Our Ref : 1745 / A301 / SDS / RB

FINANCIAL STATEMENTS OF

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LIMITED,

FOR THE YEAR ENDED

31^{ST} MARCH 2022

KRESTON
SRI LANKA

Knowing you.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LTD
Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of **ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LTD** ("the Company") which comprise the Statement of Financial Position as at 31st March 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 4 to 21.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31st March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements of the Code of Ethics issued by Chartered Accountants of Sri Lanka that are relevant to our audit of the Financial Statements and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an Audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the Audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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Chartered Accountants

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- the Financial Statements of the Company comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

Kieston mns & co

CHARTERED ACCOUNTANTS
COLOMBO
26TH APRIL 2022
SDS-AssCeatHoldings(2022)-C9

KINGSTON MNS & CO.
COLOMBO
Chartered Accountants

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

STATEMENT OF FINANCIAL POSITION AS AT	Note	31.03.2022	31.03.2021
ASSETS			
Non - Current Assets			
Investment in Joint Venture	2	100,000,000.00	100,000,000.00
Investment in Related companies	3	30.00	30.00
		100,000,030.00	100,000,030.00
Current Assets			
Cash at Bank	5	315,206,559.17	6,182,003.59
		315,206,559.17	6,182,003.59
Total Assets		415,206,589.17	106,182,033.59
EQUITY AND LIABILITIES			
Equity			
Stated Capital	6	100,000,000.00	100,000,000.00
Retained Earnings		8,916,662.86	5,731,532.70
Total Equity		108,916,662.86	105,731,532.70
Current Liabilities			
Income Tax Payable	4	382,397.31	83,419.89
Other Payables	7	305,907,529.00	367,081.00
		306,289,926.31	450,500.89
Total Equity & Liabilities		415,206,589.17	106,182,033.59

The Accounting Policies and Notes on pages 8 to 21 form an integral part of the Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

....
Chief 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

Date : 26th April 2022

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Chartered Accountants

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED	Note	31.03.2022	31.03.2021
Revenue	8	580,500,155.35	150,500,036.04
Administrative Expenses		(441,288.00)	(269,544.62)
Other Operating Expenses		(900.00)	(1,350.00)
Operating Profit		580,057,967.35	150,229,141.42
Finance Inome	9	4,771,472.84	746,659.26
Profit before Tax	10	584,829,440.19	150,975,800.68
Taxation	11	(1,144,310.03)	(178,880.61)
Profit for the year		583,685,130.16	150,796,920.07
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		583,685,130.16	150,796,920.07
Earnings per Share	12	58.37	15.08
Dividend per Share	13	58.05	46.63

The Accounting Policies and Notes on pages 8 to 21 form an integral part of the Financial Statements.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2022

	Stated Capital	Retained Earnings	Total
Balance as at 1st April 2020	100,000,000.00	321,234,612.63	421,234,612.63
Dividend Paid	-	(466,300,000.00)	(466,300,000.00)
Transactions with Owners	-	(466,300,000.00)	(466,300,000.00)
Profit for the year	-	150,796,920.07	150,796,920.07
Other Comprehensive Income for the year	-	-	-
Total Comprehensive Income for the year	-	150,796,920.07	150,796,920.07
Balance as at 31st March 2021	100,000,000.00	5,731,532.70	105,731,532.70
Dividend Paid	-	(580,500,000.00)	(580,500,000.00)
Transactions with Owners	-	(580,500,000.00)	(580,500,000.00)
Profit for the year	-	583,685,130.16	583,685,130.16
Other Comprehensive Income for the year	-	-	-
Total Comprehensive Income for the year	-	583,685,130.16	583,685,130.16
Balance as at 31st March 2022	100,000,000.00	8,916,662.86	108,916,662.86

The Accounting Policies and Notes on pages 8 to 21 form an integral part of the Financial Statements.

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STATEMENT OF CASH FLOW FOR THE YEAR ENDED	Note	31.03.2022	31.03.2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Taxation		584,829,440.19	150,975,800.68
Interest Income	9	(4,771,472.84)	(746,659.26)
Operating Profit before working Capital Changes		580,057,967.35	150,229,141.42
Adjustments for Working Capital Changes			
Increase/(Decrease) in other receivable		-	315,800,073.69
Increase / (Decrease) in Other Payables	7	305,540,448.00	(8,235.38)
Cash generated from Operations		885,598,415.35	466,020,979.73
Tax Paid	4	(845,332.61)	(515,488.00)
Net Cash from Operating Activities		884,753,082.74	465,505,491.73
CASH FLOW FROM INVESTING ACTIVITIES			
Interest Income	9	4,771,472.84	746,659.26
Net Cash from / (used in) Investing Activities		4,771,472.84	746,659.26
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Paid	13	(580,500,000.00)	(466,300,000.00)
Net Cash from / (used in) Financing Activities		(580,500,000.00)	(466,300,000.00)
Increase / (Decrease) in Cash & Cash Equivalents		309,024,555.58	(47,849.01)
Cash & Cash Equivalents at the beginning of the year		6,182,003.59	6,229,852.60
Cash & Cash Equivalents at the end of the year	5	315,206,559.17	6,182,003.59

The Accounting Policies and Notes on pages 8 to 21 form an integral part of the Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL INFORMATION

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 52, Nungamugoda, Kelaniya.

The principal activity of Associated Ceat Holdings Company (Pvt) Limited is Investing.

1.2 STATEMENT OF COMPLIANCE WITH SLFRS & LKAS

The 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).

1.3 SUMMARY OF ACCOUNTING POLICIES

1.3.1 Overall Considerations

The financial statements have been prepared using the significant accounting policies and measurement bases that are in effect as at 31 March 2022, as summarised below. These were used throughout all periods presented in the financial statements.

1.3.2 Functional and presentation currency

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

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.

1.3.3 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.

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1.3.4 Investments in subsidiaries, associates and jointly controlled entities

All investments in subsidiaries, associates and jointly controlled entities are accounted at cost. The cost of investment is the cost of acquisition inclusive of brokerage and costs of transaction.

Dividend from a subsidiary, associate or jointly controlled entity recognise in profit or loss when the right to receive the dividend is established.

These investments are subject to impairment testing as described in Note 1.3.5.

1.3.5 Impairment testing of Investments in Subsidiaries, associates and jointly controlled entities.

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 Company'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.

1.3.6 Leases

Right of use assets

The Company recognises right of use assets when the underline asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable

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1.3.6 Leases (Contd.)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

1.3.7 Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company 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.

Classification and subsequent measurement of financial assets.

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- 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 and loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

A financial asset is measured at amortised cost if both the following conditions are met.

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest 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 and loss. The losses arising from impairment are recognised in the profit and loss. This category generally applies to trade and other receivables, loans and other financial assets.

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

1.3.7 Financial Instruments (Contd.)

Debt instruments at FVTOCI

A financial asset is measured at FVTOCI if both the following conditions are met.

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the group recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the statement of profit and loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instruments, derivatives and equity instruments at FVTPL

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 statement of profit and loss.

Equity investments

All equity investments in scope of SLFRS 9 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 subsequent changes in the fair value in other comprehensive income. 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 statement of profit and loss, 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 statement of profit and loss.

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

1.3.7 Financial Instruments (Contd.)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset expires or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or the Company neither transfers nor retains substantially all the risks and rewards of the asset, but transfers control of the asset.

When the Company transfers a financial asset, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

For recognition of impairment loss on other financial assets and risk exposure, the company 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.

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.

Classification and subsequent measurement of financial liabilities

The Company classifies financial liabilities as described below:

- Financial liabilities at fair value through profit or loss (FVTPL)
- Financial liabilities at amortised cost

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The subsequent measurement of financial liabilities depends on their classification.

Financial liabilities at FVTPL

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

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

The Company has not designated any financial liability as at fair value through profit and loss.

1.3.7 Financial Instruments (Contd.)

Financial liabilities at amortised cost

The financial liabilities which are not designated at FVTPL are classified as financial liabilities at amortised cost.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the 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 as finance costs in the statement of profit and loss. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

Reclassification of financial assets and liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

1.3.8 Income Taxes

Tax expense recognised in profit or loss comprises 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.

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

1.3.9 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.

1.3.10 Equity, Reserves and Dividend Payments

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

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.

1.3.11 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company 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 Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses.

1.3.12 Significant management judgement in applying accounting policies and estimation uncertainly

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.

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.

- **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 2 - INVESTMENT IN JOINT VENTURE

	Value 31.03.2022	Value 31.03.2021
Ceat Kelani Holdings (Pvt) Ltd. (10,000,000 Ordinary Shares)	100,000,000.00	100,000,000.00
	100,000,000.00	100,000,000.00

Investment recorded at cost

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

NOTE 3 - INVESTMENTS IN RELATED COMPANIES

	Value 31.03.2022	Value 31.03.2021
Associated Ceat (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00
Ceat Kelani Radials (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00
Ceat Kelani International Tyres (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00
	30.00	30.00

NOTE 4 - INCOME TAX REFUND DUE / (PAYABLE)

	31.03.2022	31.03.2021
Balance as at 1st April	(83,419.89)	(420,027.28)
Provision made during the year	(1,144,310.03)	(178,880.61)
	(1,227,729.92)	(598,907.89)
Add: Notional Tax Paid/(Reversed)	-	-
Income Tax paid	845,332.61	515,488.00
Balance as at 31st March	(382,397.31)	(83,419.89)

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Chartered Accountants

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 5 - CASH & CASH EQUIVALENTS

	31.03.2022	31.03.2021
Commercial Bank, Foreign Branch - A/C No. 1030026017	158,856,904.88	2,836,013.92
Investments in REPOs	3,540,613.21	3,345,989.67
Investments in Call Deposits	152,809,041.08	-
	315,206,559.17	6,182,003.59

NOTE 6 - STATED CAPITAL

	31.03.2022	31.03.2021
Number of Ordinary Shares Issued & Fully Paid	10,000,000	10,000,000
Stated Capital on 31st March	100,000,000.00	100,000,000.00

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

NOTE 7 - OTHER PAYABLES

	31.03.2022	31.03.2021
Financial		
Audit Fees & Accounting fees Payable	407,529.00	367,081.00
	407,529.00	367,081.00
Non Financial		
Dividend Payable	305,500,000.00	-
	305,907,529.00	367,081.00

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

NOTE 8 - REVENUE

	31.03.2022	31.03.2021
Dividend Received	580,500,155.35	150,500,036.04
	580,500,155.35	150,500,036.04

NOTE 9 - FINANCE INCOME

	31.03.2022	31.03.2021
Interest on REPOs and Call Deposits	4,771,472.84	746,659.26
	4,771,472.84	746,659.26

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NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 10 - PROFIT BEFORE TAXATION

	31.03.2022	31.03.2021
Is stated after charging all expenses including :		
Audit Fees	64,416.00	49,352.00

NOTE 11 - TAXATION

Reconciliation between Accounting Profit and Taxable Profit is given below

		31.03.2022	31.03.2021
Accounting Profit		584,829,440.19	150,975,800.68
Less :	Income not liable to Tax - Dividend Income	(580,500,000.00)	(150,500,012.04)
	Interest Income	(4,771,472.84)	(746,659.26)
	Dividend Income	(155.35)	(24.00)
Adjusted Business Profit / (Loss)		(442,188.00)	(270,894.62)
Add :	Interest Income	4,771,472.84	746,659.26
	Dividend Income	155.35	24.00
	Disallowed Expense	438,582.92	269,557.25
Taxable Income		4,768,023.11	745,345.89
Income Tax Payable @ 24%		1,144,288.29	178,877.25
Dividend Tax Payable @ 14%		21.74	3.36
Total Tax		1,144,310.03	178,880.61

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NOTE 12 - EARNINGS PER SHARE

The basic Earnings per Ordinary Share is calculated by dividing the profit for the year attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding on Balance Sheet date.

	31.03.2022	31.03.2021
Net Profit attributable to Ordinary Shareholders (Rs.)	583,685,130.16	150,796,920.07
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000
Earnings per Share (Rs.)	58.37	15.08

NOTE 13 -DIVIDEND PAID

		31.03.2022	31.03.2021
13.1	**Dividend Paid during the year**		
	First Interim Dividend for the year 2021/22	430,000,000.00	150,500,000.00
	Second Interim Dividend for the year 2021/22	150,500,000.00	315,800,000.00
		580,500,000.00	466,300,000.00
13.2	Dividend per share	58.05	46.63

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NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 14 - FINANCIAL ASSETS AND LIABILITIES

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

	Note	Debt Instruments, Derivatives and Equity Instruments at FVTPL Rs.	Debt Instruments at FVTOCI Rs.	Debt Instruments at Amortised Cost Rs.	Total Rs.
31st March 2022					
Financial assets					
Cash at Bank & in hand	5	-	-	315,206,559.17	315,206,559.17
		-	-	315,206,559.17	315,206,559.17

	Note	Liabilities at FVTPL Rs.	Liabilities at Amortised Cost Rs.	Total Rs.
Financial Liabilities				
Other Payables	7	-	407,529.00	407,529.00
		-	407,529.00	407,529.00

	Note	Debt Instruments, Derivatives and Equity Instruments at FVTPL Rs.	Debt Instruments at FVTOCI Rs.	Debt Instruments at Amortised Cost Rs.	Total Rs.
31st March 2021					
Financial assets					
Cash at Bank & in hand	5	-		6,182,003.59	6,182,003.59
		-	-	6,182,003.59	6,182,003.59

	Note	Liabilities at FVTPL Rs.	Liabilities at Amortised Cost Rs.	Total Rs.
Financial Liabilities				
Other Payables	7	-	367,081.00	367,081.00
		-	367,081.00	367,081.00

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 15 - RELATED PARTY TRANSACTIONS

Mr. A.V. Goenka, Mr. P.K. Chowdhary, Mr. A. Banerjee, Mr. Tilak De Zoysa, Mr.Ravi Atmaram Dadlani & Mr. Vipul Vaid 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. (CKH)	Ceat Ltd. India
Mr. A. V. Goenka	√	√	√	√	√
Mr. P.K. Chowdhary	-	-	-	√	√
Mr. A. Banerjee	√	√	√	√	√
Mr. Tilak de Zoysa	-	√	√	√	-
Mr. Ravi Atmaram Dadlani	√	√	√	√	-
Mr. Vipul Vaid	√	√	√	√	-

Details of significant Related Party transactions are as follows :

	CKH	CKR	ACPL	CKITL	Ceat Ltd India
For the year ended 31.03.2022					
Dividend Received	580,500,000.00	101.75	27.50	26.10	-
Dividend Paid	-	-	-	-	580,500,000.00
For the year ended 31.03.2021					
Dividend Received	150,500,000.00	15.00	4.00	17.04	-
Dividend Paid	-	-	-	-	466,300,000.00

Trasactions 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.

No remuneration was paid to Key Managerial Personnel.

NOTE 16 - CONTINGENT LIABILITIES

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

NOTE 17 - CAPITAL COMMITMENTS

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

NOTE 18 - EVENT OCCURRING AFTER THE REPORTING DATE

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

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NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 19 - 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 equity attributable to equity holders of the Company comprising of issued capital and retained earnings.

NOTE 20 - FINANCIAL INSTRUMENT RISK

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in Note 14. The main types of risks are market risk credit risk and liquidity risk.

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

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

Interest rate risk

At 31 March, the Company is exposed to changes in market interest rates through short term interest bearing deposits at variable interest rates.

The following table illustrates the sensitivity of profit 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 the year, and the financial instruments held at reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year		Equity	
	+1%	**-1%**	**+1%**	**-1%**
31st March 2022	1,563,496.54	(1,563,496.54)	1,563,496.54	(1,563,496.54)

	Profit for the year		Equity	
	+1%	**-1%**	**+1%**	**-1%**
31st March 2021	33,459.90	(33,459.90)	33,459.90	(33,459.90)

Price risk

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 21 - FINANCIAL INSTRUMENT RISK (CONTD.)

Credit Risk

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

The Company is potentially exposed to concentration of credit risk from its financial assets which comprise principally bank balances & Short Term Investments. The Company's bank accounts are placed with high credit quality financial institutions. The company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at 31st March, as summarized bellow.

	31.03.2022	31.03.2021
Classes of financial assets - carrying amounts:		
Short Term Investments	-	-
Cash and cash equivalents	315,206,559.17	6,182,003.59
	315,206,559.17	6,182,003.59

Liquidity Risk

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

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

	Current		Non Current	
	Within 6 months	6 - 12 months	1 - 5 years	Laterthan 5 years
31st March 2022				
Other payables	305,907,529.00	-	-	-
	305,907,529.00	-	-	-

	Current		Non Current	
	Within 6 months	6 - 12 months	1 - 5 years	Laterthan 5 years
31st March 2021				
Other payables	367,081.00	-	-	-
	367,081.00	-	-	-