

**CEAT AKKHAN LIMITED**  
**Balance Sheet as at 31 March 2017**

Particulars	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
		BDT Lacs	BDT Lacs	BDT Lacs
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and Equipment	3	44.43	61.61	86.79
Capital work-in-progress	3	7,814.77	7,756.21	7,681.31
Intangible assets	4	0.53	6.68	27.15
Intangible assets under development				
<b>Financial Assets:</b>				
Non-current Investments	5	-	-	-
Long term loans and advances	6	258.86	258.86	258.86
Other non-current financial assets	7	-	-	-
Deferred tax assets	24	90.15	9.60	2.85
Other non-current assets	8	1,785.22	1,753.36	1,801.63
<b>Total non-current assets</b>		<b>9,993.96</b>	<b>9,846.33</b>	<b>9,858.60</b>
<b>Current assets</b>				
Inventories	9	837.99	1,545.69	1,531.65
<b>Financial Assets:</b>				
Current Investments	10	-	-	-
Trade receivables	11	861.29	866.13	1,137.44
Cash and cash equivalents	12	437.49	77.23	2,523.85
Bank balances other than cash and cash equivalents	13	1,074.38	1,942.65	1,117.73
Short term loans and advances	14	47.20	47.97	47.05
Other current financial assets	15	6.64	6.55	36.58
Prepayments	16	14.69	18.91	17.31
Other current assets	17	13.83	35.98	62.16
<b>Total Current assets</b>		<b>3,293.52</b>	<b>4,541.11</b>	<b>6,473.78</b>
<b>Total Assets</b>		<b>13,287.48</b>	<b>14,387.44</b>	<b>16,332.38</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Equity Share Capital	18	15,000.00	15,000.00	15,000.00
Other Equity*	19	-3,131.68	-2,609.70	-2,014.78
<b>Total Equity</b>		<b>11,868.32</b>	<b>12,390.30</b>	<b>12,985.22</b>
<b>Non-current liabilities:</b>				
<b>Financial Liabilities</b>				
Borrowings	21	-	-	-
Other financial liabilities	22	-	-	-
Provisions	23	-	-	-
Deferred tax liability (net)	24	-	-	-
Deferred revenue				
Other non-current liabilities	25	-	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities:</b>				
<b>Financial Liabilities</b>				
Borrowings	26	-	667.35	923.53
Trade payables	27	492.89	465.25	1,055.87
Other current financial liabilities	28	623.44	541.80	928.41
Deferred revenue				
Other current liabilities	29	13.86	11.42	30.84
Provisions	23	288.97	311.33	408.52
<b>Total current liabilities</b>		<b>1,419.15</b>	<b>1,997.14</b>	<b>3,347.17</b>
<b>Total equity and liabilities</b>		<b>13,287.48</b>	<b>14,387.44</b>	<b>16,332.38</b>

\* Refer Statement of Changes of Equity

The annexed notes 1 to 49 form an integral part of these financial statements.

Chairman  
/Director

Managing Director  
/Director

Company Secretary

As per our report of same date.

Auditor

Dhaka, 20 APR 2017

**Rahman Rahman Huq**  
Chartered Accountants

**CEAT AKKHAN LIMITED**  
Statement of Profit and Loss for the year ended 31 March 2017

Particulars	Notes	31 March 2017	31 March 2016
		BDT Lacs	BDT Lacs
Revenue from operations	30	6,498.01	6,474.00
Other Income	31	88.06	139.77
<b>Total Revenue</b>		<b>6,586.07</b>	<b>6,613.77</b>
<b>Expenses:</b>			
Cost of material consumed	32	-	-
Purchase of stock-in-trade		4,448.10	5,084.96
Changes in inventories of finished goods, work-in-progress and stock-in-trade	33	707.70	-14.04
Employee benefit expense	34	758.65	842.31
Finance costs	35	109.71	48.90
Depreciation and amortization expenses	36	25.18	46.50
Excise duty			
Other expenditure	37	886.63	907.51
<b>Total expenses</b>		<b>6,935.97</b>	<b>6,916.16</b>
<b>Profit before exceptional items and tax</b>		<b>-349.90</b>	<b>-302.38</b>
<b>Exceptional Items</b>	38	-	-
<b>Profit / (loss) before tax</b>		<b>-349.90</b>	<b>-302.38</b>
<b>Tax expense:</b>			
Current tax		252.62	299.28
Deferred tax		-80.54	-6.75
<b>Profit / (loss) for the period</b>		<b>-521.98</b>	<b>-594.92</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial losses for Gratuity			
Income tax effect on actuarial losses for Gratuity			
<b>Items that will be reclassified to profit or loss</b>			
Movement in cash flow hedges			
Income tax effect on movement in cash flow hedges			
<b>Total Comprehensive Income for the period (Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>		<b>-521.98</b>	<b>-594.92</b>
<b>Earnings per equity share (for continuing operation):</b>	40		
Basic		-0.35	-0.40
Diluted		-0.35	-0.40

The annexed notes 1 to 49 form an integral part of these financial statements.

Chairman  
/Director

Managing Director  
/Director

Company Secretary

As per our report of same date.

Dhaka, 20 APR 2017

Auditor

**Rahman Rahman Huq**  
Chartered Accountants

CEAT AKKHAN LIMITED

Statement of Cash Flows for the year ended 31 March 2017

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	(349.90)	(302.38)
<b>Adjustments to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortization	25.18	46.50
(Profit) / Loss on sale of fixed assets (net)	-	0.72
<b>Operating profit before working capital changes</b>		
<b>Adjustments for :</b>		
Decrease / (Increase) in inventory	707.70	(14.04)
Decrease / (Increase) in trade receivables	4.83	271.32
Decrease / (Increase) in other current assets	(5.58)	30.03
Decrease / (Increase) in short-term loans and advances	0.77	75.80
Decrease / (Increase) in long-term loans and advances	81.64	-
(Decrease) / Increase in trade payables	27.64	(461.93)
(Decrease) / Increase in other current liabilities	2.44	(552.10)
(Decrease) / Increase in short-term provisions	36.25	-
<b>Cash flows from operating activities</b>	<b>530.96</b>	<b>(906.07)</b>
Direct taxes paid	(311.23)	(382.97)
<b>Net cash flows from operating activities</b>	<b>219.74</b>	<b>(1,289.04)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (including capital work-in progress and capital advance)	(1.85)	(1.57)
Proceeds from sale of fixed assets	-	(0.13)
Purchase of non current investments	(58.56)	(74.77)
Interest received		
<b>Net cash flows from / (used in) investing activities</b>	<b>(60.40)</b>	<b>(76.48)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term buyers credit	(667.35)	(256.18)
<b>Net cash flows from / (used in) financing activities</b>	<b>(667.35)</b>	<b>(256.18)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(508.01)</b>	<b>(1,621.70)</b>
Cash and cash equivalents at the beginning of the year	<b>2,019.89</b>	<b>3,641.58</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,511.87</b>	<b>2,019.88</b>



CEAT AKKHAN LIMITED  
Statement of Changes In Equity for the year ended 31 March 2017

a. Equity share capital:

Equity shares of BDT 10 each Issued, subscribed and fully paid

	No. In Lacs	BDT Lacs
At 1 April 2015	15,000.00	15,000.00
At 31 March 2016	15,000.00	15,000.00
At 31 March 2017	15,000.00	15,000.00

b. Other equity

For the year end 31st March 2017:

Particulars	Reserves & Surplus					Items of OCI	Total
	Share premium	Capital Reserve	Capital redemption reserve	Debenture redemption reserve	Retained earnings	Cash flow hedge reserve	
As at 1 April 2016	-	-	-	-	-2,609.70	-	-2,609.70
Profit for the period	-	-	-	-	-521.98	-	-521.98
Other comprehensive Income (Note xx)	-	-	-	-	-	-	-
Total comprehensive Income	-	-	-	-	-3,131.68	-	-3,131.68
Issue of share capital (Note x)	-	-	-	-	-	-	-
As at 31st March 2017	-	-	-	-	-3,131.68	-	-3,131.68

For the year end 31st March 2016:

Particulars	Reserves & Surplus					Items of OCI	Total
	Share premium	Capital Reserve	Capital redemption reserve	Debenture redemption reserve	Retained earnings	Cash flow hedge reserve	
As at 1 April 2015	-	-	-	-	-2,014.78	-	-2,014.78
Profit for the period	-	-	-	-	-594.92	-	-594.92
Other comprehensive Income	-	-	-	-	-	-	-
Total comprehensive Income	-	-	-	-	-2,609.70	-	-2,609.70
Dividend	-	-	-	-	-	-	-
Tax on dividend	-	-	-	-	-	-	-
Transfer to Debenture Redemption Reserve	-	-	-	-	-	-	-
As at 31st March 2016	-	-	-	-	-2,609.70	-	-2,609.70



**Note 3: Property, plant and equipment**

Particulars	Freehold land	Leasehold land	Buildings	Plant and Machinery (Owned)	Plant and Machinery (Leased)	Furniture and Fixtures	Vehicles	Office equipments	Capital work in progress	Total
<b>Cost:</b>										
As at 1st April 2015	-	-	-	42.14	-	25.95	-	18.69	7,681.31	7,768.10
Additions	-	-	-	0.44	-	1.11	-	0.15	74.91	76.60
Disposals	-	-	-	-1.53	-	-0.23	-	-	-	-1.76
Adjustments during the year	-	-	-	-	-	-	-	-	-	-
As at 31st March 2016	-	-	-	41.05	-	26.83	-	18.85	7,756.21	7,842.94
As at 1st April 2016	-	-	-	41.05	-	26.83	-	18.85	7,756.21	7,842.94
Additions	-	-	-	1.07	-	-	-	0.16	58.56	59.78
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustments during the year	-	-	-	-	-	-	-	-	-	-
As at 31st March 2017	-	-	-	42.12	-	26.83	-	19.00	7,814.77	7,902.73
<b>Accumulated Depreciation:</b>										
As at 1st April 2015	-	-	-	-	-	-	-	-	-	-
Transferred to Reserve	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	18.59	-	2.90	-	4.54	-	26.03
Disposals	-	-	-	-0.86	-	-0.06	-	-	-	-0.91
Adjustments during the year	-	-	-	-	-	-	-	-	-	-
As at 31st March 2016	-	-	-	17.73	-	2.84	-	4.54	-	25.12
As at 1st April 2016	-	-	-	17.73	-	2.84	-	4.54	-	25.12
Additions	-	-	-	10.96	-	2.89	-	4.57	-	18.41
Disposals	-	-	-	-	-	-	-	-	-	-
Adjustments during the year	-	-	-	-	-	-	-	-	-	-
As at 31st March 2017	-	-	-	28.69	-	5.73	-	9.11	-	43.53
<b>Net Book Value:</b>										
As at 1st April 2015	-	-	-	42.14	-	25.95	-	18.69	7,681.31	7,768.10
As at 31st March 2016	-	-	-	23.32	-	23.99	-	14.30	7,756.21	7,817.82
As at 31st March 2017	-	-	-	13.43	-	21.10	-	9.89	7,814.77	7,859.20

**Net Book Value**

	31 March 2017	31 March 2016	1 April 2015
Property, plant and equipment	44.43	61.61	86.79
Capital work in progress	7,814.77	7,756.21	7,681.31

Particulars	FY 2016-17	FY 2015-16
	BDT Lacs	BDT Lacs
Land Cost & Land Registrations	6,071.45	6,068.66
Other project cost	1,743.32	1,687.56
Miscellaneous expenses	-	-
Employee benefit expenses	-	-
Travelling & Conveyance	-	-
<b>Total</b>	<b>7,814.77</b>	<b>7,756.21</b>



**Note 4: Intangible assets**

Particulars	Software	Brand	Technical Knowhow	Total
<b>Cost:</b>				
<b>As at 1st April 2015</b>	27.15	-	-	27.15
Additions				-
Disposals				-
Adjustments during the year				-
<b>As at 31st March 2016</b>	27.15	-	-	27.15
<b>As at 1st April 2016</b>	27.15	-	-	27.15
Additions	0.62			
Disposals				-
Adjustments during the year				-
<b>As at 31st March 2017</b>	27.77	-	-	27.77
<b>Amortization and Impairment:</b>				
<b>As at 1st April 2015</b>				
Depreciation during the year	20.47			20.47
Disposals				-
Adjustments during the year				-
<b>As at 31st March 2016</b>	20.47	-	-	20.47
<b>As at 1st April 2016</b>	20.47	-	-	20.47
Additions	6.77			6.77
Disposals				-
Adjustments during the year				-
<b>As at 31st March 2017</b>	27.24	-	-	27.24
<b>Net Book Value:</b>				
As at 1st April 2015	27.15	-	-	27.15
As at 31st March 2016	6.68	-	-	6.68
As at 31st March 2017	0.53	-	-	0.53



## Notes to the financial statements for the year ended 31 March 2017

### Note 1: Corporate information

CEAT AKKHAN LTD has been incorporated under the Companies Act, 1994 vide incorporation no. C-102115/12 dated 30 May 2012 as a public limited company. The registered office of the Company is located at 802 Shanta Western Tower, 186 Tejgaon I/A, Dhaka-1208.

### Note 2: Basis of Preparation and Summary of significant accounting policies:

#### 2.1 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, except for the following assets and liabilities which have been measured at fair value:

- Derivative financial instruments and
- Certain financial assets measured at fair value (refer accounting policy regarding financial instruments)

#### 2.2 Current versus non-current classification:

The Company presents assets and liabilities in the balance sheet IND AS 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.

#### 2.3 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.



Sales tax/ value added tax (VAT) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

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

#### **Sale of goods:**

Revenue from the sale of goods (i.e. tyres, tubes and flaps) is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of tyres is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates, cash discounts, sales taxes and Value added taxes. The Company provides normal warranty provisions for a period of three years on all its products sold, in line with the industry practice. A liability is recognised at the time the product is sold. The Company does not provide any extended warranties to its customers.

#### **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.

#### **2.4 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.

##### **Deferred tax:**

Deferred tax is provided using the liability method on temporary differences between the tax base 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, IND AS 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.

## **2.5 Non-current assets held for sale**

The Company classifies non-current assets and disposal groups as held for sale/ distribution to owners if their carrying amounts will be recovered principally through a sale/ distribution rather than through continuing use. Actions required for completing the sale/ distribution should indicate that it is unlikely that significant change to the sale/ distribution will be made or that the decision to sell/ distribute will be withdrawn. Management must be committed to the sale/ distribution expected within one year from the date of classification.

Non-current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute. Assets and liabilities classified as held for sale/ distribution are presented separately in the balance sheet.

Property, plant and equipment once classified as held for sale/ distribution to owners are not depreciated or amortised.

## **2.6 Property, plant and equipment**

### **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Capital work-in-progress represents the cost incurred for acquisition and/or construction of items of property, plant and equipment that are not ready for use which is measured at cost.

### **Subsequent expenditure**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss and other comprehensive income as incurred.



## Depreciation

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. The Company considers 5% of the costs as salvage value for each category of assets. Capital work-in-progress is not depreciated.

Depreciation on newly acquired asset is charged from the month of acquisition. On deletion/disposal of an asset, depreciation is charged up to the month prior to the deletion/disposal.

The rates of depreciation vary according to the estimated useful lives of each particular class of property, plant and equipment, as follows:

<u>Category</u>	<u>Useful life in years</u>	<u>Rate of depreciation</u>
Furniture and fixtures	10	9.50%
Office equipment	5	19%
IT equipment	3	31.67%
Electrical equipment	7.5	12.67%

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

### Intangible assets:

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective IND AS.

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Intangible assets are amortised on straight line method as under:

- Software expenditure have been amortised over a period of three years.

### 2.7 Borrowing costs:

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.



To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

## **2.8 Leases:**

The determination of whether an arrangement is (or contains) a lease is IND AS on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

### **Company as a lessee:**

#### **Operating lease**

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight line basis unless payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increase.

## **2.9 Inventories:**

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

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Traded goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

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

## **2.10 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 basis 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, including impairment on inventories, 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 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.

#### **2.11 Provisions:**

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.

#### **Warranty provisions**

The estimated liability for warranty is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of obligations and management estimates regarding possible future incidence based on corrective actions on product failure. The timing of outflows will vary as and when the obligation will arise - being typically up to three years.

#### **2.12 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)

##### **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.

#### **De-recognition**

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:

- 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 IND AS 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 36, 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) Lease receivables under IND AS 17
- d) 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
- e) Loan commitments which are not measured as at FVTPL
- f) Financial guarantee contracts which are not measured as at FVTPL

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables
- All lease receivables resulting from transactions within the scope of IND AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

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:

- 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

As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. On that basis, the Company estimates the following provision matrix at the reporting date:

	Current	1-30 days past due	31-60 days past due	61-90 days past due	More than 90 days past due
Default rate	XX%	XX%	XX%	XX%	XX%

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 P&L. The balance sheet 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



balance sheet. 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.

- Loan commitments and financial guarantee contracts: ECL is presented as a provision in the balance sheet, i.e. as a liability.
- 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 trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

### **Subsequent measurement**

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

#### **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 group 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.

### De-recognition

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 exchange or modification is treated as the de-recognition 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 amortised 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 IND AS 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.

### 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.





### **Derivative financial instruments:**

The Company uses derivative financial instruments, such as forward currency contracts, to manage its foreign currency risks. These derivative instruments are not designated as cash flow, fair value or net investment hedges and are entered into for period consistent with currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

### **Fair value measurement**

The Company measures financial instruments, such as, derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring IND ASis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (IND ASed on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the IND ASis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **2.13 Cash and cash equivalents**

Cash and cash equivalent in the balance sheet 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.

#### **2.14 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.

#### **2.15 Foreign currencies:**

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

Transactions in foreign currencies are initially recorded by the Company at BDT 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.

#### **2.16 Earnings Per Share:**

Basic Earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.



**Note 6: Long term loans and advances**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
<b>Unsecured, considered good:</b>			
Security Deposits			
Other Deposits	258.86	258.86	258.86
<b>Unsecured, considered doubtful:</b>			
Balance with Government Authorities			
Less : Provision made for Deposits			
	<b>258.86</b>	<b>258.86</b>	<b>258.86</b>

The above loans are non-derivative financial assets which generate fixed interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

**Note 8: Other non-current assets**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Unamortised ancillary cost of borrowing			
Capital advances	1,200.95	1,117.58	1,320.43
Security Deposits - Statutory authorities	567.29	594.72	436.73
Loans and advance to related parties			
Advance payment of Tax (net of provision)	16.98	41.05	44.47
	<b>1,785.22</b>	<b>1,753.36</b>	<b>1,801.63</b>

**Note 9: Inventories**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
a) Raw Materials			
Goods in transit - raw materials			
<b>Total</b>			
b) Work-In-Progress			
c) Finished Goods			
d) Traded Goods Stock	873.30	1,348.96	1,022.98
Less: Provision on Traded goods Stock	-116.93	-	-
Goods in transit - traded goods	81.62	196.73	508.67
<b>Total</b>	<b>837.99</b>	<b>1,545.69</b>	<b>1,531.65</b>
e) Stores and Spares			
Goods in transit - Stores and spares	0	0	-
<b>Total</b>	<b>837.99</b>	<b>1,545.69</b>	<b>1,531.65</b>
<b>Details of finished goods:</b>			
Automotive tyres	782.02	1,198.80	1,531.65
Tubes and others	91.27	150.16	-
	<b>837.99</b>	<b>1,545.69</b>	<b>1,531.65</b>

**Note 11: Trade receivables**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Trade receivables	861.29	866.13	1,137.44
Receivables from related parties (Refer Note XX)			
<b>Total receivables</b>	<b>861.29</b>	<b>866.13</b>	<b>1,137.44</b>

**Break-up for security details:**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Secured, Considered good			
Unsecured, Considered good	904.49	866.13	1,137.44
Doubtful			
<b>Total</b>	904.49	866.13	1,137.44
Allowance for doubtful debts	-43.20	0	-
<b>Total trade receivables</b>	<b>861.29</b>	<b>866.13</b>	<b>1,137.44</b>

No trade receivables are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.



**Note 12: Cash and cash equivalents**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Balances with Banks			
On current Accounts (Refer foot note (a))	435.16	75.17	2,520.59
On remittance in Transit	-	-	-
Cash on hand	2.33	2.06	3.26
	<b>437.49</b>	<b>77.23</b>	<b>2,523.85</b>

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Balances with Banks			
On current Accounts	435.16	75.17	2,520.59
On remittance in Transit	-	-	-
Cash on hand	2.33	2.06	3.26
	<b>437.49</b>	<b>77.23</b>	<b>2,523.85</b>
Less: Bank overdraft	-	-	-
	<b>437.49</b>	<b>77.23</b>	<b>2,523.85</b>

**Note 13: Bank balances other than cash and cash equivalents**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Deposits with Maturity of more than 3 months but less than 12 months (Refer foot note (a))	1,065.12	1,935.94	1,100.90
Margin Money Deposits	9.26	6.71	16.83
On Unpaid Interest and Fixed Deposit (Refer foot note (b))	-	-	-
On Unpaid Dividend Accounts (Refer foot note (b))	-	-	-
	<b>1,074.38</b>	<b>1,942.65</b>	<b>1,117.73</b>

**Note 14: Short term loans and advances**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
<b>Unsecured, Considered Good:</b>			
Advance Receivable in Cash or Kind or for Value to be Received	47.20	47.97	47.05
Loans and advances to related parties	-	-	-
Other Receivables	-	-	-
<b>Unsecured, Considered Doubtful:</b>			
Loans advances and deposits	-	-	-
Less: Provision for doubtful advances and deposits	-	-	-
	<b>47.20</b>	<b>47.97</b>	<b>47.05</b>

**Note 15: Other current financial assets**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Interest Receivable	6.64	6.55	36.58
Recoverable against Fire loss	-	-	-
Receivable from subsidiaries/ Joint Ventures	-	-	-
Revaluation of hedging instrument	-	-	-
	<b>6.64</b>	<b>6.55</b>	<b>36.58</b>

**Break up of financial assets carried at amortised cost**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Long term loans and advances (note 6)	306.06	258.86	258.86
Short term loans and advances (note 13)	-	47.97	47.05
Trade and other receivables (note 11)	861.29	866.13	1,137.44
Cash and cash equivalents and other bank balances (note 12)	437.49	77.23	2,523.85
Interest Receivable	6.64	6.55	36.58
	<b>1,611.49</b>	<b>1,256.74</b>	<b>4,003.79</b>

**Note 16: Prepayments**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Prepaid Expense	1.89	1.04	14.20
Prepaid Salary	2.29	1.86	-
Prepaid Insurance	10.50	16.01	3.11
	<b>14.69</b>	<b>18.91</b>	<b>17.31</b>

**Note 17: Other current assets**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Advance Receivable in Cash or Kind or for Value to be Received	-	-	-
Balance with Customs, Port Trust, Excise etc.	13.83	35.98	62.16
	<b>13.83</b>	<b>35.98</b>	<b>62.16</b>



**Note 18: Equity share capital**

Authorised share capital	Equity shares		Preference Shares		Unclassified Shares	
	Numbers	BDT Lacs	Numbers	BDT Lacs	Numbers	BDT Lacs
At 1 April 2015	150,000,000	15,000.00	-	-	-	-
Increase / (decrease) during the year	-	-	-	-	-	-
At 31 March 2016	150,000,000	15,000.00	-	-	-	-
Increase / (decrease) during the year	-	-	-	-	-	-
At 31 March 2017	150,000,000	15,000.00	-	-	-	-

  

Issued share capital	Equity shares of BDT 10 each issued, subscribed and fully paid	
	Numbers	BDT Lacs
At 1 April 2015	1,500,000,000	15,000.00
Allotted during the year	-	-
At 31 March 2016	1,500,000,000	15,000.00
Allotted during the year (Other issue.)	-	-
At 31 March 2017	1,500,000,000	15,000.00

**b) Terms/ rights attached to equity shares**

The Company has only one class of equity shares having face value of Rs.10 per share. Each holder of equity shares is entitled to one vote per equity share. Dividend is recommended by the Board of Directors and is subject to the approval of the members at the ensuing Annual General Meeting. The Board of Directors have a right to deduct from the dividend payable to any member, any sum due from him to the Company.

In the event of winding-up, the holders of equity shares shall be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by shareholders.

The shareholders have all other rights as available to equity shareholders as per the provision of the Companies Act, read together with the Memorandum of Association and Articles of Association of the Company, as applicable.

**c) Details of shareholders holding more than 5% shares in the company**

Name of the shareholders	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Numbers	% holding in the class	Numbers	% holding in the class	Numbers	% holding in the class
CEAT Limited, India	104,999,994.00	70.00%	104,999,994.00	70.0%	104,999,994.00	70%
AK KHAN & Co Limited, Bangladesh	45,000,000.00	30.00%	45,000,000.00	30.0%	45,000,000.00	30%

**Note 19: Other equity**

	BDT Lacs
At 1 April 2015	-
At 31 March 2016	-2,609.70
Add:	-
Less : Loss during the year	-521.98
At 31 March 2017	-3,131.68



**Note 23: Provisions**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
<b>Non-current provisions</b>			
Provision for warranty	-	-	-
Provision for compensated absences	-	-	-
Provision for decommissioning liability	-	-	-
<b>Current provisions</b>			
Provision for warranty	36.25	-	13.50
Provision for gratuity	-	-	-
Provision for compensated absences	-	-	-
Provision for income tax (Net of advance tax)	252.72	311.33	395.02
Provision for indirect Tax and tax matters	-	-	-
Provision for mark-to-market losses on derivative contracts	-	-	-
Provision for Tax on Proposed Dividend	-	-	-
	<b>288.97</b>	<b>311.33</b>	<b>408.52</b>

**a) Provision for warranty:**

A provision is recognized for expected warranty claims on product sold during the last three years, based on past experience of the level of returns and cost of claim. It is expected that significant portion of these costs will be incurred in the next financial year and within three years from the reporting date. Assumptions used to calculate the provision for warranty were based on current sales levels and current information available about returns based on the three years warranty period for all products sold. The table below gives information about movement in warranty provision.

**Movement in provision for warranty:**

	31 March 2017	31 March 2016
As at the beginning of the year	-	-
Additions during the year	36.25	-
Utilised during the year	-	-
As at the end of the year	<b>36.25</b>	-

**b) Compensated absences:**

The company encashes leaves of employees as per the Company's leave encashment policy. A provision has been recognised for leave encashment liability based on the actuarial valuation of leave balance of employees as at year end.

**d) Income Tax:**

**Description of Provision for Income tax**

'Provision for income tax (net of advance tax)' is unadjusted tax provisions for various years where either assessments or appeals are pending.

**Movement in provision for Income tax:**

	31 March 2017	31 March 2016
As at the beginning of the year	311.33	395.02
Additions during the year	252.62	299.28
Utilised during the year	311.23	382.97
As at the end of the year	<b>252.72</b>	<b>311.33</b>

**Note 24: Income tax**

The major components of income tax expense for the years ended 31 March 2017 and 31 March 2016 are:

**Statement of profit and loss:**

**Profit or loss section**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
Current income tax:		
Current income tax charge	252.62	299.28
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	(80.54)	(6.75)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>172.07</b>	<b>292.53</b>



**Deferred tax:**

Deferred tax relates to the following:

	Balance Sheet			Profit and Loss	
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs	BDT Lacs	BDT Lacs	BDT Lacs
Accelerated depreciation for tax purposes	-	-	-	-	-
Gratuity	-	-	-	-	-
Provision for doubtful debts	15.12	-	-	-	-
Others	75.03	9.60	2.85	(80.54)	6.75
<b>Deferred tax expense/(Income)</b>	<b>90.15</b>	<b>9.60</b>	<b>2.85</b>	<b>(80.54)</b>	<b>6.75</b>
<b>Net deferred tax assets/(liabilities)</b>					

Reflected in the balance sheet as follows:

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Deferred tax assets	90.15	9.60	2.85
Deferred tax liabilities	-	-	-
<b>Deferred tax liabilities, net</b>	<b>90.15</b>	<b>9.60</b>	<b>2.85</b>

**Note 26: Short term borrowings**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
<b>Secured:</b>			
Cash credit facilities from banks (repayable on demand) (Refer foot note XX)	-	667.35	742.72
Export packing credit from banks (Refer foot note XX)	-	-	-
Buyer's credit from banks (Refer foot note XX)	-	-	180.81
<b>Unsecured:</b>			
Term loans from banks (Refer foot note XX)	-	-	-
Public deposit (Refer foot note XX)	-	-	-
	<b>-</b>	<b>667.35</b>	<b>923.53</b>

Note: All short-term borrowings availed in Bangladeshi Taka during the current year carry interest in the range of 9.25% to 11%.

**Note 27: Trade payables**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
<b>Trade Payables</b>			
Dues to micro and small enterprises (Refer note XX)			
Overdue	-	-	-
Not due	492.89	465.25	1,055.87
Other trade payables	-	-	-
	<b>492.89</b>	<b>465.25</b>	<b>1,055.87</b>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 day terms

**Note 28: Other current financial liabilities**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
<b>Other current financial liabilities at amortised cost:</b>			
Interest accrued but not due on borrowings	13.27	9.37	42.58
Deposits from dealers & others	610.15	532.43	885.82
	<b>623.44</b>	<b>541.80</b>	<b>928.41</b>

**Note 29: Other current liabilities**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Statutory dues	13.86	11.42	30.84
Advance received from customers	-	-	-
	<b>13.86</b>	<b>11.42</b>	<b>30.84</b>

**Break up of financial liabilities carried at amortised cost**

	31 March 2017	31 March 2016	1 April 2015
	BDT Lacs	BDT Lacs	BDT Lacs
Borrowings (current) (note 24)	-	667.35	923.53
Other financial liabilities (current) (note 27)	623.44	541.80	928.41
Other financial liabilities (non-current) (note 21)	-	-	-
Trade payables (note 25)	492.89	465.25	1,055.87
	<b>1,116.32</b>	<b>1,674.39</b>	<b>2,907.81</b>



**Note 30: Revenue from operations**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
Sale of products	6,454.18	6,466.32
Other operating revenues:		
Sale of Scrap	41.36	4.74
Other revenues	2.47	2.94
	<b>6,498.01</b>	<b>6,474.00</b>

**Detail of sales under broad heads:**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
Automotive tyres	6,359.72	7,040.81
Tubes and others	852.55	602.52
<b>Sale of products</b>	<b>7,212.27</b>	<b>7,643.33</b>

**Note 31: Other Income**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
Interest income on		
Bank deposits	88.06	139.77
	<b>88.06</b>	<b>139.77</b>

**Note 33: Changes in inventories of finished goods, stock-in-trade and work-in-progress**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
<b>Opening Stock:</b>		
Opening Work-in-progress	-	-
Opening Finished goods	-	-
Opening Traded goods	1,545.69	1,531.65
	1,545.69	1,531.65
<b>Closing Stock:</b>		
Closing Work-in-progress	-	-
Closing Finished goods	-	-
Closing Traded goods	837.99	1,545.69
	837.99	1,545.69
	707.70	-14.04
Differential excise duty on opening and closing stock of finished goods	707.70	-14.04
	<b>707.70</b>	<b>-14.04</b>

**Note 34: Employee benefit expense**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
Salaries, Wages and Bonus	646.83	723.87
Welfare Expenses	111.81	118.45
	<b>758.65</b>	<b>842.31</b>

**Note 35: Finance costs**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
Interest		
- On fixed period loan	59.97	48.90
- Others	49.74	-
Other finance charges	-	-
Total Interest expense	109.71	48.90
<b>Total finance cost</b>	<b>109.71</b>	<b>48.90</b>

**Note 36: Depreciation and amortization expense**

	31 March 2017	31 March 2016
	BDT Lacs	BDT Lacs
Depreciation of tangible assets	18.41	26.03
Amortization of intangible assets	6.77	20.47
	<b>25.18</b>	<b>46.50</b>





**Note 37: Other expenses**

	<u>31 March 2017</u>	<u>31 March 2016</u>
	BDT Lacs	BDT Lacs
Power and Fuel	12.72	14.54
Freight and Delivery Charges	120.15	83.80
Rent	235.49	222.55
Insurance	21.48	31.99
Repairs - Machinery	-	16.63
Repairs - Buildings	0.01	-
Repairs - Others	22.11	0.13
Travelling and Conveyance	121.08	168.21
Printing and Stationery	4.00	5.93
Directors' Fees	-	-
Audit Fees	1.61	7.02
Advertisement and Sales Promotion Expenses	90.39	109.21
Rebates and Discounts	18.10	0.76
Communication Expenses	28.58	34.09
Bad Debts Written off	43.20	3.25
Loss on Assets Sold / Discarded	-	0.72
Legal Charges	2.48	0.12
Foreign Exchange Fluctuations (Net)	2.68	1.75
Professional and Consultancy Charges	31.06	51.35
Commission to Directors	-	-
Training and Conference Expenses	4.06	5.07
Miscellaneous Expenses	93.87	119.58
Bank Charges	33.58	30.83
Short / (Excess) Provision of earlier years	-	-
	<u><b>886.63</b></u>	<u><b>907.51</b></u>

**Payments to the auditor:****As auditor**

Audit fee	1.61	7.02
Tax audit fee		
Limited review		
	<u><b>1.61</b></u>	<u><b>7.02</b></u>

**Note 40: Earnings per share**

Basic Earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	<u>31 March 2017</u>	<u>31 March 2016</u>
	BDT Lacs	BDT Lacs
Profit after tax for calculation of basic and diluted EPS	-521.98	-594.92
Weighted average number of equity shares (face value per share Rs.10) in calculating basic EPS and diluted EPS	150,000,000	150,000,000
Basic earnings per share	<u>-0.35</u>	<u>-0.40</u>
Diluted earnings per share	<u>-0.35</u>	<u>-0.40</u>



#### **Note 41: Significant accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of assets or liabilities in future periods. Difference between actual results and estimates are recognised in the periods in which the results are known / materialised.

##### **Estimates and assumptions:**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

##### **a) Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Company's domicile.

##### **Provision for warranty:**

The estimated liability for warranty is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of obligations and management estimates regarding possible future incidence based on corrective actions on product failure. The timing of outflows will vary as and when the obligation will arise - being typically up to three years.

##### **Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 48 and 49 for further disclosures.

#### **Note 42: Commitments and contingencies**

Operating lease commitments — Company as lessee

The Company has entered into a lease agreement with the leasing company for office, resulting in a non-cancellable operating lease. There is no restriction placed upon the Company by entering into these leases. The lease term range from one year to five years and are renewable at the option of the Company.



**Note 43: Related party transactions****a) Names of related parties and related party relationship:**

Related parties where control exists:

- CEAT Limited, India
- A.K. KHAN & Co. Limited

**Balance outstanding at the yearend:**

Amount due to / from related party	Related party	31 March 2017	31 March 2016
Recoverable in cash or kind			
Bank guaranty	CEAT Limited, India	(14.74)	(14.59)
Claim for tyre replacement	CEAT Limited, India	(23.45)	(23.21)
Project implementation	CEAT Limited, India	(264.90)	(262.24)
C&F Agent:	A.K. KHAN & Co. Limited	(22.67)	(21.39)

The remuneration of directors and other members of key managerial personnel during the year are as follows:

Particulars	31-Mar-17	31-Mar-16
	BDT lacs	BDT lacs
Short-term employee benefits	137.54	250.61

**Terms and conditions of transactions with related parties:**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefit as they are determined on an actuarial basis for the Company as a whole.

**Note 44: Financial risk management objectives and policies**

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Company also enters into derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed



risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2017 and 31 March 2016.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of hedge designations in place at 31 March 2017.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations and provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2017 and 31 March 2016 including the effect of hedge accounting
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 31 March 2017 for the effects of the assumed changes of the underlying risk

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company's policy is to keep between 9.25% and 11% of its borrowings at fixed rates of interest.

### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

Foreign currency transactions are translated into Bangladeshi taka at the rates ruling on the transaction date. All monetary assets and liabilities at the statement of financial position date are retranslated using rates prevailing on that day. All differences are taken to the profit and loss account.

The Company manages its foreign currency risk by derivative transactions that are expected to occur within a maximum XX-month period for foreign currency loans.

When a derivative is entered into for the purpose of being a hedge, the Company negotiates the terms of those derivatives to match the terms of the hedged exposure. For hedges of forecast transactions the derivatives cover the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

### **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade



receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

### Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are noninterest bearing and are generally on 0 days to 30 day's credit term. Credit limits are established for all customers based on internal rating criteria. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date on an individual IND AS for major clients. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The Company does not hold collateral as security. The Company has no concentration of credit risk as the customer IND AS is widely distributed both economically and geographically.

Trade receivables consists of unpaid bills receivable from dealers.

### Other financial assets and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the balance sheet at 31 March 2017 and 31 March 2016 is the carrying amounts as illustrated in note 6, note 11 and note 12 except for derivative financial instruments. The Company's maximum exposure relating to financial derivative instruments is noted in note 7.

### Liquidity risk

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Company's policy is that not more than 100% of borrowings should mature in the next 12-month period. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	BDT Lacs	BDT Lacs	BDT Lacs	BDT Lacs	BDT Lacs	BDT L
<b>Year ended</b>						
<b>31 March 2017</b>						
Borrowings						
Other financial liabilities						
Trade and other payables		492.88				
Derivatives						
		492.88				



Year ended					
31 March 2016					
Borrowings			667.35		
Trade and other payables	465.24				
Other financial liabilities					
Derivatives					
	<u>465.24</u>	<u>667.35</u>			
As at 1 April 2015					
Borrowings			923.53		
Trade and other payables	1,055.87				
Other financial liabilities					
Derivatives					
	<u>1,055.87</u>	<u>923.53</u>			

#### Note 45: Segment information

For management purpose, the Company comprise of only one reportable segment – Automotive Tyres, Tubes & Flaps.

The Executive Management Committee monitors the operating results of this segment for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

#### Information about products:

Particulars	2016-17			2015-16		
	Tyre	Tube & Flaps	Total	Tyre	Tube & Flaps	Total
Revenue from sale of products	6,359.72	852.55	7,212.27	7,040.81	602.52	7,643.33

#### Information about geographical areas:

Particulars	2016-17			2015-16		
	In Bangladesh	Outside India	Total	In Bangladesh	Outside India	Total
Revenue from sale of products	7,212.27		7,212.27	7,643.33		7,643.33
Non-current assets (Property, plant and equipment Capital work-in-progress and Intangible assets)	7,859.73		7,859.73	7,824.51		7,824.51

#### Note 46:

##### Capital management

For the purpose of the Company capital management, capital includes issued equity capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 4% and 7%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.



	31 March 2017	31 March 2016	1 April 2015
	BDT lacs	BDT lacs	BDT lacs
Borrowings (Note 19 & 24)	-14.44	667.35	923.53
Trade payables (Note 25)	460.88	465.25	1055.87
Less: cash and cash equivalents (Note 12)	423.05	-77.33	-2,523.85
<b>Net debt</b>		<b>1,055.36</b>	<b>-544.45</b>
<b>Equity</b>			
Total capital	11,868.32	12,390.30	12,985.22
<b>Capital and net debt</b>	<b>12,737.82</b>	<b>3,15,308.91</b>	<b>12,440.76</b>
<b>Gearing ratio</b>	<b>7%</b>	<b>8%</b>	<b>-4%</b>

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meet financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.

**Note 47: Events after the reporting period**

(To be updated after March 2017 based on status at that time)

**Note 48: Standards issued but not yet effective**

(To be updated after March 2017 based on status at that time)

**Note 49: Standards issued but not yet effective**

The amendments that are issued, but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**Ind AS 7 - Statement of Cash Flows**

- The amendment requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- The amendment requires an entity to disclose the following changes in liabilities arising from financing activities:
  - changes from financing cash flows;
  - changes arising from obtaining or losing control of subsidiaries or other businesses;
  - the effect of changes in foreign exchange rates;
  - changes in fair values; and
  - Other changes.
- In addition to above, the amendment requires to disclose changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.
- The amendment requires to provide a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities.



- The amendment requires to disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities, if an entity provides above disclosure in combination with disclosures of changes in other assets and liabilities.
- The amendment is effective for annual periods beginning on or after 1 April 2017.
- Ind AS 102 - Share-based Payment
  - The amendment issued for Ind AS 102 – Share-based payment is not applicable to the Company since the Company does not have any share-based payment arrangements.

**Footnotes to the reconciliation of equity as at 1 April 2015 and 31 March 2016 and profit or loss for the period ended 31 March 2016:**

**1. Asset Retirement Obligation (ARO)**

Under IND AS, provision for ARO is measured at present value of the expenditure expected to be incurred to settle the obligation.

**Derivative instruments**

The fair value of foreign exchange forward contracts is recognised under IND AS, which was not recognised under Indian GAAP.

**Proposed Dividend**

Under Indian GAAP, proposed dividends including DDT are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under IND AS, a proposed dividend is recognised as a liability in the period in which it is declared by the company (usually when approved by shareholders in a general meeting) or paid.

**2. Defined benefit liabilities**

Both under Indian GAAP and IND AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under IND AS, re-measurements comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI.

**Provisions**

Under Indian GAAP, the Company has accounted for provisions, including long-term provision, at the undiscounted amount. In contrast, IND AS 37 requires that where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rate(s) should not reflect risks for which future cash flow estimates have been adjusted. IND AS 37 also provides that where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as borrowing cost.

**Deferred tax**

Under Indian GAAP, deferred tax is accounted using the income statement approach as per timing differences between taxable profits and accounting profits for the period. IND AS 12 requires accounting for deferred taxes using the balance sheet approach as per temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of IND AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP. In addition, the various transitional adjustments lead to temporary differences as on the transition date.

**Borrowings**

Under Indian GAAP, unamortised transaction costs relating to borrowings is shown separately in assets, whereas under IND AS such cost are netted off against the borrowings.

**3. Statement of cash flows**

The transition from Indian GAAP to IND AS has not had a material impact on the statement of cash flows.





Particulars	Footnotes	Indian GAAP	Adjustments	Ind AS
		BDT Lacs	BDT Lacs	BDT Lacs
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and Equipment	1	8,679,150.24		8,679,150.24
Capital work-in-progress		768,130,862.00		768,130,862.00
Intangible assets		2,715,349.40	-	2,715,349.40
Intangible assets under development				
<b>Financial Assets:</b>				
Non-current Investments	9	-		-
Long term loans and advances		206,049,419.00	-180,163,377.00	25,886,042.00
Other non-current financial assets		-	-	-
Deferred tax assets		285,175.00		285,175.00
Other non-current assets	7	-	180,163,377.00	180,163,377.00
<b>Total non-current assets</b>		<b>985,859,955.64</b>		<b>985,859,955.64</b>
<b>Current assets</b>				
Inventories		153,165,312.00	-	153,165,312.00
<b>Financial Assets:</b>				
Current Investments		-	-	-
Trade receivables		113,744,294.00	-	113,744,294.00
Cash and cash equivalents		364,158,439.00	-	364,158,439.00
Bank balances other than cash and cash equivalents		-	-	-
Short term loans and advances		12,652,308.00	-7,947,470.00	4,704,838.00
Other current financial assets	2	-	3,658,095.00	3,658,095.00
Prepayments		-	1,731,253.00	1,731,253.00
Other current assets		3,658,095.00	2,558,122.00	6,216,217.00
<b>Total Current assets</b>		<b>647,378,448.00</b>		<b>647,378,448.00</b>
<b>Total Assets</b>		<b>1,633,238,403.64</b>		<b>1,633,238,403.64</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Equity Share Capital		1,500,000,000.00	-	1,500,000,000.00
Other Equity		-201,478,292.36		-201,478,292.36
<b>Total Equity</b>		<b>1,298,521,707.64</b>		<b>1,298,521,707.64</b>
<b>Non-current liabilities:</b>				
<b>Financial Liabilities</b>				
Borrowings	7	-		-
Other financial liabilities	1	-	-	-
Provisions	5	-		-
Deferred tax liability (net)	6	-		-
Deferred revenue	11	-		-
Other non-current liabilities		-	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities:</b>				
<b>Financial Liabilities</b>				
Borrowings		92,352,840.00	-	92,352,840.00
Trade payables		105,587,019.00	-	105,587,019.00
Other current financial liabilities		-	92,840,766.00	92,840,766.00
Deferred revenue	11	-		-
Other current liabilities		95,924,769.00	-92,840,766.00	3,084,003.00
Provisions	5, 3	40,852,068.00		40,852,068.00
<b>Total current liabilities</b>		<b>334,716,696.00</b>	<b>-</b>	<b>334,716,696.00</b>
<b>Total equity and liabilities</b>		<b>1,633,238,403.64</b>	<b>-</b>	<b>1,633,238,403.64</b>



Reconciliation of equity as at 31 March 2016

Particulars	Footnotes	Indian GAAP	Adjustments	Ind AS
		BDT Lacs	BDT Lacs	BDT Lacs
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and Equipment	1	6,160,835.00	-	6,160,835.00
Capital work-in-progress		775,621,497.24	-	775,621,497.24
Intangible assets		668,297.92	-	668,297.92
Intangible assets under development				
<b>Financial Assets:</b>				
Non-current Investments	9	-	-	-
Long term loans and advances		201,221,933.04	-175,335,891.04	25,886,042.00
Other non-current financial assets				-
Deferred tax assets		960,152.00	-	960,152.00
Other non-current assets	7	-	175,335,891.04	175,335,891.04
<b>Total non-current assets</b>		<b>984,632,715.20</b>	<b>-</b>	<b>984,632,715.20</b>
<b>Current assets</b>				
Inventories		154,569,075.95	-	154,569,075.95
<b>Financial Assets:</b>				
Current Investments		-	-	-
Trade receivables		86,612,500.43	-	86,612,500.43
Cash and cash equivalents		201,988,786.58	-	201,988,786.58
Bank balances other than cash and cash equivalents		-	-	-
Short term loans and advances		10,286,246.53	-5,489,408.53	4,796,838.00
Other current financial assets	2	-	654,877.59	654,877.59
Prepayments		-	1,891,100.62	1,891,100.62
Other current assets		654,877.59	2,943,430.32	3,598,307.91
<b>Total Current assets</b>		<b>454,111,487.08</b>	<b>-</b>	<b>454,111,487.08</b>
<b>Total Assets</b>		<b>1,438,744,202.28</b>	<b>-</b>	<b>1,438,744,202.28</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Equity Share Capital		1,500,000,000.00	-	1,500,000,000.00
Other Equity		-260,969,514.25	-	-260,969,514.25
<b>Total Equity</b>		<b>1,239,030,485.75</b>	<b>-</b>	<b>1,239,030,485.75</b>
<b>Non-current liabilities:</b>				
<b>Financial Liabilities</b>				
Borrowings	7	-	-	-
Other financial liabilities	1	-	-	-
Provisions	5	-	-	-
Deferred tax liability (net)	6	-	-	-
Deferred revenue	11	-	-	-
Other non-current liabilities		-	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Current liabilities:</b>				
<b>Financial Liabilities</b>				
Borrowings		66,734,618.27	-	66,734,618.27
Trade payables		46,524,826.63	-	46,524,826.63
Other current financial liabilities		-	54,179,533.35	54,179,533.35
Deferred revenue	11	-	-	-
Other current liabilities		55,321,425.38	-54,179,533.35	1,141,892.03
Provisions	5, 3	31,132,846.00	-	31,132,846.00
<b>Total current liabilities</b>		<b>199,713,716.28</b>	<b>-</b>	<b>199,713,716.28</b>
<b>Total equity and liabilities</b>		<b>1,438,744,202.02</b>	<b>-</b>	<b>1,438,744,202.02</b>



CEAT AKKHAN LIMITED

Reconciliation of profit or loss for the year ended 31 March 2016

Particulars	Notes	Indian GAAP	Adjustments	Ind AS
		BDT Lacs	BDT Lacs	BDT Lacs
Revenue from operations	5, 8, 11	656,476,203.51	-9,075,843.36	647,400,360.15
Other Income	2	13,977,064.78	-	13,977,064.78
<b>Total Revenue</b>		<b>670,453,268.29</b>	<b>-9,075,843.36</b>	<b>661,377,424.93</b>
<b>Expenses:</b>				
Cost of material consumed		-	-	-
Purchase of stock-in-trade		508,496,325.77	-	508,496,325.77
Changes in inventories of finished goods, stock-in-trade and work-in-progress		-1,403,763.44	-	-1,403,763.44
Employee benefit expense	4	84,231,260.65	-	84,231,260.65
Finance costs	1, 5	7,972,206.15	-3,082,609.00	4,889,597.15
Depreciation and amortization expense	1	4,650,351.73	-	4,650,351.73
Excise duty		-	-	-
Other expenses	8	96,744,690.34	-5,993,234.36	90,751,455.98
<b>Total Expenses</b>		<b>700,691,071.18</b>	<b>-9,075,843.36</b>	<b>691,615,227.82</b>
<b>Profit before exceptional items and tax</b>		<b>-30,237,802.89</b>	<b>0.00</b>	<b>-30,237,802.89</b>
Exceptional items			-	-
<b>Profit / (loss) before tax</b>		<b>-30,237,802.89</b>	<b>0.00</b>	<b>-30,237,802.89</b>
<b>Tax expense:</b>				
Current tax		29,928,395.00	-	29,928,395.00
Deferred tax	6	-674,976.00	-	-674,976.00
<b>Profit / (loss) for the period</b>		<b>-59,491,221.89</b>	<b>0.00</b>	<b>-59,491,221.89</b>
<b>Other Comprehensive Income</b>				
Items that will not be reclassified to profit or loss				
Actuarial losses for Gratuity	4			
Income tax effect on actuarial losses for Gratuity	4			
Movement in cash flow hedges				
Income tax effect on movement in cash flow hedges				
<b>Total Comprehensive Income for the period (Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>				

