operations. As part of this restructure it was resolved to stop the production of Commercial Speciality Tyres. The committed budgeted cost of the restructure is R55,000,000 and was raised as provision, with the actual costs utlised to date amounting to R46,562,000. R3,058,542 was released during the current year.

Warranties

The company makes provision for warranties on the sale of tyres to customers. The provision for warranty claims as at 31 December 2020 were raised for expected warranty claims on tyres sold during the last five years, as the group provides five year warranties for tyres manufactured. The provision has been calculated by weighing all possible outcomes by their associated probabilities, as derived from past experience.

19. Other current liabilities

	2020	2019
Customers (Rebates / Settlement Discounts / Advance Receipts)	37 251	38 940
Employees (Incentives / Leave Pay / Other)	34 774	42 033
PAYE	10 791	9 579
Output VAT	-	7 038
General accruals	43 752	35 506
Post retirement medical benefit (Refer to Note 29)	27 142	29 834
	153 710	**162 930**

Notes to the Financial Statements

	2020 R '000	2019 R '000

20. Amounts due to group companies

	2020 R '000	2019 R '000
Inter-company payables		
Barum Continental s.r.o	52 247	20 652
S.C. Continental Automotive Products S.R.L.	5 330	3 309
Continental France SNC	7 860	693
Continental Matador Rubber s.r.o.	10 694	3 396
Continental Mabor Industria de Pneus S.A.	25 102	11 280
Continental Tires Holding Singapore Pte. Ltd.	17 693	9 963
Continental Reifen Deutschland GmbH	149 363	124 110
Continental Matador Truck Tires s.r.o.	4 818	7 441
Other group companies (refer to Note 36)	50 612	24 909
Conti Machinery	3 042	3 457
Conti Trade Africa (Pty.) Ltd	1 826	1 651
Continental Tire the Americas LLC	6 956	2 753
Continental Aktiengesellschaft	4 553	4 265
	340 096	**217 879**

21. Pension fund commitments

Defined contribution scheme

The company has established a pension scheme that covers substantially all employees. All retirement funds are defined contribution schemes. The assets of all the funds are held in separate trustee administered funds.

22. Other liability 3

23. Revenue

	2020 R '000	2019 R '000
Revenue from contracts with customers		
Sale of goods	2 259 092	2 787 833

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers according to business units of Passenger, Light Truck Tyres, Truck Tyres, and Commercial Specialty Tyres.

	2020 R '000	2019 R '000
Sale of goods		
Sale of goods	2 259 092	2 787 833

	2020 R '000	2019 R '000
Revenue from sales of product groups		
Passenger & light truck Tyre sales Original Equipment Manufacturers	505 445	702 582
Passenger & light truck Tyre sales Replacement Equipment	1 060 729	1 266 629
Truck Tyre sales Original Equipment Manufacturers & Replacement Equipment	68 415	136 176
Commercial Specialty Tyre sales	23 502	223 821
Offtake Tyre Sales	512 510	409 198
Contitech Africa (Pty) Ltd	88 491	49 427
	2 259 092	**2 787 833**

Timing of revenue recognition

	2020 R '000	2019 R '000
At a point in time		
Sale of goods	2 259 092	2 787 833

Notes to the Financial Statements

	2020 R '000	2019 R '000

24. Other income

Profit and loss on asset disposals	1 374	1 535
Government grants	84 124	80 375
	85 498	**81 910**

Profit and loss on asset disposals in the current year comprise:

- Fixed Assets : R89 268 (2019: R1,534,703)

Moulds : R1 284 699 (2019: Rnil)

-

25. Operating loss

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

Auditor's remuneration - external		
Audit fees	1 600	1 127
Leases		
Operating lease charges		
Forklifts	2 252	6 632
Computer equipment	6 135	7 551
Motor vehicles	1 165	3 995
	9 552	**18 178**
Credit loss allowance	**16 882**	**9 456**
Depreciation		
Depreciation of property, plant and equipment	153 594	163 153
Impairment loss		
Property, plant and equipment	-	49 405
Expenses by nature		
Research and development costs	252	405
Managerial services	111 861	99 508
Technical services	43 658	49 363

26. Investment income

Interest income		
Financial Institutions	11 174	10 827
Foreign exchange gains - realised	46 152	25 005
Foreign exchange gains - unrealised	4 170	3 266
Total interest income	**61 496**	**39 098**

AB

Notes to the Financial Statements

	2020 R '000	2019 R '000

27. Finance costs

SARS	-	1 819
Leases	2 572	4 384
Bank overdraft	-	6
Foreign exchange losses - realised	52 571	30 123
Interest on post retirement fund	2 971	2 311
Foreign exchange losses - unrealised	-	1 706
Total finance costs	**58 114**	**40 349**

28. Taxation

Major components of the tax expense (income)

Current		
Local income tax	-	2 388
Local income tax - prior year	10	-
	10	**2 388**
Deferred		
Deferred tax - current year	(11 474)	(11 372)
Deferred tax - prior year	(624)	-
	(12 098)	**(11 372)**
	(12 088)	**(8 984)**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Normal tax prior year adjustment	(0,10)%	- %
Disallowable expenditure	(1,10)%	2,19 %
Prior year deferred tax adjustment	1,50 %	(2,41)%
Deferred tax recognised through other comprehensive income	- %	(5,83)%
	28,30 %	**21,95 %**

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Notes to the Financial Statements

	2020 R '000	2019 R '000

29. Cash generated from operations

	2020 R '000	2019 R '000
Loss before taxation	(42 699)	(40 935)
Adjustments for:		
Depreciation and amortisation	153 594	163 153
Profit on disposal of property, plant and equipment	(1 374)	(1 535)
Finance cost - Leases (IFRS 16)	2 572	4 384
Forex loss - unrealised portion	-	1 706
Forex gain - unrealised portion	(4 170)	(3 266)
Interest received - investment	(57 326)	(35 832)
Finance costs	52 571	31 948
Impairment loss / (reversals)	-	49 405
Movements in provisions	(6 274)	7 400
Post retirement medical benefits recognised in other comprehensive income	4 755	(8 600)
Changes in working capital:		
Inventories	212 650	(5 369)
Trade and other receivables	(10 186)	169 123
Lease payments (IFRS 16)	(29 298)	(29 419)
Trade and other payables	(8 639)	(464)
Other current liabilities	(9 220)	(40 500)
Amounts due by group companies	8 917	201
Amounts due to group companies	122 217	(54 260)
	388 090	**207 140**

30. Post retirement medical benefits

The Company provides post-retirement medical subsidies to certain retired employees and is responsible for the provision of post-retirement medical benefits to eligible current and past employees. The value of funded liabilities is recognised in full in the financial statements.

	2020 R '000	2019 R '000
Actuarially determined present value of total obligation at 31 December		
Actuarially determined present value of total obligation at 31 December	55 409	59 526
Fair value of the fund assets at 31 December	(28 267)	(29 692)
Liability raised (Refer to Note 20)	**27 142**	**29 834**
Net liability for funded obligations at the beginning of the year	29 834	22 554
Loss taken to profit and loss	(2 692)	7 280
Net liability of funded obligations at end of the year (Refer to Note 20)	**27 142**	**29 834**
Reconciliation of obligations		
Obligation at beginning of the year	59 526	50 596
Current service cost	592	869
Benefits paid	(3 407)	(2 649)
Interest cost	5 770	5 050
Actuarial loss / (gain)	(7 072)	5 660
Obligation at end of the year	**55 409**	**59 526**
Reconciliation of plan assets		
Assets at fair market value at beginning of the year	29 692	28 042
Other factors	(2 317)	(2 940)
Contributions paid	1 500	4 500
Expected return on plan assets	2 799	2 739
Benefits paid	(3 407)	(2 649)
Assets at fair market value at end of the year	**28 267**	**29 692**

AB

Notes to the Financial Statements

	2020 R '000	2019 R '000

30. Post retirement medical benefits (continued)

Loss/(profit) available to be taken to the statement of comprehensive income

	2020	2019
Net actuarial loss / (gain) recognised in the year	(4 755)	8 600
Expected return on plan assets	(2 799)	(2 739)
Contributions paid	(1 500)	(4 500)
Interest cost	5 770	5 050
Current service cost	592	869
	(2 692)	**7 280**

Principal actuarial assumptions for the post-retirement medical aid obligations

	2020	2019
Net discount rate	3,70 %	2,70 %
Subsidy inflation	6,80 %	7,30 %
Return on plan assets	10,50 %	10,00 %

Sensitivity - the recalculated liability to show the effect of a one percentage point decrease or increase in the rate of health care costs inflation is as follows:

Current cost plus interest cost

	2020	2019
Central assumption	55 409	59 526
Central assumption - 1%	50 075	53 211
Central assumption +1%	61 790	67 071

31. Capital commitments

Capital commitments

	2020	2019
Commitments in respect of contracts placed	30 868	63 719
Approved by the directors in addition to contracts placed	31 105	11 105
	61 973	**74 824**

It is intended to finance capital expenditure from existing borrowing facilities and working capital generated by the Company. The capital commitments are for plant and machinery

32. Operating lease commitments

Operating lease commitments

	2020	2019
Not later than 1 year	241	144

The future minimum lease payments under non-cancellable operating leases are presented above. The operating leases include passenger motor vehicles and building leases.

33. Events after the reporting period

The board is aware of the COVID-19 pandemic as well as the country's downgrade to sub-investment grade. The pandemic is considered to be a non-adjusting event and there is no immediate concern around going concern.

Management has established high-level task teams that are continually assessing and monitoring developments with regard to the disease and at the time of finalising the report, the board is confident that our responses are adequate and the crisis is being continuously monitored to assess the impact on the company.

The financial estimate cannot be determined reliably as the extent of COVID-19 is unknown.

The 2021 Budget Speech was delivered by the Minister of Finance in February 2021. The corporate tax rate will be reduced from 28% to 27% for years of assessment commencing on or after 1 April 2022. The impact of the tax rate reduction will only apply in the 2022 financial year.

34. Going concern

The COVID-19 pandemic has developed rapidly in 2020. The President of South Africa anounced a national lockdown commencing on 27 March 2020. The lockdown stages fluctuated through the 5 stages implemented by the President throughout the 2020 year. At the time of preparation of the financial statements, the country was at level 1.

Due to the national lockdown the manufacturing facilities of the Company was closed during April and May 2020 with a steady increase in production between the periods June to July 2020. Cost saving measures have been implemented, however, revenues was negatively affected in the region of 19% for the year.

The credit risk and payment behaviour of debtors have not yet been materially impacted. No changes in credit terms were made with suppliers.

Management is reviewing the cash flows of the Company on a continuous basis incorporating the above possible events and conditions that affect, or may affect, the future performance of the Company. In making the going concern assessment, management considered the period up to 12 months after the end of the reporting period.

Based on the above considerations, the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

35. Contingent liabilities

Competition commission

In 2010, the Competition Commissioner referred a complaint to the Competition Tribunal against the Tyre Manufacturing Industry for alleged contraventions of the Competition Act 89 of 1998. The alleged activities in the industry, span the years between 1999 and 2007 and relate to the revenue streams that generated income in the OE market, replacement market and the State Tender Board.

The Commissioner seeks a penalty against Continental of 10% of annual turnover for the 2008 financial year which may be limited to one or more of the above-mentioned streams.

All parties to the matter held a pre-trial hearing on the 5th February 2021 to align diaries and consider the logistical aspects, they concluded that the hearing is to take place in Q2/3 of 2022.

Notes to the Financial Statements

36. Related parties

Relationships

Holding company	Continental Global Holding Netherlands B.V.
Group companies	AlMutlak Continental Company
	A-Z Formen- und Maschinenbau GmbH
	Conti Machinery Hanover
	ContiTrade Africa (Pty) Ltd
	ContiTech Africa (Pty.) Ltd.
	ContiTech Elastomer - Beschichtungen GmbH
	ContiTech Schlauch GmbH
	Continenta Aktiengesellschaft
	Continental Barum s.r.o.
	Continental Benelux SPRL
	Continental Däck Sverige AB
	Continental Daek Danmark A/S
	Continental Dekk Norge A.S.
	Continental do Brasil Produtos
	Continental France SNC
	Continental Global Holding Netherlands B.V.
	Continental Hungaria Kft.
	Continental India Continental India Private Limited
	Continental - Indústria Textil do ave, S.A.
	Continental Italia S.p.A.
	Continental Mabor Indústria de Pneus S.A.
	Continental Matador Rubber, s.r.o.
	Continental Matador Truck Tires s.r.o.
	Continental Middle East DMCC
	Continental of Taiwan Company Ltd
	Continental Opony Polska
	Continental Pneus (Portugal) S.A.
	Continental Reifen Deutschland GmbH
	Continental Rengas Oy
	Continental Suisse S.A.
	Continental Tire Andina S.A.
	Continental Tire Canada Inc.
	Continental Tire Chile SpA
	Continental Tire Colombia S.A.S.
	Continental Tire de Mexico, S.A. de C.V.
	Continental Tire Japan Co. Ltd
	Continental Tire Korea Co. Ltd
	Continental Tire the Americas LLC
	Continental Tire Toronto Inc.
	Continental Tire West Africa Limited
	Continental Tires (China) Co.
	Continental Tires Holding Singapore Pte Ltd
	Continental Tires España S.L.
	Continental Trading GmbH
	Continental Tyre AS Malaysia Sdn. Bhd.
	Continental Tyre PJ Malaysia Sdn. Bhd.
	Continental Tyre Group Ltd.
	Continental Tyre Technology Centre Malaysia Sdn.
	Continental Tyres (Thailand) Co. Ltd
	Continental Tyres of Australia (Pty) Ltd
	OOO "Continental Tires RUS"
	OOO "Continental Kaluga"
	Otomotiv Lastikleri Tevzi AS
	Powertrain Canada, ULC
	REG Reifen-Entsorgungsgesellschaft GmbH
	S.C. Continental Automotive S.R.L.
	Semperit Reifen Gesellschaft GmbH

	2020 R '000	2019 R '000

36. Related parties (continued)

Related party balances

	2020 R '000	2019 R '000
Amounts owing by group companies		
Inter-company receivables		
ContiTrade Africa (Proprietary) Limited	17 419	16 333
Continental Tire the Americas LLC	4 131	8 417
Continental Reifen Deutschland GmbH	500	9 700
Other Group Companies	17 871	14 388
Other group companies include:		
Continental Adria pnevmatike	1	1
ContiTech Africa (Pty) Ltd	5 988	1 437
Continental Barum s.r.o.	-	1
Continental Benelux SPRL	394	572
Continental Daek Danmark A/S	5	1
Continental Däck Sverige AB	1	64
Continental Dekk Norge A/S	-	1
Continental do Brasil Produtos Automotivos Ltda.	2	462
Continental France SNC	-	187
Continental Italia S.p.A.	-	88
Continental Middle East DMCC	-	40
Continental of Taiwan Co. Ltd	3	8
Continental Opony Polska Sp. z o.o.	174	10
Continental Pneus (Portugal) S.A.	2	8
Continental Rengas Oy	6	5
Continental Suisse S.A.	-	4
Continental Tire Canada, Inc.	1 403	-
Continental Tire Chile SpA	(37)	804
Continental Tire de Mexico, S.A. de C.V.	1 207	24
Continental Tire Japan Co. Ltd	-	148
Continental Tire Korea Co. Ltd	-	4
Continental Tire Toronto Inc.	-	(22)
Continental Tire West Africa Limited	6 523	5 993
Vitesco Technologies Canada, U	22	-
Continental Tires España S.L.	279	855
Continental Tyre AS Malaysia Sdn. Bhd.	219	239
Continental Tyre Group Ltd.	655	260
Continental Tyre PJ Malaysia Sdn. Bhg	716	2 722
Continental Tyres (Thailand) Co. Ltd	-	166
Continental Tyres of Australia (Pty) Ltd	1	61
Otomotiv Lastikleri Tevzi AS	96	1
Powertrain Canada, ULC	-	22
Continental Matador Rubber, s.r.o.	-	1
Amounts due to group companies		
Inter-company payables		
Continental AG	4 553	4 265
Continental Barum s.r.o.	52 247	20 652
Continental Machinery Hanover	3 042	3 457
ContiTrade Africa (Proprietary) Limited	1 826	1 651
Continental France SNC	7 860	693
Continental Mabor Industria de Pneus S.A.	25 102	11 280
Continental Matador Rubber, s.r.o.	10 694	3 396
Continental Matador Truck Tires s.r.o.	4 818	7 441
Continental Reifen Deutschland GmbH	149 363	124 110
Continental Tire the Americas LLC	6 956	2 753
Continental Tires Holding Singapore Pte. Ltd	17 693	9 963

	2020 R '000	2019 R '000
36. Related parties (continued)		
S.C. Continental Automotive S.R.L.	5 330	3 309
Other group companies	50 612	24 909
Other group companies include:		
ContiTech Africa (Pty) Ltd	2 944	104
Continental Adria pnevmatike	9	19
ContiTech Schlauch GmbH	62	59
Continental Benelux SPRL	4 610	8 428
Continental Daek Danmark A/S	-	7
Continental Dekk Norge A/S	-	6
Continental Italia S.p.A.	2	1 330
Continental Middle East DMCC	5 089	-
Continental - Industria Textil	402	406
Continental Tyres of Australia (Pty) Ltd	102	1 088
Continental Däck Sverige AB	21	-
Continental Tire Chile SpA	62	-
Continental Tyre AS Malaysia Sdn. Bhd	9 666	-
Continental Tire Andina S.A.	53	-
Eu-Retec (Pvt) Ltd	1 190	-
A-Z Formen- und Maschinenbau GmbH	872	-
Continental Opony Polska Sp. z.o.o	4 169	154
Continental Pneus (Portugal) S.A.	40	127
Continental Rengas Oy	111	80
Continental Suisse S.A.	-	70
Continental of Taiwan Co. Ltd	-	130
Continental Tire de Mexico, S.A. de C.V.	34	393
Continental Tire Korea Co. Ltd	4	66
Continental Tyre Group Ltd.	12 732	4 306
Continental Tyre PJ Malaysia Sdn. Bhg	8 254	5 064
Continental Tyres (Thailand) Co. Ltd	-	2 836
Otomotiv Lastikleri Tevzi AS (OLTAS)	-	4
OOO "Continental Kaluga"	-	10
Semperit Reifen Gesellschaft m	2	-
OOO Continental Tires RUS"	1	-
Related party transactions		
Key Management Personnel Compensation		
Short term employee benefits	12 794	13 818
Other long term employee benefits	898	918
Inter-company transactions		
Sale of inventory		
ContiTech Africa (Pty) Ltd	94 631	59 229
ContiTrade Africa (Proprietary) Limited	43 177	42 962
Continental Barum s.r.o.	1 281	316
Continental Benelux SPRL	112 573	62 638
Continental Däck Sverige AB	(17)	1 974
Continental do Brasil Produtos Automotivos Ltda.	1 373	4 831
Continental France SNC	9 709	1 376
Continental Matador Truck Tires s.r.o.	498	80
Continental Middle East DMCC	3 612	6 682
Continental of Taiwan Co. Ltd	7 449	2 598
Continental Reifen Deutschland GmbH	66 501	131 144
Continental Tire Andina S.A.	(55)	466
Continental Tire Chile SpA	(20)	1 172
Continental Tire Colombia S.A.S.	(55)	-
Continental Tire de México, S.A. de C.V.	5 317	9 354

	2020 R '000	2019 R '000
36. Related parties (continued)		
Continental Tire Japan Co. Ltd	10 858	11 649
Continental Tire Korea Co. Ltd	1 746	2 823
Continental Tire the Americas LLC	224 350	170 439
Continental Tire West Africa Limited	15 756	7 236
Continental AG	63	-
Continental Tires España S.L.	3 069	2 045
Continental Tyre Group Ltd.	12 591	695
Continental Tyre PJ Malaysia Sdn. Bhg	13 014	28 674
Continental Italia S.p.A.	157	-
Continental Tyres of Australia (Pty) Ltd	9 010	(1)
OOO "Continental Tires RUS"	(9)	1 295
Continental Suisse S.A.	(2)	-
Continental Reifen Austria GmbH	(1 119)	-
Powertrain Canada, ULC	7 227	2 291
Continental Pneus (Portugal) S.A.	1 939	-
Continental Rengas Oy	(112)	-
Continental Dekk Norge A/S	33	-
Continental Daek Danmark A/S	(3)	-
Continental Opony Polska Sp. z.o.o	(4 292)	-
Continental Kaluga	53	-
Continental Hungaria Kft.	178	-
Otomotiv Lastikleri Tevzi AS (OLTAS)	(14)	-
Continental Adria pnevmatike d.o.o.	(10)	-
Purchases and payments for services		
A-Z Formen - und Maschinenbau GmbH	1 703	8 594
Conti Manchinery Hanover	6 704	7 722
Continental - Industria Textil do ave, S.A.	2 036	2 958
Continental AG	5 902	-
Continental Barum s.r.o.	110 768	171 569
Continental Benelux SPRL	5 899	4 123
Continental France SNC	9 510	23 746
Continental Mabor Indústria de Pneus S.A.	48 942	58 399
Continental Matador Rubber s.r.o.	15 239	28 821
Continental Matador Truck Tires s.r.o.	14 566	34 388
Continental Middle East DMCC	-	1 313
Continental Reifen Deutschland GmbH	229 467	338 966
Continental Tire de México, S.A. de C.V.	944	2 081
Continental Tire the Americas LLC	17 633	23 636
Continental Tires (China) Co. Ltd	16	20
Continental Tires España S.L.	585	649
Continental Tires Holding Singaport Pte. Ltd	75 258	109 955
Continental Trading GmbH	29	1 038
Continental Tyre Group Ltd.	-	152
Continental Tyre AS Malaysia Sdn. Bhd.	3 692	48
Continental Tyre PJ Malaysia Sdn. Bhg	2 911	8 069
Continental Tyre Technology Centre Malaysia Sdn. Bhg	1	43
Continental Tyres (Thailand) Co. Ltd	1 235	-
ContiTech Schlauch GmbH	272	168
ContiTech Africa (Pty) Ltd	4 482	743
ContiTrade Africa (Proprietary) Ltd	17 122	18 112
OOO "Continental Kaluga"	11	45
Continental India Private Limited	124	-
S.C. Continental Automotive Products S.R.L.	10 228	9 179

37. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Note(s)	Amortised cost R'000	Total R'000	Fair value R'000
Trade and other receivables	6	301 537	301 537	301 537
Cash and cash equivalents	11	587 051	587 051	587 051
		888 588	**888 588**	**888 588**

2019

	Note(s)	Amortised cost R'000	Total R'000	Fair value R'000
Trade and other receivables	6	295 655	295 655	295 655
Cash and cash equivalents	11	296 023	296 023	296 023
		591 678	**591 678**	**591 678**

Categories of financial liabilities

2020

	Note(s)	Amortised cost R'000	Total R'000	Fair value R'000
Trade and other payables	17	205 337	205 337	205 337

2019

	Note(s)	Amortised cost R'000	Total R'000	Fair value R'000
Trade and other payables	17	213 976	213 976	213 976

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37. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2020

	Note(s)	Amortised cost R'000	Total R'000
Recognised in profit or loss:			
Interest income	26	61 496	61 496

2019

	Note(s)	Amortised cost R'000	Total R'000
Recognised in profit or loss:			
Interest income	26	39 098	39 098

Gains and losses on financial liabilities

2020

	Note(s)	Amortised cost R'000	Total R'000
Recognised in profit or loss:			
Finance costs	27	(52 571)	(52 571)

2019

	Note(s)	Amortised cost R'000	Total R'000
Recognised in profit or loss:			
Finance costs	27	(33 654)	(33 654)

		2020 R '000	2019 R '000

37. Financial instruments and risk management (continued)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The company monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity.

The capital structure and gearing ratio of the company at the reporting date was as follows:

Trade and other payables	17	205 337	213 976
Cash and cash equivalents	11	(587 051)	(296 023)
Net borrowings		**(381 714)**	**(82 047)**
Equity		1 217 744	1 244 931
Gearing ratio		(31)%	(7)%

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of Directors has overall responsibility for the establishment and oversight of the company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

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. This risk arises primarily from the companies receivables from customers.

The company is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees

37. Financial instruments and risk management (continued)

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data, where available. Counterparty credit limits are in place and are reviewed and approved by credit management. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed 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.

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 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets 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 and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

R '000

37. Financial instruments and risk management (continued)

The maximum exposure to credit risk of the company is presented in the table below:

		2020			2019		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Trade and other receivables	6	301 537	-	301 537	295 655	-	295 655
Cash and cash equivalents	11	587 051	-	587 051	296 023	-	296 023
		888 588	**-**	**888 588**	**591 678**	**-**	**591 678**

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The gross carrying amount for debt instruments at fair value through other comprehensive income is equal to the fair value because the credit loss allowance does not reduce the carrying amount. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

The company's credit risk is influenced mainly by the individual characteristics of each customer. The company's customer base comprises three distinct markets, for which credit risk relating to customer concentration per market segmentation is presented as follows:

- Replacement Trade: 70% (2019: 85%)
- Original Equipment: 21% (2019: 8%)
- Exports: 9% (2019: 7%)

There is no specific concentration of credit risk within each market. In the case of customers falling within the export market, Letters of Credit are established or credit guarantee insurance is put in place. Once a credit limit has been established, it may only be increased by the Credit Manager. For customers who are considered to be to pose payment default risk, such customers are placed on on a prepayment basis.

The company has established an allowance provision of R16,882,000 (2019: R9,456,000) for possible impairment at reporting date. The remaining balances are considered recoverable.No significant losses have been incurred during the financial year.

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Notes to the Financial Statements

	2020 R '000	2019 R '000

37. Financial instruments and risk management (continued)

The maximum exposure to credit risk for trade and other receivables at the reporting date per the age analysis was:

	2020 R '000	2019 R '000
Gross carrying amounts		
Replacement Trade	207 882	249 358
Original Equipment	61 729	24 436
Exports - Third Parties	28 121	21 229
Total exposure to Group and Third Parties	**297 732**	**295 023**

	2020 R '000	2019 R '000
Past due balances in Trade and other receivables		
Past due 0-30 days	2 045	4 289
Past due 31-60 days	2 717	6 552
Past due 61-90 days	2 671	3 978
Past due >91 days	15 831	5 180
	23 264	**19 999**

	2020 R '000	2019 R '000
Maximum exposure to credit risk per geographical region within receivables at reporting date was:		
Australia	(101)	(1 088)
Belguim	(1 010)	(7 282)
Brazil	-	484
Canada	1 463	(80)
Czech Republic	(1)	(14)
Chile	(62)	870
Austria	(2)	-
Argentina	3	-
Denmark	5	(7)
Domestic	282 314	244 216
France	-	(108)
Germany	(6 164)	8 303
Ghana	7 046	5 844
Finland	(111)	-
Italy	(2)	(1 330)
Japan	-	136
Malaysia	(2 153)	2 537
Mauritius	3 081	1 738
Mexico	1 244	(391)
Middle East	(506)	41
Norway	-	(6)
Other Sub Saharan Africa regions	12 396	29 848
Poland	(4 169)	(154)
Portugal	(40)	(127)
Reunion	12 644	9 282
Slovenia	(8)	(19)
South Korea	(3)	(66)
Spain	216	879
Sweden	(21)	67
Switzerland	-	(70)
Taiwan	7	(130)
Thailand	-	(2 836)
Turkey	124	(4)
United Kingdom	(12 732)	(4 306)
United States of America	4 274	8 796
Total exposure to Group and Third Parties	**297 732**	**295 023**

Notes to the Financial Statements

	2020 R '000	2019 R '000

37. Financial instruments and risk management (continued)

Movement in provision for impairment of Trade and other receivables		
Opening Balance	9 456	14 242
Increase in provision	7 426	8 039
Less: amounts written off as unrrecoverable	-	(12 825)
Closing balance	**16 882**	**9 456**

The average credit period on sales of goods is 56 days (2019: 51 days). The company has provided for specific receivables balances of R16,882,000 (2019: R9,456,000) mainly due to the economic circumstances. The balance of the impairment loss as at 31 December 2020 relates to replacement trade receivables and are provided for based on estimated irrecoverable amounts from these sales.

Before accepting any new customer, the company uses Industry-based trade references to assess the potential customer's credit quality and defines limits by customer. Credit limits attributed to customers are reviewed on an ongoing basis.

In determining the recoverability of a trade receivable, the company considers any change in the credit quality of the trade receivable from the date credit was initially granted to the reporting date. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions. The company's cash flow position is monitored daily, and cash is deposited or borrowed at optimum rates. A cash flow forecast is prepared and reviewed monthly.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2020

		Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Total R'000	Carrying amount R'000
Current liabilities						
Trade and other payables	17	205 337	-	-	205 337	205 337
Finance lease liabilities	15	8 270	8 845	10 517	27 632	20 889

	2020 R '000	2019 R '000

37. Financial instruments and risk management (continued)

2019

		Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Total R'000	Carrying amount R'000
Current liabilities						
Trade and other payables	17	213 976	-	-	213 976	213 976
Finance lease liabilities	15	29 266	16 780	10 517	56 563	47 387

The company has the following credit facilities in place at the reporting date:

Financing facilities

	2020 R '000	2019 R '000
ABSA:		
Vehicle Management Solutions	8 000	15 000
CitiBank:		
Short Term Money Market	205 000	205 000
Short Term (FEC's)	24 000	24 000
Corporate Credit Card	7 000	7 000
	236 000	**236 000**
First National Bank:		
Short term Contingent (Guarantees)	7 000	7 000
Short term (FEC's)	5 000	5 000
Settlement (EFT's)	125 000	125 000
Settlement (FEC's)	50 000	50 000
Short term Direct (Wesbank)	660	660
	187 660	**187 660**
Standard Bank of SA:		
Derivative products (FEC's)	28 000	28 000
Rand Merchant Bank:		
Department of Finance	387	387
The Commissioner - Customes and Excise	53	53
SARS	5 750	5 750
South African Transport Services	46	46
City of Johannesburg	2	2
Mobeni Town Council	10	10
NUMSA	90	764
Entertainment Catering Commerical	-	90
	6 338	**7 102**

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or value of its holdings of financial instruments.

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	2020 R '000	2019 R '000

37. Financial instruments and risk management (continued)

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. The company is primarily exposed to foreign currencies of the United States Dollar, and Euro.

The company does not cover foreign exchange exposures.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date below.
US Dollar exposure:

	2020	2019
Current assets:		
ARS	13	-
AUD	(9)	(105)
BRL	-	133
CAD	124	-
CHF	-	(5)
CZK	-	(22)
DKK	2	(3)
EUR	729	983
GBP	(602)	(219)
GHS	2 608	2 439
JPY	-	1 144
KRW	(251)	(5 101)
MXN	1 635	(496)
MYR	(543)	753
NOK	-	(4)
PLN	(1 011)	(39)
RUB	(6)	-
SEK	(11)	43
THB	-	(5 669)
TRY	49	(2)
TWD	8	(262)
USD	438	993
Current liabilities:		
EUR	(2 714)	(753)
USD	(4 240)	(2 769)
	(3 781)	**(8 961)**

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure have been presented in the accompanying table.

	2020 R '000	2019 R '000

37. Financial instruments and risk management (continued)

Exchange rates

The following exchange rates were applied during the financial year:

	2020	2019
Average rate rand per unit of foreign currency:		
AUD	11,309	10,041
ARS	0,233	-
BRL	-	3,663
CAD	12,251	10,887
CHF	17,489	14,535
COP	0,445	0,004
CZK	0,708	0,630
DKK	2,511	2,166
EUR	18,718	16,174
GBP	21,074	18,432
GHS	2,855	2,678
HUF	0,050	0,050
JPY	0,154	0,132
KRW	0,139	0,012
MXN	0,765	0,750
MYR	3,910	3,488
NOK	1,747	1,642
PLN	4,215	3,764
RUB	0,227	0,223
SEK	1,784	1,528
THB	0,525	0,465
TRY	2,337	2,540
TWD	0,557	0,467
USD	16,414	14,446
Spot rate per unit of foreign currency		
AUD	11,344	9,827
BRL	-	3,486
CAD	11,511	10,759
CHF	16,646	14,493
COP	0,043	0,043
CZK	0,686	0,619
DKK	2,420	2,105
EUR	18,009	15,725
GBP	20,055	18,467
GHS	2,501	2,458
HUF	0,494	0,476
JPY	0,142	0,129
KRW	0,014	0,012
MXN	0,739	0,741
MYR	3,648	3,427
NOK	1,722	1,595
PLN	3,949	3,688
RUB	0,196	0,225
SEK	1,799	1,506
THB	0,489	0,471
TRY	1,963	2,355
TWD	0,522	0,466
USD	14,666	14,019

37. Financial instruments and risk management (continued)

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Details of interest rate risk exposure are contained in the relevant notes throughout these financial statements.

Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall company standards for the management of operational risk in the following areas:
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- ethical and business standards;
- risk mitigation, including insurance where it is effective.

Compliance with the company standards is supported by a program of periodic reviews undertaken by local management. The results of these reviews are discussed with the heads of the business department to which they relate.