

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
(All amounts in Sri Lanka Rupees)

STATEMENT OF FINANCIAL POSITION AS AT	Note	Group- Ind AS		
		31.03.2017	31.03.2016	31.03.2015
ASSETS				
Non - Current Assets				
Investment in Joint Venture	2	2,818,626,125	3,001,311,471	2,465,245,107
Investment in Related companies	3	30	30	30
		<u>2,818,626,155</u>	<u>3,001,311,501</u>	<u>2,465,245,137</u>
Current Assets				
Income Tax Refund Due	4	11,110	21,131	24,368
Dividend Receivable		-		
Interest Receivable				
Bank balances other than cash and cash equivalents	5	2,192,492	2,000,000	2,000,000
Cash & cash equivalents	6	456,801,236	469,778	626,568
		<u>459,004,839</u>	<u>2,490,909</u>	<u>2,650,936</u>
Total Assets		<u>3,277,630,994</u>	<u>3,003,802,410</u>	<u>2,467,896,073</u>
EQUITY AND LIABILITIES				
Equity				
Stated Capital	7	100,000,000	100,000,000	100,000,000
Capital Reserve		27,200,000	27,200,000	27,200,000
Revaluation Surplus		210,614,890	210,614,890	210,614,890
Retained Earnings		2,939,428,770	2,665,851,435	2,129,967,964
Total Equity		<u>3,277,243,660</u>	<u>3,003,666,325</u>	<u>2,467,782,854</u>
Current Liabilities				
Amount due to Related Company		171,374	20,646	-
Income Tax Payable				
Other Payables	8	215,960	115,440	113,220
		<u>387,334</u>	<u>136,086</u>	<u>113,220</u>
Total Equity & Liabilities		<u>3,277,630,994</u>	<u>3,003,802,410</u>	<u>2,467,896,073</u>

Notes forming part of the Accounts

signed for and on behalf of the Board of Directors.


Arindam Chakrabarti
Chief Financial Officer / Director


Vijay Gambhire
Managing Director

For Kreston M.N.S. & Co.,
Chartered Accountants


Partner



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED	Note	Group- Ind AS		
		31.03.2017	31.03.2016	31.03.2015
Revenue	9	-	-	-
Administrative Expenses		(361,912)	(255,992)	(241,860)
Other Operating Expenses		(4,482)	(5,340)	(4,990)
Operating Profit		(366,394)	(261,332)	(246,850)
Finance Income	10	213,880	108,879	102,463
Profit / (Loss) before change in value of investments		(152,513)	(152,453)	(144,386)
Share of Profit from Joint Venture		909,604,463	1,039,717,824	982,651,685
Profit before Tax	11	909,451,949	1,039,565,371	982,507,299
Taxation	12	(285,905,682)	(250,389,479)	(232,475,065)
Profit for the period		623,546,267	789,175,892	750,032,234
Other Comprehensive Income				
Actuarial gain / (loss) on Retirement Benefit Obligation		16,602,935	4,354,511	(4,920,801)
Fair Value Measurement		134,632		
Tax on actuarial gain / (loss) on Retirement Benefit Obligation		(1,281,499)	(762,899)	1,279,561
		15,456,069	3,591,612	(3,641,241)
Total Comprehensive Income for the period		639,002,336	792,767,504	746,390,993

Earnings per Share 13 62.35 78.92 75.00

Dividend per Share 14 36.54 25.10 20.25

Notes forming part of the Accounts

signed for and on behalf of the Board of Directors.


Arindam Chakrabarti
Chief Financial Officer / Director


Vijay Gambhire
Managing Director

For Kreston M.N.S. & Co.,
Chartered Accountants


Partner



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
(All amounts in Sri Lanka Rupees)

STATEMENT OF CASH FLOW FOR THE YEAR ENDED Note	Group- Ind AS		
	31.03.2017	31.03.2016	31.03.2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Taxation	909,451,949	1,039,565,371	982,507,299
Adjustments for :			
Share of Profit from Joint Venture	(909,604,463)	(1,039,717,824)	(982,651,685)
Interest Income	(213,880)	(108,879)	(102,463)
Operating Profit before working Capital Changes	(366,394)	(261,332)	(246,850)
Adjustments for Working Capital Changes			
Increase / (Decrease) in Other Payables 8	100,520	2,220	27,540
Increase / (Decrease) in Other Receivables			
Increase / (Decrease) in Amount due to Related Company	150,728	20,646	-
Cash generated from Operations	(115,146)	(238,466)	(219,310)
Dividend Paid 14	(365,425,000)	(251,000,000)	(202,500,000)
Tax Paid 4	(49,866)	(27,249)	(20,538)
Net Cash from Operating Activities	(365,590,012)	(251,265,715)	(202,739,848)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Received	213,880	108,879	102,463
Investment in Short Term Deposits	(192,492)	-	(2,000,000)
Dividend Received	821,900,082	251,000,046	202,500,043
Net Cash Generated from Investing Activities	821,921,470	251,108,925	200,602,506
Increase / (Decrease) in Cash & Cash Equivalents	456,331,458	(156,790)	(2,137,342)
Cash & Cash Equivalents at the beginning of the year	469,778	626,568	2,763,910
Cash & Cash Equivalents at the end of the year 6	456,801,236	469,778	626,568



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STATEMENT OF CHANGES IN EQUITY - GROUP- Ind AS

	Stated Capital Rs.	Retained Earnings Rs.	Revaluation Surplus Rs.	Capital Reserve Rs.	Total Rs.
Balance as at 31st March 2015	100,000,000	2,129,967,964	210,614,890	27,200,000	2,467,782,854
Dividends	-	(251,000,000)	-	-	(251,000,000)
Transactions with owners	-	(251,000,000)	-	-	(251,000,000)
Profit for the year	-	789,175,892	-	-	789,175,892
Less : Prior period adjustment on depreciation	-	(5,884,033)	-	-	(5,884,033)
Other Comprehensive Income for the year	-	3,591,612	-	-	3,591,612
Total Comprehensive Income for the year	-	786,883,471	-	-	786,883,471
Balance as at 31st March 2016	100,000,000	2,665,851,435	210,614,890	27,200,000	3,003,666,325
Dividends	-	(365,425,000)	-	-	(365,425,000)
Transactions with owners	-	(365,425,000)	-	-	(365,425,000)
Profit for the year	-	623,546,267	-	-	623,546,267
Other Comprehensive Income for the year	-	15,456,069	-	-	15,456,069
Total Comprehensive Income for the year	-	639,002,336	-	-	639,002,336
Balance as at 31st March 2017	100,000,000	2,939,428,770	210,614,890	27,200,000	3,277,243,660

Revaluation Reserve represents the resultant surplus on revaluation of freehold land & Plant & Machinery of Subsidiaries of Joint Venture.
Capital redemption reserve fund represents the amount set aside on redemption of shares Subsidiaries of Joint Venture.



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Notes to financial statements for the year ended March 31, 2017.

1.1 Corporate Information

(a) Company

Associated Ceat Holdings Company (Pvt) Limited is a Private Limited Liability Company incorporated under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 (Company Reg. No. PV 6934) and domiciled in Sri Lanka. The registered office of the Company is located at 50/2, Sir James Peiris Mawatha, Colombo 2.

The principal activity of the Associated Ceat Holdings Company (Pvt) Ltd is holding investments.

(b) Group

The consolidated Financial Statements of the Group for the year ended 31st March 2017 include the Company and its Joint Venture Ceat Kelani Holdings (Pvt) Ltd (together referred to as the "Group" and individually as "Group entities")

The principal activity of Ceat Kelani Holding (Pvt) Limited (Joint Venture) is Investing and principal activities of fully owned subsidiaries of Joint Venture are as follows :

Name of Subsidiary	Principal Activities
Associated Ceat (Pvt) Ltd	Manufacturing of Pneumatic Tyres
Ceat Kelani International Tyres (Pvt) Ltd	Manufacturing of Pneumatic Tyres & Flaps
Ceat Kelani Radials (Pvt) Ltd	Manufacturing of Pneumatic Radial Tyres

Further CKITL formed a fully owned subsidiary Asian Tyres (Pvt) Ltd to manufacture radial tyres. Kelani Tyres PLC and Associated Ceat Holding Co. (Pvt) Limited are the Joint Holding Companies of Ceat Kelani Holdings (Pvt) Limited. (Joint Venture)



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED

Notes to financial statements for the year ended March 31, 2017.

1.2 Summary of significant Accounting Policies

(A) Basis of Accounting and preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015.

These financial statements have been prepared on a historical cost basis.

(B) Basis of consolidation

Group

The Group financial statements comprise the Company and its interest in its Joint Venture Ceat Kelani Holdings (Private) Limited (CKHPL).

The details of the group companies are as follows:

Name of Company	Holding Interest	
	31.03.2017	31.03.2016
CeatKelani Holdings (Pvt) Ltd (Joint Venture)	50.00%	50.00%
Subsidiaries of CeatKelani Holdings (Pvt) Ltd are given below,		
Associated Ceat (Pvt) Ltd.	99.99%	99.99%
CeatKelani International Tyres (Pvt) Ltd.	99.99%	99.99%
CeatKelani Radials (Pvt) Ltd.	99.99%	99.99%
Subsidiaries of CeatKelani International Tyres (Pvt Ltd)		
Asian Tyres (Pvt) Ltd	100%	100%

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Company has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses and movements in their comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance,



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Notes to financial statements for the year ended March 31, 2017.

form part of the group's net investment in the joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint venture are eliminated to the extent of group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(C) Current versus non-current classification:

The Company presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

(D) Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.



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Notes to financial statements for the year ended March 31, 2017.

(E) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Interest income:

For all debt instruments measured either at amortised cost or at fair value through other comprehensive income, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. Interest income is included in finance income in the statement of profit and loss.

Dividends:

Revenue is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(F) Taxes

Current income tax:

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.



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Notes to financial statements for the year ended March 31, 2017.

Deferred tax:

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



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Notes to financial statements for the year ended March 31, 2017.

(G) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(H) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified.

Impairment losses of continuing operations are recognised in the statement of profit and loss.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been



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Notes to financial statements for the year ended March 31, 2017.

determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

(I) Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) 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 amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

(J) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)



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Notes to financial statements for the year ended March 31, 2017.

Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables, loans and other financial assets.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

In case of equity instrument classified as FVTOCI, all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:



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Notes to financial statements for the year ended March 31, 2017.

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Financial assets that are debt instruments and are measured as at FVTOCI
- c) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18

For recognition of impairment loss on other financial assets and risk exposure, the group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:



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Notes to financial statements for the year ended March 31, 2017.

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the statement of profit and loss (P&L). This amount is reflected under the head 'other expenses' in the Profit & Loss. The Statement of Financial Position presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contractual revenue receivables and lease receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the Statement of Financial Position. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.
- Debt instruments measured at FVTOCI: Since financial assets are already reflected at fair value, impairment allowance is not further reduced from its value. Rather, ECL amount is presented as 'accumulated impairment amount' in the OCI.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include other payables and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:



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Notes to financial statements for the year ended March 31, 2017.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined as per impairment requirements of Ind AS 109 and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED

Notes to financial statements for the year ended March 31, 2017.

exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for:

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in P&L.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to P&L at the reclassification date.



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED

Notes to financial statements for the year ended March 31, 2017.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(K) Cash and cash equivalents

Cash and cash equivalent in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(L) Dividend distribution to equity holders

The Company recognises a liability to make cash to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

(M) Foreign currencies:

The Company's financial statements are presented in Sri Lankan Rupees, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company at LKR spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
(All amounts in Sri Lanka Rupees)

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - INVESTMENT IN JOINT VENTURE

BY GROUP

	Group- Ind AS		
	31.03.2017	31.03.2016	31.03.2015
	Rs.	Rs.	Rs.
Ceat Kelani Holdings (Pvt) Ltd. (10,000,000 Ordinary Shares)			
As at 1st April	3,001,311,471	2,465,245,107	1,921,191,122
Add : Share of Profit before tax from Joint Vetur	909,604,463	1,039,717,824	982,651,685
Less : Prior period adjustment on depreciation		(5,884,033)	
Less : Share of Income Tax from Joint Venture	(285,845,796)	(250,358,992)	(232,456,417)
Less : Dividend Received	(821,900,082)	(251,000,046)	(202,500,043)
Less : Other Comprehensive Income	15,456,069	3,591,612	(3,641,241)
	<u>2,818,626,125</u>	<u>3,001,311,471</u>	<u>2,465,245,107</u>

Investment is recorded at Equity Method.

Investment in Joint Venture represents the 50% holding in Ceat Kelani Holdings (Pvt) Ltd (CKH), a Company incorporated in Sri Lanka to acquire shares of Associated Ceat (Pvt) Ltd, Ceat Kealani International Tyres (Pvt) Ltd and Ceat Kelani Radials (Pvt) Ltd.

Ceat Kelani Holdings (Pvt) Ltd is a private Company and there is no quoted market price available for its shares.

Summarised Financial Information for Joint Venture

Set out below are the summarised financial information for Ceat Kelany Holdings (Pvt) Ltd, which is accounted for using equity method.

Summarised Statement of Financial Position as at	Group- Ind AS		
	31.03.2017	31.03.2016	31.03.2015
	Rs.	Rs.	Rs.
Current			
Cash and cash equivalents	748,814,096	1,964,493,071	1,117,247,726
Other current assets (excluding cash)	3,479,969,583	2,236,530,093	2,618,383,436
Total current assets	<u>4,228,783,679</u>	<u>4,201,023,164</u>	<u>3,735,631,162</u>
Financial liabilities (excluding trade payables)	(1,327,728,462)	(702,122,428)	(955,281,308)
Other current liabilities (including trade payables)	(439,454,740)	(580,784,177)	(565,525,979)
Total current liabilities	<u>(1,767,183,202)</u>	<u>(1,282,906,605)</u>	<u>(1,520,807,286)</u>
Non-current			
Assets	3,896,541,900	3,690,352,433	3,229,753,165
Total non-current assets	<u>3,896,541,900</u>	<u>3,690,352,433</u>	<u>3,229,753,165</u>
Financial Liabilities			(4,764,560)
Other Liabilities	(720,890,129)	(605,846,052)	(509,322,270)
Total non-current liabilities	<u>(720,890,129)</u>	<u>(605,846,052)</u>	<u>(514,086,830)</u>
Net Assets	<u>5,637,252,250</u>	<u>6,002,622,940</u>	<u>4,930,490,214</u>



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
(All amounts in Sri Lanka Rupees)

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - INVESTMENT IN JOINT VENTURE (CONTD.)

**Summarised Statement of Comprehensive Income
For the year ended**

	Group- Ind AS		
	31.03.2017 Rs.	31.03.2016 Rs.	31.03.2015 Rs.
Revenue			
Depreciation and amortisation	9,166,263,528	9,161,916,067	9,432,623,379
Interest income	(331,292,120)	(263,014,180)	(198,843,601)
Interest expense/ (income)	202,498,857	88,879,890	17,998,243
Profit before tax from continuing operations	(6,144,623)	(4,877,480)	(13,966,810)
Income tax expense	1,819,208,925	2,079,435,648	1,965,303,371
Profit after tax from continuing operations	(571,691,592)	(500,717,985)	(464,912,833)
Profit after tax from discontinued operations	1,247,517,334	1,578,717,663	1,500,390,537
Other comprehensive income	-	-	-
Total comprehensive income	30,912,138	7,183,223.25	(7,282,481)
Dividends received from Joint Venture	1,278,429,471	1,585,900,886	1,493,108,056
	821,900,082	251,000,046	202,500,043

The information above reflects the amounts presented in the financial statements of the joint venture adjusted for differences in accounting policies between the group and the joint venture. (and not Associated Ceat Holdings Company (Pvt) Lts's share of those amounts.)

Reconciliation of Summarised Financial Information

Reconciliation of the summarised financial information presented to the carrying amount of the interest in the joint venture.

Summarised financial information

	Group- Ind AS		
	31.03.2017 Rs.	31.03.2016 Rs.	31.03.2015 Rs.
Opening net assets as at 01st April			
Add : Profit before tax of Joint Vetur	6,002,622,940	4,930,490,214	3,842,382,243
Less : Income Tax of Joint Venture	1,819,208,925	2,079,435,648	1,965,303,371
Less : Prior period adjustment on depreciation	(571,691,592)	(500,717,985)	(464,912,834)
Less : Dividend Paid by Joint Venture	-	(11,768,065)	-
Less : Other Comprehensive Income	(1,643,800,163)	(502,000,092)	(405,000,086)
Closing net assets as at period end	30,912,138	7,183,223	(7,282,481)
Interest in Joint Venture @ 50%	5,637,252,250	6,002,622,940	4,930,490,214
Carrying value	2,818,626,125	3,001,311,471	2,465,245,107
	2,818,626,125	3,001,311,471	2,465,245,107

NOTE 3 - INVESTMENTS IN RELATED COMPANIES

	Value		
	31.03.2017 Rs.	31.03.2016 Rs.	31.03.2015 Rs.
Associated Ceat (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00	10.00
Ceat Kelani Radials (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00	10.00
Ceat Kelani International Tyres (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00	10.00
	30.00	30.00	30.00



ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
(All amounts in Sri Lanka Rupees)

NOTES TO FINANCIAL STATEMENTS (CONTD.)	Group- Ind AS		
	31.03.2017 Rs.	31.03.2016 Rs.	31.03.2015 Rs.
NOTE 4 - INCOME TAX REFUND DUE			
Balance as at 1st April	21,131	24,368	22,478
Provision made during the year	(59,886)	(30,486)	(18,648)
	<u>(38,756)</u>	<u>(6,118)</u>	<u>3,830</u>
Add : Income tax paid	49,866	27,249	20,538
Balance as at period end	<u>11,110</u>	<u>21,131</u>	<u>24,368</u>

NOTE 5 -Bank balances other than cash and cash equivalents

Deposits with Maturity of more than 3 months but less than 12 months	2,192,492	2,000,000	2,000,000
	<u>2,192,492</u>	<u>2,000,000</u>	<u>2,000,000</u>

NOTE 6 - CASH & CASH EQUIVALENTS

Cash at Bank	456,801,236	469,778	626,568
	<u>456,801,236</u>	<u>469,778</u>	<u>626,568</u>

NOTE 7 - STATED CAPITAL

Number of Ordinary Shares Issued & Fully Paid	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Stated Capital on period end	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

The total amount received by the company or due and payable to the Company in respect of the issue of shares are referred to as "Stated capital".

NOTE 8 - OTHER PAYABLES

Audit Fees & Accounting fees Payable	215,960	115,440	113,220
	<u>215,960</u>	<u>115,440</u>	<u>113,220</u>



All amounts are short term. The carrying values are considered to be a reasonable approximation of fair value.

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
(All amounts in Sri Lanka Rupees)

NOTES TO FINANCIAL STATEMENTS (CONTD.)

Group- Ind AS

NOTE 9 - REVENUE

Dividend Received (Net)

	31.03.2017 Rs.	31.03.2016 Rs.	31.03.2015 Rs.
	-	-	-
	-	-	-

NOTE 10 - FINANCE INCOME

Interest on Call Deposit

	213,880	108,879	102,463
	213,880	108,879	102,463

NOTE 11 - PROFIT BEFORE TAXATION

Is stated after charging all expenses including :

Audit Fees

	40,800	34,320	33,660
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NOTE 12 - TAXATION

Tax Expense

- Income Tax on Profit for the year	59,886	30,486	18,648
- Share of Income Tax & Deferred Tax on Joint Venture	285,845,796	250,358,992	232,456,417

Tax expense reported in income statement

	285,905,682	250,389,479	232,475,065
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Share of deferred tax of Joint venture reported in Other Comprehensive Income

	1,281,499	762,899	(1,279,561)
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Total Tax Expense

	287,187,181	251,152,378	231,195,504
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NOTE 13 - EARNINGS PER SHARE

The Basic Earnings per Ordinary Share is calculated by dividing the net profit for the year attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares in issue during the year.

	31.03.2017	31.03.2016	31.03.2015
Net Profit attributable to Ordinary Shareholders (Rs.)	623,546,267	789,175,892	750,032,234
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000	10,000,000
Earnings per Share (Rs.)	62.35	78.92	75.00

NOTE 14 - DIVIDEND PER SHARE

Dividend Paid

	365,425,000	251,000,000	202,500,000
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Weighted Average Number of Ordinary Shares

	10,000,000	10,000,000	10,000,000
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Dividend per share

	36.54	25.10	20.25
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ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
(All amounts in Sri Lanka Rupees)

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 15 - CONTINGENT LIABILITIES

There were no Contingent Liabilities as at the reporting date, which would require adjustments to or disclosure in the Financial Statements.

NOTE 16 - CAPITAL COMMITMENTS

There were no material capital commitments which have been approved or contracted for as at the reporting date.

NOTE 17 - EVENT OCCURRING AFTER THE REPORTING DATE

No circumstance have arisen since the reporting date which require adjustment to or disclosure in the Financial Statements.

NOTE 18 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The capital is managed by the Company in a way that it is able to continue as a going concern while maximising returns to shareholders.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company comprising of issued capital and retained earnings.

NOTE 19 - FINANCIAL INSTRUMENT RISK

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk credit risk and liquidity risk.

The Company's risk management is coordinated at its Group level, in close cooperation with the Board of Directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in interest rates.

As the Company has no interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded the market.

The Company has no equity investments which can give exposure to price risk.

Credit Risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is potentially exposed to concentration of credit risk from its financial assets which comprise principally bank balances and other receivables. The Company's bank accounts are placed with high credit quality financial institutions. The credit risk on related parties is subjected to credit evaluations. The Company is not exposed to any significant concentration of credit risk because its exposure is negligible over financial institutions.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any future commitments. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows.

