

**ASSOCIATED CEAT HOLDINGS
COMPANY (PRIVATE) LIMITED
GROUP REPORTING PACK
FOR THE YEAR ENDED
31ST MARCH 2023**



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Interoffice Audit Report on Financial Information Prepared for Consolidation Purposes

BSR & Co. LLP

We have audited the financial information prepared for consolidation purposes of Associated CEAT Holding Company (Private) Limited ("the Company"), which comprise the statement of financial position as at March 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to Group Reporting Package. We conducted our audit in accordance with the KPMG Audit Execution Guide - ISA (KAEI-I) - International version 2022/the KPMG Audit Manual - International 2022.

In our opinion, the financial information prepared for consolidation purposes as at and for the year ended March 31, 2023 has been prepared, in all material respects, in conformity with the instructions issued by group management of CEAT Limited to components.

This report is intended solely for use by BSR & Co. LLP in connection with its audit of CEAT Limited's consolidated financial statements as at and for the year ended 31st March 2023 and should not be used for any other purpose.

Chartered Accountants
Colombo, Sri Lanka
April 28, 2023

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

As at 31 March,	Note	Company		Group	
		2023	2022	2023	2022
ASSETS					
Non-Current Assets					
Investment in Joint Venture	4	100,000,000	100,000,000	4,205,562,552	4,491,143,832
Investment in Related companies	5	20	30	20	30
Total Non-Current Assets		100,000,020	100,000,030	4,205,562,572	4,491,143,862
Current Assets					
Bank balances other than cash and cash equivalents	7	29,803,673	156,349,654	29,803,673	156,349,654
Cash & cash equivalents	8	2,953,751	158,856,905	2,953,751	158,856,905
Total Current Assets		32,757,424	315,206,559	32,757,424	315,206,559
Total Assets		132,757,444	415,206,589	4,238,319,996	4,806,350,421
EQUITY AND LIABILITIES					
Equity					
Stated Capital	9	100,000,000	100,000,000	100,000,000	100,000,000
Capital Reserve		-	-	27,200,000	27,200,000
Retained Earnings		25,774,468	8,916,663	4,104,137,020	4,372,860,495
Total Equity		125,774,468	108,916,663	4,231,337,020	4,500,060,495
Current Liabilities					
Income Tax Payable	6	6,414,214	382,397	6,414,214	382,397
Other Payables	10	568,762	407,529	568,762	407,529
Dividend Payable		-	305,500,000	-	305,500,000
Total Current Liabilities		6,982,976	306,289,926	6,982,976	306,289,926
Total Equity and Liabilities		132,757,444	415,206,589	4,238,319,996	4,806,350,421

Figures in bracket indicate deductions.

The notes to the financial statements form an integral part of these Financial Statements.

The Financial Statements were approved and signed on behalf of the Board of Directors.


Chief Financial Officer
27 April 2023


Managing Director

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	Company		Group	
		2023	2022	2023	2022
Revenue	11	860,000,230	580,500,155	-	-
Administrative Expenses		(481,745)	(441,288)	(481,745)	(441,288)
Other Operating Expenses		(2,700)	(900)	(2,700)	(900)
Operating Profit		859,515,785	580,057,967	(484,445)	(442,188)
Net Finance Income	12	23,756,236	4,771,473	23,756,236	4,771,473
Profit before change in value of investments		883,272,021	584,829,440	23,271,791	4,329,285
Share of Profit from Joint Venture		-	-	786,332,770	1,016,411,979
Profit before Tax	13	883,272,021	584,829,440	809,604,561	1,020,741,264
Taxation	14	(6,414,216)	(1,144,310)	(272,195,143)	(170,433,509)
Profit after tax		876,857,805	583,685,130	537,409,418	850,307,755
Share of Other Comprehensive Income from Joint Venture					
Actuarial gain / (loss) on Retirement Benefit Obligation		-	-	76,953,011	(11,424,079)
Tax on actuarial gain / (loss) on Retirement Benefit Obligation		-	-	(23,085,904)	2,095,701
Other comprehensive income		-	-	53,867,107	(9,328,378)
Total Comprehensive Income for the period		876,857,805	583,685,130	591,276,525	840,979,377
Earnings per Share	15	87.69	58.37	53.74	85.03
Dividend per Share	16	86.00	58.05	86.00	58.05

Figures in bracket indicate deductions.

The notes to the financial statements form an integral part of these Financial Statements.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

COMPANY As at,	Note	Stated Capital	Retained Earnings	Total
Balance as at 1 April 2021		100,000,000	5,731,533	105,731,533
Dividend Paid	16	-	(580,500,000)	(580,500,000)
Transactions with Owners		<u>-</u>	<u>(580,500,000)</u>	<u>(580,500,000)</u>
Profit for the year		-	583,685,130	583,685,130
Other Comprehensive Income for the year		-	-	-
Total Comprehensive Income for the year		<u>-</u>	<u>583,685,130</u>	<u>583,685,130</u>
Balance as at 31 March 2022		<u>100,000,000</u>	<u>8,916,663</u>	<u>108,916,663</u>
Balance as at 1 April 2022		100,000,000	8,916,663	108,916,663
Dividend Paid	16	-	(860,000,000)	(860,000,000)
Transactions with Owners		<u>-</u>	<u>(860,000,000)</u>	<u>(860,000,000)</u>
Profit for the year		-	876,857,805	876,857,805
Other Comprehensive Income for the year		-	-	-
Total Comprehensive Income for the year		<u>-</u>	<u>876,857,805</u>	<u>876,857,805</u>
Balance as at 31 March 2023		<u>100,000,000</u>	<u>25,774,468</u>	<u>125,774,468</u>

GROUP As at,		Stated Capital	Retained Earnings	Capital Reserve	Total
Balance as at 1 April 2021		100,000,000	4,112,381,118	27,200,000	4,239,581,118
Dividends	16	-	(580,500,000)	-	(580,500,000)
Transactions with owners		<u>-</u>	<u>(580,500,000)</u>	<u>-</u>	<u>(580,500,000)</u>
Profit for the year		-	850,307,755	-	850,307,755
Other Comprehensive Income for the year		-	(9,328,378)	-	(9,328,378)
Total Comprehensive Income for the year		<u>-</u>	<u>840,979,377</u>	<u>-</u>	<u>840,979,377</u>
Balance as at 31 March 2022		<u>100,000,000</u>	<u>4,372,860,495</u>	<u>27,200,000</u>	<u>4,500,060,495</u>
Balance as at 1 April 2022		100,000,000	4,372,860,495	27,200,000	4,500,060,495
Dividends	16	-	(860,000,000)	-	(860,000,000)
Transactions with owners		<u>-</u>	<u>(860,000,000)</u>	<u>-</u>	<u>(860,000,000)</u>
Profit for the year		-	537,409,418	-	537,409,418
Other Comprehensive Income for the year		-	53,867,107	-	53,867,107
Total Comprehensive Income for the year		<u>-</u>	<u>591,276,525</u>	<u>-</u>	<u>591,276,525</u>
Balance as at 31 March 2023		<u>100,000,000</u>	<u>4,104,137,020</u>	<u>27,200,000</u>	<u>4,231,337,020</u>

Capital redemption reserve fund represents the amount set aside on redemption of shares in Subsidiaries of the Joint Venture.

Figures in bracket indicate deductions.

The notes to the financial statements form an integral part of these Financial Statements.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS

For the year ended 31 March,	Note	Company		Group	
		2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before Taxation		883,272,021	584,829,440	809,604,561	1,020,741,264
Adjustments for :					
Share of Profit from Joint Venture		-	-	(786,332,770)	(1,016,411,979)
Net Interest Income	12	(23,756,236)	(4,771,473)	(23,756,236)	(4,771,473)
Operating Profit before working Capital Changes		859,515,785	580,057,967	(484,445)	(442,188)
Adjustments for Working Capital Changes					
Increase / (Decrease) in Other Payables	10	161,233	305,540,448	161,233	305,540,448
Cash generated from Operations		859,677,018	885,598,415	(323,212)	305,098,260
Dividend Paid	16	(1,165,500,000)	(580,500,000)	(1,165,500,000)	(580,500,000)
Tax Paid	6	(382,399)	(845,333)	(382,399)	(845,333)
Net Cash from Operating Activities		(306,205,381)	304,253,082	(1,166,205,611)	(276,247,073)
CASH FLOW FROM INVESTING ACTIVITIES					
Net Interest Received	12	23,756,236	4,771,473	23,756,236	4,771,473
Investment in Short Term Deposits	7	126,545,991	(153,003,665)	126,545,991	(153,003,665)
Dividend Received		-	-	860,000,230	580,500,155
Net Cash Generated from Investing Activities		150,302,227	(148,232,192)	1,010,302,457	432,267,963
Increase / (Decrease) in Cash & Cash Equivalents		(155,903,154)	156,020,890	(155,903,154)	156,020,890
Cash & Cash Equivalents at the beginning of the year		158,856,905	2,836,015	158,856,905	2,836,015
Cash & Cash Equivalents at the end of the year	8	2,953,751	158,856,905	2,953,751	158,856,905

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

1.1 Domicile and legal form

Associated CEAT Holdings Company (Private) Limited (the “Company”) is a limited liability company that is incorporated under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 and domiciled in Sri Lanka. The registered office of the Company is situated at P.O. Box 52, Nungamugoda, Kelaniya.

The consolidated financial statements of the Company as at and for the year ended 31 March 2023 comprise of the financial information of the Company and its Joint Venture, CEAT Kelani Holdings (Private) Limited (together referred to as the “Group” and individually as “Group entities”).

CEAT Kelani Holdings (Private) Limited has three subsidiaries namely, CEAT Kelani International Tyres (Private) Limited, Associated CEAT (Private) Limited, and CEAT Kelani Radials (Private) Limited.

1.2 Principle activities and nature of operation

The principal activity of the Group are as follows,

Name of the Company	Principal activities
Associated CEAT Holdings Company (Private) Limited	Investment holding
CEAT Kelani Holdings (Private) Limited	Investment holding
CEAT Kelani International Tyres (Private) Limited	Manufacturing of pneumatic tyres & flaps, buying and selling of tyres, tubes and flaps
Associated CEAT (Private) Limited	Manufacturing of pneumatic tyres
CEAT Kelani Radials (Private) Limited	Manufacturing of pneumatic tyres

1.3 Parent Enterprise

In the opinion of the Directors, the Company is controlled by CEAT Limited, India which is incorporated and domiciled in India.

1.4 Number of employees

The Company does not have any employees as of the reporting date.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The consolidated financial statements for the year ended 31 March 2023 were authorised for issue by the Directors on 27 April 2023.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2.2 Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except when adequate disclosure is made regarding fair values under relevant notes. Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity. No adjustments have been made for inflationary factors affecting these consolidated financial statements. The consolidated financial statements, except for information on cash flows have been prepared following the accrual basis of accounting.

2.3 Comparative information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter-period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.4 Going concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements of the Group continue to be prepared on a going concern basis.

2.5 Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional currency. All financial information presented in Sri Lankan Rupees have been rounded to the nearest Rupee.

2.6 Uncertainty of Estimates in Preparation of Consolidated Financial Statements due to the Implications of Current Economic Conditions

The current economic conditions have increased the uncertainty of estimates made in preparation of the consolidated financial statements. The uncertainty is associated with the expected economic downturn due to shortage of foreign currency, exposure to interest rate increases and forex rate increases, time to time halt of trading in share market and power interruptions and fuel shortages affecting business operations.

2.7 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from those estimates and judgmental decisions. Actual results may differ from these estimates.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included in the following notes:

Note 3.4.5.1	- Impairment of financial assets
Note 3.4.5.2	- Impairment of financial and non-financial assets
Note 3.8	- Provisions and contingencies
Note 3.16 (a)	- Current taxation
Note 3.16 (b)	- Deferred taxation

2.8 Materiality and aggregation

Each material class of similar items is presented separately in the consolidated financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group.

3.1 Changes in significant accounting policies

There have been no changes to the Group's significant accounting policies during the financial year under review.

3.2 Basis of consolidation

3.2.1 Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in their comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.2.2 Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

3.2.3 Financial year end

All companies in the Group have a common financial year which ends on 31 March.

3.3 Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate as at the reporting date.

Foreign exchange differences arising on the settlement or reporting of the Group's profit or loss and other monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss and Other Comprehensive Income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost at the reporting date are translated to Sri Lankan Rupees at the foreign exchange rate existed at the date of initial transaction.

Non-monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates that profit or loss and other value was determined. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3.4 Financial instruments

3.4.1 Non-derivative financial assets

Recognition and initial measurement

The Group initially recognises receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost comprise of trade and other receivables, amount due from related parties, investments in fixed deposits and cash and cash equivalents.

On initial recognition of a debt or equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis. The Group does not have financial assets measured at FVOCI as at the reporting date.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group does not have financial assets measured at FVTPL as at the reporting date.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows or realising cash flows through the sale of the assets.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed

Assessment whether contractual cash flows is solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual coupon rate, including variable-rate features.
- prepayment and extension feature; and
- term that limits the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.4.2 Non-derivative financial liabilities

Recognition and initial measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading at the initial recognition. Financial liabilities at FVTPL are measured at fair value and any resulting gains or losses, including any interest expense are recognised in profit or loss.

The Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of the reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables, amount due to related parties, lease liabilities, interest bearing borrowings and bank overdrafts.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED

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Subsequent measurement

Other financial liabilities are subsequently measured at amortised cost. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method minus any reduction for impairment.

3.4.3 De-recognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also de-recognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.4.5 Impairment

3.4.5.1 Impairment of Financial Assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost; and the Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or if the no. of days past due is 365 days. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

From 1 April 2018, Group makes impairment provision for receivables based on the simplified approach to provide for expected credit losses (ECLs), which permits the use of the life time expected loss for all trade receivables. It has not resulted in a material change in – loss allowance compared with previous policy. The allowance is provided by considering evidence of impairment of receivables at individual asset level. All individually significant receivables are individually assessed for impairment by considering objective evidence i.e. experiencing a significant financial difficulty or default in payment by a customer.

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off based on individual assessment.

With respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.4.5.2 Impairment of Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. To make disclosures required by India Accounting Standards, the group should classify fair value measurements using a fair value hierarchy which is categorized into following levels.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 01 that are observable for the assets or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3.6 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.7 Dividend distribution to equity holders

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

3.8 Liabilities and Provisions

a) Liabilities

Liabilities classified as current liabilities on the statement of financial position are those, which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

b) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

3.9 Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the Group, irrespective of whether a price is being charged or not.

3.10 Capital commitments & contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the consolidated financial statements.

3.11 Events occurring after the reporting date

The materiality of the events occurring after the reporting date has been considered and appropriate adjustments and disclosure have been made in the consolidated financial statements wherever necessary.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

3.12 Revenue recognition

Dividend income

Dividends are recognised at the time the right to receive the payment is established.

3.13 Other income

Other income is recognised on an accrual basis. Gain of a revenue nature on the disposal of property, plant and equipment, scrape sales, sundry income and other non-current assets have been accounted for in the assets.

3.14 Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency have been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted. Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to Statement of Profit or Loss and Other Comprehensive Income in the year in which the expenditure is incurred.

The profit incurred by the Group before taxation as shown in the Statement of Profit or Loss and Other Comprehensive Income is after making provision for all known liabilities and for the depreciation of property, plant & equipment.

Expenditure for warranties are recognised and charged against the associated provision when the related revenue is recognised.

3.15 Finance Income and Finance Cost

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.16 Income tax expenses

An income tax expense comprises current and deferred tax. An income tax expense is recognised directly in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment made to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

b) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or subsequently enacted at the reporting date. Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.17 Earnings per share

The consolidated financial statements present basic earnings per share (EPS) data for its ordinary shareholders.

The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

3.18 Cash Flow Statement

The Statement of Cash Flows has been prepared by using the "Indirect Method" of preparing of cash flow statement in accordance with Ind AS.

Cash and Cash equivalents comprises cash in hand and cash at bank. For the purpose of cash flows, cash and cash equivalents are shown net of bank overdraft.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENT IN JOINT VENTURE

	Company	
	2023 Rs.	2022 Rs.
CEAT Kelani Holdings (Private) Limited (10,000,000 Ordinary Shares)	100,000,000	100,000,000
	<u>100,000,000</u>	<u>100,000,000</u>

Investment in Joint Venture is recorded at cost.

BY GROUP	Group	
	2023	2022
As at 1 April	4,491,143,832	4,233,849,585
Share of Profit before tax from Joint Venture	786,332,770	1,016,411,979
Share of Income Tax from Joint Venture	(265,780,927)	(169,289,199)
Dividend Received	(860,000,230)	(580,500,155)
Other Comprehensive Income	53,867,107	(9,328,378)
As at 31 March	<u>4,205,562,552</u>	<u>4,491,143,832</u>

Investment is recorded using the Equity Method.

Investment in Joint Venture represents the 50% holding in CEAT Kelani Holdings (Private) Limited (CKH), a Company incorporated in Sri Lanka to acquire shares of Associated CEAT (Private) Limited and CEAT Kelani International Tyres (Private) Limited.

CEAT Kelani Holdings (Private) Limited is a Private Company and there is no quoted market price available for its shares.

Summarised Financial Information of the Joint Venture

Set out below is the summarised financial information of CEAT Kelani Holdings (Private) Limited, which is accounted for using the equity method.

Summarised Statement of Financial Position as at 31 March,	Group	
	2023	2022
Current		
Cash and Cash Equivalents	818,951,976	3,982,128,280
Other Current Assets (excluding cash)	8,976,328,710	10,266,709,156
Total Current Assets	<u>9,795,280,686</u>	<u>14,248,837,436</u>
Financial Liabilities (excluding trade payables)	(5,456,834,506)	(7,262,053,531)
Other Current Liabilities (including trade payables)	(1,455,611,521)	(2,680,311,165)
Total Current Liabilities	<u>(6,912,446,027)</u>	<u>(9,942,364,696)</u>
Non-Current		
Assets	6,047,729,465	5,686,815,532
Total Non-Current Assets	<u>6,047,729,465</u>	<u>5,686,815,532</u>
Financial Liabilities	(362,153,512)	(192,024,864)
Other Liabilities	(157,285,508)	(818,975,743)
Total Non-Current Liabilities	<u>(519,439,020)</u>	<u>(1,011,000,607)</u>
Net Assets	<u>8,411,125,104</u>	<u>8,982,287,665</u>

Summarised Statement of Profit or Loss and Other Comprehensive Income for the year ended,	Group	
	2023	2022
Revenue	15,432,038,525	16,686,317,388
Depreciation and amortisation	(628,517,114)	(514,458,219)
Interest income	876,907,821	209,784,935
Interest expense	(822,110,016)	(87,667,527)
Profit before tax from continuing operations	1,520,397,454	2,032,823,958
Income tax expense	(531,561,854)	(338,578,398)
Profit after tax from continuing operations	988,835,600	1,694,245,560
Other comprehensive income	107,734,214	(18,656,756)
Total comprehensive income	<u>1,096,569,814</u>	<u>1,675,588,804</u>
Dividends received from Joint Venture	860,000,230	580,500,155

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

Reconciliation of Summarised Financial Information

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

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO FINANCIAL STATEMENTS

Summarised financial information	Group	
	2023	2022
Opening net assets as at 1 April	8,982,287,664	8,467,699,170
Profit before tax of Joint Venture	1,520,397,454	2,032,823,958
Income Tax of Joint Venture	(531,561,854)	(338,578,398)
Adjustment for Depreciation	52,268,086	-
Dividend Paid by Joint Venture	(1,720,000,460)	(1,161,000,310)
Other Comprehensive Income	107,734,214	(18,656,756)
Closing net assets as at 31 March	<u>8,411,125,104</u>	<u>8,982,287,664</u>
Interest in Joint Venture @ 50%	<u>4,205,562,552</u>	<u>4,491,143,832</u>
Carrying value	<u>4,205,562,552</u>	<u>4,491,143,832</u>

NOTE 5 - INVESTMENTS IN RELATED COMPANIES

	Value	
	2023	2022
Associated CEAT (Private) Limited (1 Ordinary Share)	10.00	10.00
CEAT Kelani Radials (Private) Limited (1 Ordinary Share)	-	10.00
CEAT Kelani International Tyres (Private) Limited (1 Ordinary Share)	10.00	10.00
	<u>20.00</u>	<u>30.00</u>

	Company		Group- Ind AS	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April	382,397	83,420	382,397	83,420
Provision made during the year	6,414,216	1,144,310	6,414,216	1,144,310
	<u>6,796,613</u>	<u>1,227,730</u>	<u>6,796,613</u>	<u>1,227,730</u>
Less: Income tax paid	(382,399)	(845,333)	(382,399)	(845,333)
Balance as at 31 March	<u>6,414,214</u>	<u>382,397</u>	<u>6,414,214</u>	<u>382,397</u>

NOTE 7 - BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

Short term investments	29,803,673	156,349,654	29,803,673	156,349,654
	<u>29,803,673</u>	<u>156,349,654</u>	<u>29,803,673</u>	<u>156,349,654</u>

NOTE 8 - CASH & CASH EQUIVALENTS

Cash at Bank	2,953,751	158,856,905	2,953,751	158,856,905
	<u>2,953,751</u>	<u>158,856,905</u>	<u>2,953,751</u>	<u>158,856,905</u>

NOTE 9 - 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 31 March	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>

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

NOTE 10 - OTHER PAYABLES

Audit Fees & Accounting fees Payable	568,762	407,529	568,762	407,529
	<u>568,762</u>	<u>407,529</u>	<u>568,762</u>	<u>407,529</u>

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

NOTE 11 - REVENUE

Dividend Received (Net)	860,000,230	580,500,155	-	-
	<u>860,000,230</u>	<u>580,500,155</u>	<u>-</u>	<u>-</u>

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO FINANCIAL STATEMENTS

	Company		Group	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
NOTE 12 - NET FINANCE INCOME				
Interest income on repurchase agreements and fixed deposits	23,756,236	4,771,473	23,756,236	4,771,473
	<u>23,756,236</u>	<u>4,771,473</u>	<u>23,756,236</u>	<u>4,771,473</u>

NOTE 13 - PROFIT BEFORE TAXATION

Profit before taxation is stated after charging all expenses including:

Audit Fees	150,022	64,416	150,022	64,416
Accountancy and secretarial charges	331,723	376,872	331,723	376,872

NOTE 14 - TAXATION

Tax Expense

Income Tax on Profit for the year	6,414,216	1,144,310	6,414,216	1,144,310
Share of Income Tax & Deferred Tax on Joint Venture	-	-	265,780,927	169,289,198
Tax expense reported in income statement	6,414,216	1,144,310	272,195,143	170,433,508
Share of deferred tax of Joint venture reported in Other Comprehensive Income	-	-	23,085,904	(469,815)
Total Tax Expense reported to Total Comprehensive Income	6,414,216	1,144,310	295,281,047	169,963,693

NOTE 15 - EARNINGS PER SHARE

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

	2023	2022	2023	2022
Net Profit attributable to Ordinary Shareholders (Rs.)	876,857,805	583,685,130	537,409,418	850,307,755
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000	10,000,000	10,000,000
Earnings per Share (Rs.)	87.69	58.37	53.74	85.03

NOTE 16 - DIVIDEND PER SHARE

Dividend Paid	860,000,000	580,500,000	860,000,000	580,500,000
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000	10,000,000	10,000,000
Dividend per share (Rs.)	86.00	58.05	86.00	58.05

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - FINANCIAL INSTRUMENT RISK

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

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

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

Interest rate risk

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%
31 March 2023	<u>298,037</u>	<u>(298,037)</u>	<u>298,037</u>	<u>(298,037)</u>
	Profit for the year		Equity	
	+1%	-1%	+1%	-1%
31 March 2022	<u>35,406</u>	<u>(35,406)</u>	<u>35,406</u>	<u>(35,406)</u>

Price risk

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

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

Credit Risk

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

The Company is potentially exposed to concentration of credit risk from its financial assets which comprise principally bank balances & 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 31 March, as summarised below.

	2023 Rs.	2022 Rs.
Classes of financial assets - carrying amounts:		
Short Term Investments	29,803,673	156,349,654
Cash and cash equivalents	<u>2,953,751</u>	<u>158,856,905</u>
	<u>32,757,424</u>	<u>315,206,559</u>

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.

ASSOCIATED CEAT HOLDINGS COMPANY (PRIVATE) LIMITED
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - FINANCIAL INSTRUMENT RISK (CONTD.)

Liquidity Risk (Contd.)

	Current		Non Current	
	Within 6 months	6 - 12 months	1 - 5 years	Later than 5 years
31 March 2023				
Other payables	568,762	-	-	-
	<u>568,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Current		Non Current	
	Within 6 months	6 - 12 months	1 - 5 years	Later than 5 years
31 March 2022				
Other payables	305,907,528	-	-	-
	<u>305,907,528</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTE 18 - CONTINGENT LIABILITIES

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

There was no ongoing or pending material litigation involving the Company, and no provision for such cases has been made in these financial statements.

NOTE 19 - CAPITAL COMMITMENTS

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

NOTE 20 - 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 21 - EVENT OCCURRING AFTER THE REPORTING DATE

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