

Kreston MNS & Co

Our Ref: 1745 / A301 / SDS

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CONSOLIDATED

FINANCIAL STATEMENTS OF

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED,

FOR THE YEAR ENDED

31ST MARCH 2014

Kreston MNS & Co

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF - ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.

Report on the Financial Statements

We have audited the accompanying Financial Statements of **ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED**, and the Consolidated Financial statements of the Company and its subsidiaries as at 31st March 2014 which comprise the Statement of Financial Position as at 31st March 2014, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a Summary of Significant Accounting Policies and other explanatory Notes, exhibited on pages 3 to 33.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

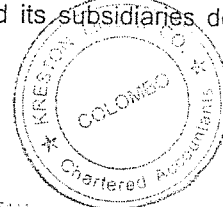
a) Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2014 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st March 2014 and its Profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

b) Group

In our opinion the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31st March 2014 and the Profit and Cash Flows for the year then ended, in accordance with Sri Lanka Accounting Standards of the Company and its joint venture and its subsidiaries dealt with thereby, so far as concerns the members of the Company.

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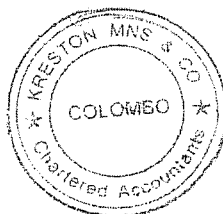


Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

Kreston MNS & Co
CHARTERED ACCOUNTANTS
COLOMBO

22/4/2014
SDS/KA/bn
SDS-Ass.CeaHolCon-IFRS-cd2c9



STATEMENT OF FINANCIAL POSITION AS AT		Company		Group	
		31.3.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2013 Rs.
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	2	-	-	1,311,099,769	1,113,436,070
Intangible Assets	4	-	-	31,053,477	9,809,372
Capital Work in Progress	3	-	-	192,818,740	140,390,073
Investment in Jointly Controlled Entity	5	100,000,000	100,000,000	-	-
Investment in Other Companies	6	30	30	30	30
		<u>100,000,030</u>	<u>100,000,030</u>	<u>1,534,972,015</u>	<u>1,263,635,545</u>
Current Assets					
Inventories	7	-	-	540,023,028	626,640,311
Trade and Other Receivables	8	-	-	746,593,953	718,546,652
Income Tax Refunds due	18	22,477	13,575	-	-
Cash & Bank	9	2,763,910	3,080,773	301,808,596	57,011,564
		<u>2,786,387</u>	<u>3,094,348</u>	<u>1,588,425,577</u>	<u>1,402,198,526</u>
Total Assets		<u>102,786,417</u>	<u>103,094,378</u>	<u>3,123,397,592</u>	<u>2,665,834,071</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	10	100,000,000	100,000,000	100,000,000	100,000,000
Capital Reserve	11	-	-	27,200,000	27,200,000
Revaluation Surplus	11	-	-	210,614,890	210,614,889
Retained Earnings		2,700,737	2,890,790	1,586,076,970	1,067,397,383
Total Shareholders' Funds		<u>102,700,737</u>	<u>102,890,790</u>	<u>1,923,891,860</u>	<u>1,405,212,272</u>
Non - Current Liabilities					
Borrowings Payable after one year	13	-	-	18,280,572	55,307,145
Redeemable Preference Shares	12	-	-	-	-
Retirement Benefit Obligation	14	-	-	71,318,617	51,805,235
Deferred Tax Liability	15	-	-	123,727,004	95,922,500
		<u>-</u>	<u>-</u>	<u>213,326,193</u>	<u>203,034,881</u>
Current Liabilities					
Trade and Other Payables	16	85,680	197,876	558,984,006	494,872,622
Amounts due to Related Companies	17	-	5,712	-	1,098,286
Provision for Taxation	18	-	-	80,919,829	66,344,235
Borrowings Payable within one year	13	-	-	153,061,389	225,365,991
Redeemable Preference Shares	12	-	-	-	1,894,800
Bank Overdrafts	9	-	-	193,214,315	268,010,985
		<u>85,680</u>	<u>203,588</u>	<u>986,179,539</u>	<u>1,057,586,918</u>
Total Equity & Liabilities		<u>102,786,417</u>	<u>103,094,378</u>	<u>3,123,397,592</u>	<u>2,665,834,071</u>

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.

I certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board of Directors

Director

Director



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED		Company		Group	
		31.3.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2013 Rs.
	Note				
Revenue	20	168,750,036	135,000,029	4,889,197,524	4,569,327,778
Cost of Sales		-	-	(3,309,593,714)	(3,328,436,894)
Gross Profit		168,750,036	135,000,029	1,579,603,810	1,240,890,884
Other Operating Income	21	-	-	10,863,734	12,484,143
Distribution Cost		-	-	(419,294,156)	(343,963,981)
Administrative Expenses		(264,583.20)	(232,120)	(239,632,872)	(199,807,086)
Other Operating Expenses		(5,640.00)	(5,640)	(20,418,623)	(7,194,655)
Finance Income / Cost	22	97,963	93,660	(32,185,764)	(73,263,336)
Profit before Taxation	23	168,577,776	134,855,929	878,936,130	629,145,970
Taxation	24	(17,829)	(17,046)	(185,352,161)	(158,978,825)
Profit After Tax		168,559,947	134,838,883	693,583,970	470,167,145
Other Comprehensive Income					
Actuarial gain / (loss) on Retirement Benefit Obligation				(7,654,381)	(1,271,522)
Tax on actuarial gain / (loss) on Retirement Benefit Obligation				1,499,999	147,754
		-	-	(6,154,383)	(1,123,768)
Total Comprehensive Income for the year		168,559,947	134,838,883	687,429,587	469,043,377
Earnings per Share	25	16.86	13.48	69.36	47.02
Dividend per Share	26	16.875	13.50	16.875	13.50

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.



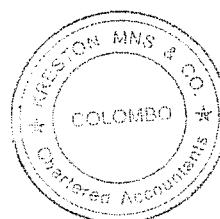
	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2012	100,000,000	3,051,907	103,051,907
Profit for the Year	-	134,838,883	134,838,883
Dividend Paid	-	(135,000,000)	(135,000,000)
Balance as at 31st March 2013	100,000,000	2,890,790	102,890,790
Profit for the Year	-	168,559,947	168,559,947
Dividend Paid	-	(168,750,000)	(168,750,000)
Balance as at 31st March 2014	100,000,000	2,700,737	102,700,737

	Stated Capital Rs.	Retained Earnings Rs.	Revaluation Surplus Rs.	Capital Reserve Rs.	Total Rs.
Balance as at 31st March 2012	100,000,000	733,354,006	210,614,890	27,200,000	1,071,168,896
Dividends	-	(135,000,000)	-	-	(135,000,000)
Transactions with owners	-	(135,000,000)	-	-	(135,000,000)
Profit for the year	-	470,167,145	-	-	470,167,145
Other Comprehensive Income for the year	-	(1,123,768)	-	-	(1,123,768)
Total Comprehensive Income for the year	-	469,043,377	-	-	469,043,377
Balance as at 31st March 2013	100,000,000	1,067,397,383	210,614,890	27,200,000	1,405,212,273
Dividends	-	(168,750,000)	-	-	(168,750,000)
Transactions with owners	-	(168,750,000)	-	-	(168,750,000)
Profit for the year	-	693,583,970	-	-	693,583,970
Other Comprehensive Income for the year	-	(6,154,383)	-	-	(6,154,383)
Total Comprehensive Income for the year	-	687,429,587	-	-	687,429,587
Balance as at 31st March 2014	100,000,000	1,586,076,970	210,614,890	27,200,000	1,923,891,860

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

		Company		Group	
		31.3.2014	31.3.2013	31.3.2014	31.3.2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before Tax		168,577,776	134,855,929	878,936,130	629,145,970
Adjustments for :					
Provision for Retiring Gratuity	14	-	-	13,153,270	10,799,498
Depreciation	2	-	-	66,096,702	56,304,456
(Profit) / Loss on Sale of Property Plant & Equipment		-	-	(1,151,654)	(143,943)
Amortisation		-	-	5,663,522	1,448,736
Provision for Bad Debts		-	-	6,923,736	8,896,729
Provision for Engineering Stock		-	-	704,598	75,807
Impairment of assets		-	-	12,510,969	3,142,855
Interest Expenses less Income	22	97,963	93,660	32,185,764	73,263,336
Operating Profit before working Capital Changes		168,675,739	134,949,589	1,015,023,036	782,933,444
(Increase) / Decrease in					
Inventories	7	-	-	85,912,683	(101,370,124)
Trade & Other Receivables	8	-	-	(34,971,036)	(119,064,001)
Increase / (Decrease) in					
Trade & Other Payables		(112,196)	129,304	64,111,385	24,912,526
Amounts due to Related Companies		(5,712)	-	(1,098,286)	(3,157,126)
Cash Generated from Operations		168,557,831	135,078,893	1,128,977,783	584,254,719
Gratuity Paid	14			(1,294,270)	(1,518,962)
Interest Paid	22	(97,963)	(93,660)	(32,185,764)	(73,263,336)
Dividend Paid		(168,750,000)	(135,000,000)	(168,750,000)	(135,000,000)
Income Tax Paid	18	(26,731)	(16,075)	(122,722,064)	(43,326,152)
Dividend Tax Paid	26	-	-	(18,750,000)	(15,000,000)
Net Cash from / (used in) Operating Activities		(316,863)	(30,842)	785,275,685	316,146,269
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Property, Plant & Equipment		-	-	(296,123)	(113,879,543)
Acquisition of Intangible Assets	4	-	-	(26,907,626)	(6,881,875)
Proceeds from Sale of Property, Plant & Equipment		-	-	1,151,654	99,775
Capital Work in Progress	3	-	-	(328,403,915)	(16,923,740)
Net Cash used in Investing Activities		-	-	(354,456,009)	(137,585,383)
CASH FLOWS FROM FINANCING ACTIVITIES					
Redemption of Preference Shares	12	-	-	(1,894,800)	(1,894,800)
Change in Bank Borrowings	13	-	-	(108,119,719)	(362,064,697)
Finance Lease Principal Receipt/Payment		-	-	(1,211,456)	(6,413,706)
Net Cash used in Financing Activities		-	-	(111,225,975)	(370,373,203)
Increase / (Decrease) in Cash & Cash Equivalents		(316,863)	(30,842)	319,593,701	(191,812,317)
Cash & Cash Equivalents at the beginning of the year		3,080,773	3,111,615	(210,999,421)	(19,187,104)
Cash & Cash Equivalents at the end of the year	9	2,763,910	3,080,773	108,594,280	(210,999,421)

The Accounting Policies and Notes on pages 7 to 33 form an integral part of the Financial Statements.



NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL

(a) Company

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

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

(b) Group

The consolidated Financial Statements of the Group for the year ended 31st March 2014 include the Company and its Jointly Controlled entity Ceat Kelani Holdings (Pvt) Ltd (together referred to as the "Group" and individually as "Group entities")

The principal activity of Ceat Kelani Holding (Pvt) Limited (Jointly Controlled entity) is investing and principal activities of fully owned subsidiaries of Jointly Controlled entity are as follows :

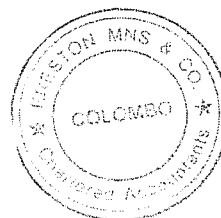
Name of Subsidiary	Principal Activities
Associated Ceat (Pvt) Ltd	Manufacturing of Pneumatic Tyres
Ceat Kelani International Tyres (Pvt) Ltd	Manufacturing of Pneumatic Tyres & Flaps
Ceat Kelani Radials (Pvt) Ltd	Manufacturing of Pneumatic Radial Tyres

Kelani Tyres PLC and Associated Ceat Holding Co. (Pvt) Limited are the Joint Holding Companies of Ceat Kelani Holdings (Pvt) Limited. (Jointly Controlled entity)

1.2 Statement of Compliance with SLFRS & LKAS

The Consolidated Financial Statements have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka. These SLFRS / LKAS have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)..

The Consolidated Financial Statements for the year ended 31st March 2014 were approved and authorised for issue by the Board of Directors on 22nd April 2014.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3 SUMMARY OF ACCOUNTING POLICIES

1.3.1 Overall Considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases that are in effect at 31 March 2014, as summarised below. These were used throughout all periods presented in the financial statements. An overview of standards, amendments and interpretations to SLFRS / LKAS issued but not yet effective, and which have not been adopted early by the Group are presented in note 1.4.

1.3.2 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31st March 2014. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31st March.

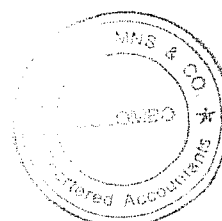
All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests

The details of the group companies are as follows:

Name of Company	Holding Interest	
	31.03.2014	31.03.2013
Ceat Kelani Holdings (Pvt) Ltd (Joint Venture)	50.00%	50.00%
Subsidiaries of Ceat Kelani Holdings (Pvt) Ltd are given below,		
Associated Ceat (Pvt) Ltd.	99.99%	99.99%
Ceat Kelani International Tyres (Pvt) Ltd.	99.99%	99.99%
Ceat Kelani Radials (Pvt) Ltd.	99.99%	99.99%



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3 SUMMARY OF ACCOUNTING POLICIES (CONTD.)

1.3.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately

1.3.4 Investments in joint ventures

Entities whose economic activities are controlled jointly by the Group and other venturers independent of the Group (joint ventures) are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

1.3.5 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is also the functional currency of the Group.

Foreign currency transactions and balances

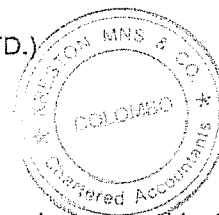
Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

1.3.6 Revenue

Revenue arises from the sale of goods and the rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transaction is allocated to each separately identifiable component in proportion to its relative fair value.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.6 Revenue (Contd.)

Sale of goods

Sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

Interest and dividends

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends are recognised at the time the right to receive payment is established.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

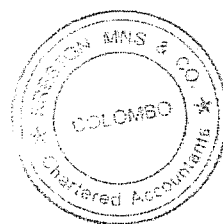
Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

1.3.7 Property, Plant and Equipment

Assets are initially recognised at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Revalued amounts are fair market values based on appraisals prepared by external professional valuers. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of assets are recognized upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to the asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.7 Property, Plant and Equipment (Contd.)

All the assets are subsequently measured using the cost model, cost / valuation less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of assets.

The following useful lives are applied

Assets	Years	Assets	Years
Buildings	20	Office Equipment	10
Plant & Machinery	20 - 5	Computers	5
Liner Material	8	Motor Vehicles	5
Furniture & Fittings	10	Forklift	5

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Material residual value estimates and estimates of useful life are updated as required but at least annually.

Gains or losses arising on the disposal of Property, Plant and Equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

1.3.8 Other intangible assets

Recognition of other intangible assets

Acquired Assets

Acquired New Tyre Designs are capitalised on the basis of the costs incurred to acquire and install the specific designs.

Acquired New Tyre Designs and Computer Software are capitalised on the basis of the costs incurred to acquire and installation.

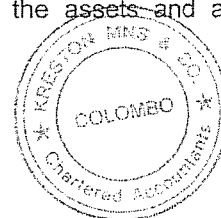
Expenditure on the research phase of projects to develop new products / designs is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on products / designs development along with an appropriate portion of relevant overheads and borrowing costs.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.8 Other intangible assets (Contd.)

Subsequent Measurement

All intangible assets are accounted for using the cost model where by capitalised costs are amortised on a straight line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 1.3.9. The following useful lives are applied.

New Tyre Designs	5 years
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Any capitalized internally developed intangible asset that is not yet complete is not amortised but is that is not yet complete is not amortised but is subject to impairment testing as described in Note 1.3.9.

Amortization has been included within depreciation, amortization and impairment of non financial assets.

Subsequent expenditures on the maintenance of intangible assets are expensed as incurred.

When an intangible asset is disposed of the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in profit or loss within other income or other expenses.

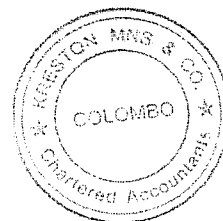
1.3.9 Impairment testing of Assets.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash- generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash generating units carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in- use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment loss is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.10 Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

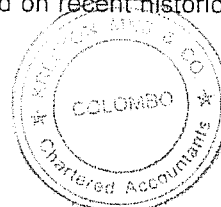
All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.10 Financial Instruments (Contd.)

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets

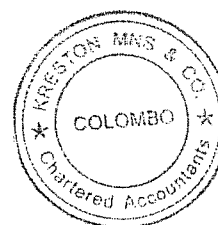
AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income. Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

The cost incurred in bringing inventories to its present location and condition are accounted for as follow :

Raw Materials

At actual cost on weighted average basis.

Work in Progress

At the actual cost of direct materials, direct labour and an appropriate proportion of production overheads on weighted average basis.

Finished Goods

At actual cost of direct materials, direct labour and an appropriate proportion of production overheads on weighted average basis.

Spares

At actual cost on weighted average basis.

1.3.12 Income Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

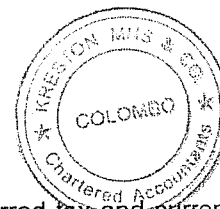
Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Department of Inland Revenue relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.12 Income Taxes (Contd.)

Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT) and Nation Building Tax (NBT) payable to the Department of Inland Revenue. The Group pays such taxes in accordance with the respective Statutes.

Economic Service Charge (ESC)

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC paid is deductible from the Group's income tax liability, and any excess can be carried forward and set off against the income tax payable for further four years. No refund of ESC is due thereafter

1.3.13 Cash & Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1.3.14 Equity, Reserves and Dividend Payments

Stated capital represents the nominal value of shares that have been issued.

Other components of equity include the following.

- Revaluation Reserve - Comprises gains and losses from the revaluation of Land, Plant & Machinery
- Capital Redemption Reserve Fund.

Retained earnings includes all current and prior period retained profits.

Dividend distributions payable to equity holders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

1.3.15 Post employment benefits and short term employees benefits.

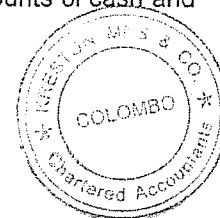
Post employment benefit plan

The Group provides post employment benefits through various defined contribution and defined benefit plans.

Defined contribution plans

The Group pays contributions to Employees' Provident Fund and Employees' Trust Fund 12% and 3% of gross emoluments of employees respectively.

The Group has no legal or constructive obligations to pay contributions in addition to its fixed contribution which are recognised as an expense in the period that relevant employee services are received.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

1.3.15 Post employment benefits and short term employees benefits. (Contd.)

Defined Benefit Plan - Gratuity

Provision has been made in the Consolidated Financial Statements for retiring gratuities which may fall due for payment under the Payment of Gratuity Act No. 12 of 1983 in respect of all employees including those who have less than 5 years continued service.

Provision has been made in the Financial Statements for retiring gratuities, based on the gratuity formula in Appendix E of LKAS 19 - Employees Benefit.

The calculation involves making assumptions about discount rate, salary increment rate and balance service of employees. Due to the long term nature of the plan such estimates are subject to significant uncertainty.

However, as per the Payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

This liability is neither externally funded nor actuarially valued.

1.3.16 Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

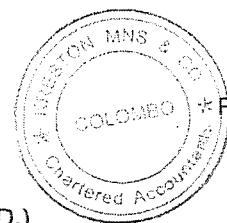
The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

1.3.17 Provisions, contingent assets and contingent liabilities

Provisions for Group legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses.





1.3.18 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the financial statements.

- **Recognition of deferred tax assets**

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

- **Impairment**

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

- **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

- **Inventories**

Management estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market driven changes that may reduce future selling prices.

- **Defined Benefit Obligation**

Management's estimate of the DBO is based on a number of critical underlying assumptions such as discount rate, future salary increment rate, etc.

Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

- **Fair value of financial Instruments**

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- 1.4 Standards amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the ICASL but are not yet effective, and have not been adopted by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

SLFRS 9 – Financial Instruments
SLFRS 10 – Consolidated Financial Statements
SLFRS 11 – Joint Arrangements
SLFRS 12 – Disclosure of Interests in other entities
SLFRS 13 – Fair Value Measurement

These standards are applicable for financial periods beginning on or after 1 April 2014. The Group's management have yet to assess the impact of these new standards on the Group's Financial Statements.



SOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED.
the Notes all amounts are shown in Sri Lanka Rupees)

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ITEMS TO FINANCIAL STATEMENTS (CONTD.)

ITEM 2 - PROPERTY, PLANT & EQUIPMENT - Group

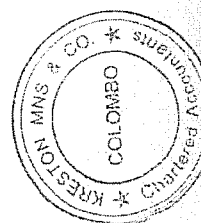
	Land Rs.	Building Rs.	Fork Lift Rs.	Plant & Machinery Rs.	Liner Material & Accessories Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Computers Rs.	Motor Vehicles Rs.	Total Rs.
Carrying Amount										
Carrying Amount as at 31st March 2013	373,460,000	91,866,454	817,401	765,733,533	22,707,615	7,809,226	10,397,211	16,308,443	8,737,562	1,297,837,445
Depreciations during the year	-	3,131,176	-	256,279,381	5,773,794	861,460	1,378,782	3,571,777	5,275,000	276,271,371
Disposals During the Year	-	-	-	-	-	-	-	-	(658,875)	(658,875)
Carrying Amount as at 31st March 2014	373,460,000	94,997,630	817,401	1,022,012,914	28,481,409	8,670,686	11,775,993	19,880,220	13,353,687	1,573,449,941
Depreciation and Impairment										
Carrying Amount as at 31st March 2013	-	43,695,756	817,401	98,318,763	13,400,615	4,482,583	8,471,684	8,857,160	6,357,414	184,401,375
Depreciations during the year	-	4,335,905	-	66,558,247	2,308,318	598,741	315,229	2,184,804	2,306,427	78,607,671
Disposals During the Year	-	-	-	-	-	-	-	-	(658,875)	(658,875)
Carrying Amount as at 31st March 2014	-	48,031,661	817,401	164,877,010	15,708,932	5,081,324	8,786,912	11,041,964	8,004,967	262,350,172
Carrying Amount as at 31st March 2013	373,460,000	48,170,698	-	667,414,770	9,307,001	3,326,643	1,925,527	7,451,283	2,380,147	1,113,436,070
Carrying Amount as at 31st March 2014	373,460,000	46,965,969	-	857,135,904	12,772,477	3,589,362	2,989,081	8,838,256	5,348,720	1,311,099,769

Depreciation Charges are included within depreciation and impairment of non-financial assets.

at Kelani International Tyres (Pvt) Ltd. (CKITL) - Subsidiary of joint venture Company

The buildings, plant and machinery and motor vehicles are stated at a valuation as valued by the Directors of Kelani Tyres Ltd. (KITL) and Associated Ceat (Pvt) Ltd, at the time of transfer of the tyre manufacturing assets of Kelani Tyres Ltd to Ceat Kelani International Tyres (Pvt) Ltd on 1st July 1999.

The freehold land has been revalued on 10th June 2011 at Rs. 363,450,000 by independent professional valuers. Books of accounts has been adjusted on above revaluation during the year ended 31st March 2012. The valuations were made on the basis of the market value for existing use. The book value for the revalued asset was adjusted to the revaluation and the resultant surplus was credited to a revaluation reserve in shareholders' equity.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - PROPERTY, PLANT & EQUIPMENT - Group

- (c) Property, Plant & Equipment include computers and machinery acquired under finance leases the net book value of which is made up as follows :

	2014 Rs.	2013 Rs.
Cost	-	22,575,000
Accumulated Depreciation	-	(1,881,250)
Net Book Value	-	20,693,750



- (d) Cost of fully depreciated assets in use at the balance sheet date amounts to Rs.11,752,568 (2013 - Rs. 4,099,816).
- (e) Plant & Machinery has been revalued on 01.04.2011 at Rs. 304,479,740 by independent professional valuers. Books of accounts have been adjusted on above revaluation during the year ended 31.03.2012. The valuations were made on current market prices. The book value for the revalued assets was adjusted to the revaluation and the resultant surplus was credited to a revaluation reserve in shareholder's equity.
- (f) During the year an impairment charge of 2,703,259 Mn (2013 - 1,000,000 Mn) was made on Plant & Machineries that were identified as non performing assets.

Associated Ceat (Pvt) Ltd. - Subsidiary of joint venture Company

(a) Revaluation of Assets

Assets Categories	Revalued Date	Cost (Rs.)	Accumulated epreciation (Rs)	WDV (Rs.)	Revalued Amount (Rs.)	Net Surplus (Rs.)
Land	10.06.2011	5,105,000	-	5,105,000	10,010,000	4,905,000
		5,105,000	-	5,105,000	10,010,000	4,905,000

The land was revalued on 15.03.2006 by an independent Incorporated Valuer (Mr. K.Arthur Perera) and the surplus of Rs. 2,852,324 arising from revaluation was transferred to Revaluation Reserve.

The Plant & Machineries were revalued on 31.03.2011 by an independent Incorporated Valuer (Mr. D.I.Dantanarayana A.I.V. (Sri Lanka) and surplus of Rs. 23,406,731 arising from revaluation was transferred to Revaluation Reserve.

The land was revalued on 10.06.2011 by an Independent Incorporated Valuer (Mr. K. Arthur Perera) and the surplus of Rs. 4,905,000 arising from revaluation was transferred to Revaluation Reserve.

- (b) Land & Buildings and Plant & Machinery have been pledged to obtain loan facilities from Hatton National Bank and State Bank of India.
- (c) Costs of fully depreciated assets in use at the balance sheet date amounts to 16.8 Mn (2013 - 15.7 Mn).

- (d) During the year an impairment charge of Rs. Nil (2013 - Rs. 2,142,855) was made on Plant and Machinery that were identified as non performing assets.

Ceat Kelani Radials (Pvt) Ltd. - Subsidiary of joint venture Company

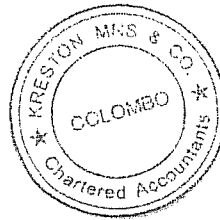
- (a) Building was constructed on a land that belongs to Ceat Kelani International Tyres (Pvt) Ltd for which no rent has been paid.
- (b) Plant & Machinery have been pledged to obtain loan facilities from State Bank of India.
- (c) Cost of fully depreciated assets in use at the balance sheet date amounts to Rs. 393,120 (2013 - Rs. 393,120/-)
- (d) During the year an impairment charge of Rs. 9,807,711 (2013 - Rs. Nil) was made on Plant and Machinery that were identified as non performing assets.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

	Company		Group	
	31.3.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2013 Rs.
NOTE 3 - CAPITAL WORK IN PROGRESS				
Balance as at 1st April	-	-	140,390,073	123,466,332
Expenses incurred during the year	-	-	328,403,915	104,758,060
	-	-	468,793,988	228,224,392
Transferred to				
Building	-	-	-	-
Plant & Machinery	-	-	(275,975,248)	(87,834,319)
Balance as at 31st March	-	-	192,818,740	140,390,073

NOTE 4 - INTANGIBLE ASSETS

	31.03.2014 Rs.	31.03.2013 Rs.
Tyre Designs and Software Cost		
Balance as at 1st April	11,258,108	4,376,233
Acquired During the Year	26,907,626	6,881,875
Balance as at 31st March	38,165,735	11,258,108
Amortisation		
Balance as at 1st April	1,448,736	-
Amortisation for the Year	5,663,522	1,448,736
Balance as at 31st March	7,112,258	1,448,736
Carring Value as at 31st March	31,053,477	9,809,372



	Company		Group	
	31.3.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2013 Rs.

NOTE 5 - INVESTMENT IN JOINTLY CONTROLLED ENTITY

Balance as at 31st March	100,000,000	100,000,000	-	-
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Investment in Jointly Controlled entity represents the 50% holding in Ceat Kelani Holdings (Pvt) Ltd, a Company incorporated to acquire shares of Associated Ceat (Pvt) Ltd, Ceat Kelani International Tyres (Pvt) Ltd and Ceat Kelani

All Investments are accounted at cost.

NOTE 6 - INVESTMENT IN OTHER COMPANIES

At Cost

Associated Ceat (Pvt) Ltd.				
1 Ordinary Share	10	10	10	10
Ceat Kelani International Tyres (Pvt) Ltd.				
1 Ordinary Share	10	10	10	10
Ceat Kelani Radials (Pvt) Ltd.				
1 Ordinary Share	10	10	10	10
	30	30	30	30

All Investments are accounted at cost.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

	Company		Group	
	31.3.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2013 Rs.
NOTE 7 - INVENTORIES				
Raw Materials	-	-	185,521,505	183,378,828
Work in Progress	-	-	52,179,210	28,184,996
Finished Goods	-	-	232,270,657	333,769,914
Goods in Transit	-	-	1,590,194	12,010,967
Diesel	-	-	523,661	229,788
Furnace Oil & Fire Wood	-	-	826,615	719,903
Machinery Spares/Miscellaneous items	-	-	67,111,186	68,345,915
	-	-	540,023,028	626,640,311

NOTE 8 - TRADE AND OTHER RECEIVABLES

Trade Debtors	-	-	705,258,253	687,433,101
Sundry Debtors	-	-	26,811,273	17,880,249
Deposits & Prepayments	-	-	14,524,427	13,233,301
	-	-	746,593,953	718,546,652

All amounts are short term. The net carrying value of Trade and Other receivables is considered a reasonable approximation of fair value.

All the trade and Other receivables have been reviewed for indicators of imparment. Certain trade receivables were found to be impaired and an allowance for credit losses of Rs. 3,461,868 (2013 - Rs. 4,448,346) has been recorded accordingly within distribution costs.

NOTE 9 - CASH AND CASH EQUIVALENTS

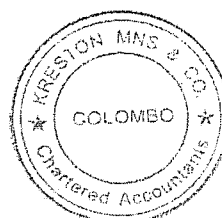
Cash at Bank				
Favorable Bank Balances	2,763,910	3,080,773	301,808,596	57,011,564
Bank Overdraft	-	-	(193,214,315)	(268,010,985)
	2,763,910	3,080,773	108,594,281	(210,999,421)

NOTE 10 - STATED CAPITAL

Number of Ordinary Shares issued & fully paid	10,000,000	10,000,000	10,000,000	10,000,000
Stated Capital as at 31st March	100,000,000	100,000,000	100,000,000	100,000,000

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

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one Vote per share at meetings of the Company. All Shares rank equally with regard to the Company's residual assets.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

	Company		Group	
	31.03.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.03.2013 Rs.
NOTE 11 - REVALUATION SURPLUS & CAPITAL RESERVE				
Revaluation Surplus				
Balance as at 1st April	-	-	210,614,890	210,614,890
Surplus on Revaluation	-	-	-	-
Balance as at 31st March	-	-	210,614,890	210,614,890
Capital Redemption Reserve				
Balance as at 31st March	-	-	27,200,000	27,200,000
	-	-	237,814,890	237,814,890

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

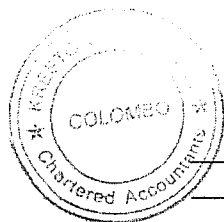
NOTE 12 - REDEEMABLE PREFERENCE SHARES

Balance as at 1st April	-	-	1,894,800	3,789,600
Redeemed during the year	-	-	(1,894,800)	(1,894,800)
	-	-	-	1,894,800
Payable within one year	-	-	-	(1,894,800)
Payable after one year	-	-	-	-

Preference shares of the group represents redeemable cumulative, non convertible preference shares issued by
Ceat Kelani Radials (Pvt) Ltd.

NOTE 13 - BORROWINGS

Payable within one year				
Bank Borrowings	-	-	153,061,389	224,154,535
Lease Liabilities	-	-	-	1,211,456
	-	-	153,061,389	225,365,991
Payable after one year				
Bank Borrowings	-	-	18,280,572	55,307,145
Lease Liabilities	-	-	-	-
	-	-	18,280,572	55,307,145
Total Borrowings	-	-	171,341,961	280,673,136



Lender	Rate of Interest	Terms of Repayment	Security	Amount
CKR				
State Bank of India	LIBOR + 2.75% (Min 5%)	Rs. 538,951 per month	Primary Mortgage over Machinery & Equipment	8,107,557
State Bank of India	AWPLR + 2%	Rs. 483,834 per month	Primary Mortgage over Machinery & Equipment	10,506,474
ACPL				
State Bank of India (25260143860281)	Libour + 3% (Min 5%)	Rs. 548,027 per month	Land, Building & Machinery	2,275,840
CKITL				
State Bank of India	Libour + 2.75% (Min 5%)	Rs. 1,176,000 per month	Machinery mortgage	16,335,932
Nations Trust Bank	Libour + 2.75% (Min 5%)	Rs. 941,000 per month	Machinery mortgage	24,210,522
Commercial Bank	14.7%	Rs. 750,000 per month	Primary concurrent mortgage	2,521,701
Sampath Bank	15.8%	Rs. 156,000 per month	over Land, Building & Plant & Machinery	1,875,000
Short Term Loans				105,508,936
				171,341,961

Fair Value of term loans have been determined by calculating their present values at the reporting date, using the effective interest rate.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 14 - RETIREMENT BENEFIT OBLIGATION

	Company		Group	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	-	-	51,805,235	41,253,177
Provision for the year	-	-	20,807,652	12,071,020
	-	-	72,612,887	53,324,197
Payments made during the year	-	-	(1,294,270)	(1,518,962)
Balance as at 31st March	-	-	71,318,617	51,805,235

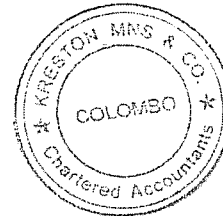
Retirement Benefit Obligation as at year end has been computed using Projected Unit Credit (PUC) Method.

The principal assumptions used in the computation are as follows :

	2013/2014	2012/2013
Discount Rate	10.61%	13%
Expected Annual Salary Increment Rate	13% - 15%	13%
Retirement Age	55 years	55 years

The amounts recognised in Statement of Comprehensive Income are as follows.

Amounts recognised in Income Statement		
Current Service Cost	8,038,569	6,183,443
Interest Cost	5,114,702	4,616,055
Amount recognised in Other Comprehensive Income		
Actuarial loss / (gain) due to changes in assumptions	7,654,381	1,271,522
	20,807,652	12,071,020



NOTE 15 - DEFERRED TAX (ASSET) / LIABILITY

	Company		Group	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	Rs.	Rs.	Rs.	Rs.
Balance as at 1st April	-	-	95,922,500	58,683,500
Charge / (Reversal) during the year	-	-	27,804,504	37,239,000
Balance as at 31st March	-	-	123,727,004	95,922,500

NOTE 16 - TRADE & OTHER PAYABLES

Trade Creditors	-	-	218,254,470	162,158,610
Other Creditors	-	-	187,678,550	191,681,302
Accrued Expenses	85,680	197,876	153,050,987	141,032,710
	85,680	197,876	558,984,006	494,872,622

NOTE 17 - AMOUNTS DUE TO RELATED COMPANIES

Associated Ceat (Pvt) Ltd.	-	5,712	-	2,856
Ceat Ltd. India	-	-	-	1,095,430
	-	5,712	-	1,098,286

The carrying amounts of the payables are considered as a reasonable approximation of fair value as these financial liabilities (Which are measured at amortised cost) is expected to be settled on demand such that the time value of money is not significant.

NOTE 18 - PROVISION FOR TAXATION / (INCOME TAX REFUND DUE)

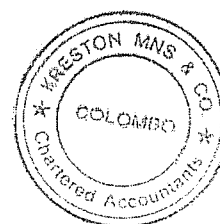
Balance as at 1st April	(13,575)	(14,546)	66,344,235	3,078,314
Provision for the year	17,829	17,046	138,447,370	106,592,071
Under/(Over) provision in previous year			(1,149,712)	
	4,254	2,500	203,641,893	109,670,385
Less: Payments made during the year	(26,731)	(16,075)	(122,722,064)	(43,326,150)
Balance as at 31st March	(22,477)	(13,575)	80,919,829	66,344,235

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 19 - FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of Financial Assets and Financial Liabilities in each category are as follows.

	Note	AFS Rs. (Carried at FV)	FVTPL Rs. (Carried at FV)	HTM Rs. (Carried at Amortised Cost)	Loans & Receivables Rs. (Carried at Amortised Cost)	Total Rs.
31st March 2014						
Financial assets						
Trade & Other Receivables	8				732,069,526	732,069,526
Cash at Bank & in hand	9				301,808,596	301,808,596
					1,033,878,122	1,033,878,122
				Other Liabilities at FVTPL Rs.	Other Liabilities at Amortised Cost Rs.	Total Rs.
Financial Liabilities						
Borrowings	13			-	171,341,961	171,341,961
Trade & Other Payables	16			-	558,984,006	558,984,006
Amounts due to Related Companies	17			-	-	-
Bank Overdraft	9			-	193,214,315	193,214,315
				-	923,540,282	923,540,282
		AFS Rs.	FVTPL Rs.	HTM Rs.	Receivables Rs.	Total Rs.
31st March 2013						
Financial assets						
Trade & Other Receivables	8				705,313,351	705,313,351
Cash at Bank & in hand	9				57,011,564	57,011,564
					762,324,915	762,324,915
				Other Liabilities at FVTPL Rs.	Other Liabilities at Amortised Cost Rs.	Total Rs.
Financial Liabilities						
Borrowings	13			-	280,673,136	280,673,136
Trade & Other Payables	16			-	494,872,622	494,872,622
Amounts due to Related Companies	17			-	1,098,286	1,098,286
Bank Overdraft	9			-	268,010,985	268,010,985
				-	1,044,655,029	1,044,655,029



NOTES TO FINANCIAL STATEMENTS (CONTD.)

	Company		Group	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013
	Rs.	Rs.	Rs.	Rs.
NOTE 20 - REVENUE				
Sales - Export	-	-	1,385,602,330	1,571,273,366
- Local	-	-	3,992,136,146	3,422,184,549
	-	-	5,377,738,476	4,993,457,915
Less : - Value Added Tax	-	-	(417,456,014)	(364,221,626)
- Nation Building Tax	-	-	(70,019,015)	(57,966,365)
- Nation Building Tax on Trading	-	-	(1,065,923)	(1,942,146)
	-	-	4,889,197,524	4,569,327,778
Dividend Received (Net)	168,750,036	135,000,029	-	-
	<u>168,750,036</u>	<u>135,000,029</u>	<u>4,889,197,524</u>	<u>4,569,327,778</u>
NOTE 21 - OTHER OPERATING INCOME				
Profit on Sale of Miscellaneous Items	-	-	8,348,296	8,018,553
Profit on Disposal of Property, Plant & Equipment	-	-	1,151,654	143,943
Sundry Income	-	-	1,362,196	1,227,601
Exchange Gain	-	-	1,588	3,094,045
	-	-	10,863,734	12,484,143
NOTE 22 - FINANCE COSTS				
Preference Dividend	-	-	614,480	928,960
Interest on Bank Overdraft	-	-	13,067,765	28,796,795
Interest on Bank Borrowings	-	-	18,550,868	42,821,184
Interest on Finance Leases	-	-	50,614	810,108
Interest Income	(97,963)	(93,660)	(97,963)	(93,711)
	<u>(97,963)</u>	<u>(93,660)</u>	<u>32,185,764</u>	<u>73,263,336</u>
NOTE 23 - PROFIT BEFORE TAXATION				
is stated after charging all expenses including :				
Directors Remuneration	-	-	12,962,439	13,500,646
Depreciation	-	-	71,760,224	57,753,193
Impairment of Property Plant & Equipment	-	-	12,510,969	3,142,855
Auditors Remuneration	34,272.00	30,844.80	840,652	603,137
Staff Costs				
Salaries & Wages	-	-	321,509,492	277,379,198
Defined Contribution Cost - EPF & ETF	-	-	26,048,526	22,822,319
Defined Benefit Cost - Gratuity	-	-	13,153,271	10,799,498
Provision for Engineering Stock	-	-	704,598	75,807
Provision for Bad Debts	-	-	6,923,736	8,896,729



NOTES TO FINANCIAL STATEMENTS (CONTD.)

	Company		Group	
	31.3.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2013 Rs.
NOTE 24 - TAXATION				
Tax Expense				
Current Income Tax				
- Income Tax on Profit for the year	17,829	17,046	138,447,370	103,767,046
- Under Provision for previous year	-	-	(1,149,712)	2,825,025
- WHT on dividend paid by subsidiary of Joint Venture	-	-	18,750,000	15,000,000
	17,829	17,046	156,047,658	121,592,071
Deferred Income Tax				
Deferred Tax Expense relating to the origination and reversal of temporary differences and carried forward	-	-	29,304,503	37,386,754
Assesable Losses				
Income Tax Expense reported in the Income Statement	17,829	17,046	185,352,161	158,978,825
Income Tax Expense reported in Other Comprehensive Income	-	-	1,499,999	147,754
Total Tax Expense	17,829	17,046	183,852,162	158,831,071

1. Associated Ceat (Pvt) Ltd.

In October 2002 Company achieved 50% export of its production and was able to maintain the export target of 50% of its production during the period 15.10.2002 to 15.10.2007. Therefore the Company was, entitled to 5 year tax exemption from 15.10.2002 to 15.10.2007. From 15.10.2007 the company is liable to income tax at a concessionary rate of 15% upto 15.10.2022, if 50% of the output is exported.

The deferred tax liability is provided @ effective future tax rate of 13.4%.

2. Ceat Kelani International Tyres (Pvt) Ltd.

The Company is liable to Income tax @ 28%

3. Ceat Kelani Holdings (Pvt) Ltd.

The Company is liable to Income tax @ 28%

No provision has been made for Income Tax for the year, due to Tax loss incurred by the Company.
Tax loss available for carry forward amounted to Rs. 2,097,222 as at 31.03.2014 (2013 - Rs. 1,915,103)

Deferred Tax has not been provided due to tax loss which the Company may not be able to recover in the foreseeable future.

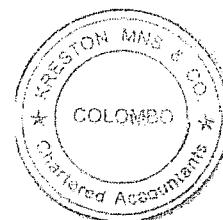
4. Ceat Kelani Radials (Pvt) Ltd.

- (a) In terms of Section 17(2)(b) of the Inland Revenue Act No. 10 of 2006 profit and income of the Company is exempt from income tax up to the year of assessment 2010/2011 and after the exemption period the Company is liable to income tax in terms of Section 48(2) of the Revenue Act on the following manner.

Y/A 2011/2012 shall be 5%
Y/A 2012/2013 shall be 10%
Y/A 2013/2014 shall be 15%

However, other Income is liable to income tax at 28% of the taxable income.

- (b) Deferred Tax has been Computed at future effective tax rate of 26.3%.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 25 - EARNINGS PER SHARE

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

	Company		Group	
	31.3.2014 Rs.	31.3.2013 Rs.	31.3.2014 Rs.	31.3.2013 Rs.
Profit for the year	168,559,947	134,838,883	693,583,970	470,167,145
Preference Dividend	-	-	-	-
Profit attributable to Ordinary Shareholders (Rs.)	168,559,947	134,838,883	693,583,970	470,167,145
Weighted Average No. of Ordinary Shares	10,000,000	10,000,000	10,000,000	10,000,000
Earnings per Share (EPS)	16.86	13.48	69.36	47.02

NOTE 26 - DIVIDEND PER SHARE

Dividend Paid				
Ordinary Dividend	168,750,000	135,000,000	168,750,000	135,000,000
Preference Dividend	-	-	-	-
	168,750,000	135,000,000	168,750,000	135,000,000
Dividend per Ordinary Share				
Interim Dividend	168,750,000	135,000,000	168,750,000	135,000,000
	168,750,000	135,000,000	168,750,000	135,000,000
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000	10,000,000	10,000,000
Dividend per Share	16.875	13.50	16.875	13.50

Interim Dividend on Ordinary Shares has been declared out of the Dividend received during the year from Ceat Kelani Holdings (Pvt) Ltd.

NOTE 27 - CONTINGENT LIABILITIES

The Company has given Corporate Guarantees on behalf of Associated Ceat (Pvt) Ltd on the bank facilities obtained from Indian Bank which was Rs. 40 Mn & Hatton National Bank which was Rs. 75 Mn as at 31st March 2014.

The Company has given Corporate Guarantees on behalf of Ceat Kelani Radials (Pvt) Ltd on the bank facilities obtained from HSBC which was Rs. 50 Mn.

The Company has given Corporate Guarantees on behalf of Ceat Kelani International Tyres (Pvt) Ltd, on the bank facilities obtained from NDB which was Rs. 12.5 Mn, DFCC Vardhana Bank which was Rs. 32.5 Mn, Indian Overseas Bank which was Rs. 139 Mn, Indian Bank which was Rs. 75 Mn and Nations Trust Bank which was Rs. 115 Mn as at 31st March 2014.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 28 - FINANCIAL COMMITMENTS

Associated Ceat (Pvt) Ltd. and Ceat Kelani International Tyres (Pvt) Ltd., Subsidiary Companies of CKAH, have an annual commitment to pay royalty at 1% net of taxes, discounts & incentives to Ceat Ltd India. Ceat Kelani Radials (Pvt) Ltd. Subsidiary Company of CKH has an annual commitment to pay royalty at 2% net of taxes, discounts and incentives to Ceat Ltd - India. Asian Tyres (Pvt) Ltd which is a subsidiary of Ceat Kelani International Tyres (Pvt) Ltd has an annual commitment to pay royalty at 2% net of taxes, discounts and incentives to Ceat Ltd, India.

NOTE 29 - EVENTS OCCURRING AFTER REPORTING DATE

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

NOTE 30 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

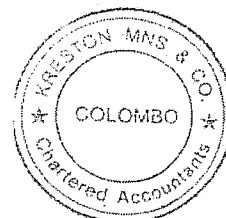
The capital is managed by the Company in a way that it is able to continue as a going concern while maximising returns to shareholders.

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

As a risk management policy the Company reviews its cost of capital and risks associated with each class of capital.

Total Equity	1,923,891,860
Cash and cash equivalents	(301,808,596)
Capital	<u>1,622,083,264</u>
Total Equity	1,923,891,860
Borrowings	171,341,961
	<u>2,095,233,820</u>

Capital to overall financing ratio (%) 77.42%



NOTE 31 - FINANCIAL INSTRUMENT RISK

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by cat are summarised in note. The main types of risks are market risk credit risk and liquidity risk.

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

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

Foreign currency sensitivity

Most of the Company's transactions are carried out in Sri Lankan Rupees. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in US dollars (USD).

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Sri Lankan Rupees at the closing rate:

	Short-term exposure			Long-term exposure
	USD Rs.	GBP Rs.	Other Rs.	USD Rs.
31st March 2014				
Financial assets	117,760,956	-	-	-
Financial liabilities	(201,743,135)	-	-	(25,752,460)
Total exposure	<u>(83,982,179)</u>	<u>-</u>	<u>-</u>	<u>(25,752,460)</u>

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 31 - FINANCIAL INSTRUMENT RISK (CONTD.)

Interest rate sensitivity

At 31 March 2014, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates.

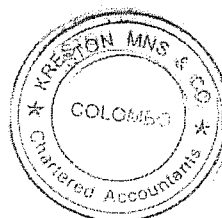
The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	Rs. +1%	Rs. -1%	Rs. +1%	Rs. -1%
31st March 2014	(2,085,489)	2,085,489	(2,085,489)	2,085,489

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 March, as summarised below:

Classes of financial assets - carrying amounts:
Cash and cash equivalents
Trade and other receivables



2014
Rs.

301,808,597
861,814,052
1,163,622,649

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. At reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties and the Group's management considers that all the above financial assets that are not impaired or past due for each of the 31 March reporting dates under review are of good credit quality.

Some of the unimpaired trade receivables are past due as at 31 March. Information on financial assets past due but not impaired are as follows:

	2014 Rs.
Not more than 3 months	24,215,994
More than 3 months but not more than 6 months	74,554,124
More than 6 months but not more than 1 year	39,927,500
More than one year	-
	<u>138,697,617</u>

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents, is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The carrying amounts disclosed above are the Company's maximum possible credit risk exposure in relation to these instruments.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 31 - FINANCIAL INSTRUMENT RISK (CONTD.)

Liquidity risk analysis

Liquidity risk is that the Company might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands. Net cash requirements are compared to available borrowing facilities in order to determine excess or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient.

	Current		Non Current	
	Within 6 months Rs.	6 - 12 months Rs.	1 - 5 years Rs.	Later than 5 years Rs.
31st March 2014				
Borrowings	356,777,065	21,998,639	18,280,572	-
Trade and Other payables	343,005,593	36,271,027	-	-
	<u>699,782,658</u>	<u>58,269,666</u>	<u>18,280,572</u>	<u>-</u>



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 32 - RELATED PARTY TRANSACTIONS

32.1 Mr. Tilak de Zoysa, Mr. R. Raman, Mr. P.K. Chowdhary, Mr. Anant Vardhan Goenka were Directors of the Company during the year.

The following Directors of the Company were also Directors of the related companies as indicated below.

	Ceat Kelani Radials (Pvt) Ltd. (CKR)	Associated Ceat (Pvt) Ltd. (ACPL)	Ceat Kelani International Tyres (Pvt) Ltd. (CKITL)	Ceat Kelani Holdings (Pvt) Ltd. (KAH)	Ceat Ltd. India	Asian Tyres (Pvt) Ltd (ATL)
Mr. Tilak de Zoysa	x	x	x	x	-	x
Mr. R. Raman	x	x	x	x	-	x
Mr. P.K. Chowdhary	-	-	-	x	-	-
Mr. A. Goenka	x	x	x	x	x	x
Mr. Arnab Banerjee	x	x	x	x	-	x

Details of significant Related Party transactions are as follows :

	Company	Relationship	Balance as at 31.03.2014		Balance as at 31.03.2013	
			Due from	Due to	Due from	Due to
	Associated Ceat (Pvt) Ltd.	Subsidiary of Joint Venture Company	-	-	-	5,712

32.2 Details of significant Related Party transactions are as follows :

Ceat Ltd., India is a party to the Joint Venture Agreement signed between Associated Ceat (Pvt) Ltd. (ACPL), Ceat Ltd. India and Kelani Tyres Ltd., Ceat Ltd., India receives 1% Royalty on net sales, net of taxes and incentives from ACPL & CKITL as per Joint Venture and Technical Agreement. Ceat Ltd., India receives 2% Royalty on net sales, net of taxes and incentives from CKR as per Technical Agreement entered with such Company.

32.3 Transactions with Related Parties are carried out in the ordinary course of business. Outstanding balances at the year end are unsecured and not settlement occurs in cash.

32.4 Transactions with Key Managerial Personnel

Key Managerial Personnel include members of the Board of Directors of the Company.

There were no transactions with Key Managerial Personnel and their close family members during the year.

Remuneration paid to Key managerial Personnel amounted to Rs. Nil for the year 2013/2014 (Rs. Nil for 2012/2013)

