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SRI LANKA

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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 2020, 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 28.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31st March 2020, 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.

KRESTON MNS & CO
COLOMBO
Chartered Accountants

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 skepticism 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.

KRESTON MNS & CO. COLOMBO 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.

Kreston MNS & Co.

CHARTERED ACCOUNTANTS
COLOMBO
26TH MAY 2020
SDS-AssCeatHoldings(2019)-C9

KRESTON MNS & CO. COLOMBO Chartered Accountants

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

STATEMENT OF FINANCIAL POSITION AS AT	**Note**	**31.03.2020**	**31.03.2019**
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			
Other Receivable	5	315,800,073.69	-
Cash at Bank	6	6,229,852.60	6,025,351.05
		322,029,926.29	6,025,351.05
Total Assets		422,029,956.29	106,025,381.05
EQUITY AND LIABILITIES			
Equity			
Stated Capital	7	100,000,000.00	100,000,000.00
Retained Earnings		321,234,612.63	4,582,312.83
Total Equity		421,234,612.63	104,582,312.83
Current Liabilities			
Income Tax Payable	4	420,027.28	1,086,528.04
Other Payables	8	375,316.38	356,540.18
		795,343.66	1,443,068.22
Total Equity & Liabilities		422,029,956.29	106,025,381.05

The Accounting Policies and Notes on pages 8 to 26 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 May 2020

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED	Note	31.03.2020	31.03.2019
Revenue	9	573,800,130.02	159,320,000.00
Administrative Expenses		(429,789.65)	(392,367.12)
Other Operating Expenses		(2,650.00)	(650.00)
Operating Profit		573,367,690.37	158,926,982.88
Finance Inome	10	1,754,110.92	5,633,173.25
Profit before Tax	11	575,121,801.29	164,560,156.13
Taxation	12	(469,501.49)	(1,577,288.51)
Profit for the year		574,652,299.80	162,982,867.62
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		574,652,299.80	162,982,867.62
Earnings per Share	13	57.47	16.30
Dividend per Share	14	25.80	17.13

The Accounting Policies and Notes on pages 8 to 28 form an integral part of the Financial Statements.

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

STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital	Retained Earnings	Total
Balance as at 01st April 2018		100,000,000.00	12,919,445.21	112,919,445.21
Dividend Paid		-	(171,320,000.00)	(171,320,000.00)
Transactions with Owners		-	(171,320,000.00)	(171,320,000.00)
Profit for the year		-	162,982,867.62	162,982,867.62
Other Comprehensive Income for the year		-	-	-
Total Comprehensive Income for the year		-	162,982,867.62	162,982,867.62
Balance as at 31st March 2019		100,000,000.00	4,582,312.83	104,582,312.83
Dividend Paid		-	(258,000,000.00)	(258,000,000.00)
Transactions with Owners		-	(258,000,000.00)	(258,000,000.00)
Profit for the year		-	574,652,299.80	574,652,299.80
Other Comprehensive Income for the year		-	-	-
Total Comprehensive Income for the year		-	574,652,299.80	574,652,299.80
Balance as at 31st March 2020		100,000,000.00	321,234,612.63	421,234,612.63

The Accounting Policies and Notes on pages 8 to 28 form an integral part of the Financial Statements.

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

STATEMENT OF CASH FLOW FOR THE YEAR ENDED	Note	31.03.2020	31.03.2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before Taxation		575,121,801.29	164,560,156.13
Interest Income		(1,754,110.92)	(5,633,173.25)
Reversal of Notional Tax		67,063.75	-
Operating Profit before working Capital Changes		573,434,754.12	158,926,982.88
Adjustments for Working Capital Changes			
Increase/(Decrease) in other receivable	5	(315,800,073.69)	
Increase / (Decrease) in Other Payables	8	18,776.20	75,384.58
Increase / (Decrease) in Amount due to Related Company		-	(174,893.00)
Cash generated from Operations		257,653,456.63	158,827,474.46
Tax Paid	4	(1,203,066.00)	(3,199,421.75)
Net Cash from Operating Activities		256,450,390.63	155,628,052.71
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Short Term Deposits		-	15,568,379.89
Interest Income		1,754,110.92	5,633,173.25
Net Cash from / (used in) Investing Activities		1,754,110.92	21,201,553.14
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Paid	14	(258,000,000.00)	(171,320,000.00)
Net Cash from / (used in) Financing Activities		(258,000,000.00)	(171,320,000.00)
Increase / (Decrease) in Cash & Cash Equivalents		204,501.55	5,509,605.85
Cash & Cash Equivalents at the beginning of the year		6,025,351.05	515,745.20
Cash & Cash Equivalents at the end of the year	6	6,229,852.60	6,025,351.05

The Accounting Policies and Notes on pages 8 to 28 form an integral part of the Financial Statements.

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 50/2, Sir James Peiris Mawatha, Colombo 2.

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 2020, as summarised below. These were used throughout all periods presented in the financial statements.

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

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.

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.

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

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.

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.

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

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.

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.

1.3.7 Financial Instruments (Contd.)

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.

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.

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

1.3.7 Financial Instruments (Contd.)

Impairment of financial assets

The Company follows ‘simplified approach’ for recognition of impairment loss allowance on Trade Receivables.

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

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

The subsequent measurement of financial liabilities depends on their classification.

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

1.3.7 Financial Instruments (Contd.)

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.

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.

1.3.7 Financial Instruments (Contd.)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

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

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.

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

1.3.13 Significant management judgement in applying accounting policies and estimation uncertainty (Contd.)

Estimation uncertainty (Contd.)

- **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 31.03.2020	Value 31.03.2019
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 31.03.2020	Value 31.03.2019
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

NOTES TO FINANCIAL STATEMENTS (CONTD.)	31.03.2020	31.03.2019

NOTE 4 - INCOME TAX REFUND DUE / (PAYABLE)

Balance as at 1st April	(1,086,528.04)	(2,708,661.28)
Provision made during the year	(473,260.00)	(1,577,288.51)
Under provision in respect of previous year	3,758.51	-
	(1,556,029.53)	(4,285,949.79)
Add: Notional Tax Paid/(Reversed)	(67,063.75)	67,063.75
Income Tax paid	1,203,066.00	3,132,358.00
Balance as at 31st March	(420,027.28)	(1,086,528.04)

NOTE 5 - OTHER RECEIVABLE

Dividend Receivable	315,800,073.69	-
	315,800,073.69	-

NOTE 6 - CASH & CASH EQUIVALENTS

Commercial Bank, Foreign Branch - A/C No. 1030026017	3,053,743.34	962,885.29
Investments in REPOs	3,176,109.26	5,062,465.76
	6,229,852.60	6,025,351.05

NOTE 7 - STATED CAPITAL

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

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

NOTE 8 - OTHER PAYABLES

Audit Fees & Accounting fees Payable	375,316.38	356,540.18
	375,316.38	356,540.18

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

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 9 - REVENUE

	31.03.2020	31.03.2019
Dividend Received	573,800,130.02	159,320,000.00
	573,800,130.02	159,320,000.00

NOTE 10 - FINANCE INCOME

	31.03.2020	31.03.2019
Interest on REPOs	1,754,110.92	5,633,173.25
	1,754,110.92	5,633,173.25

NOTE 11 - PROFIT BEFORE TAXATION

Is stated after charging all expenses including :

	31.03.2020	31.03.2019
Audit Fees	62,448.00	56,773.20

NOTE 12 - TAXATION

Reconciliation between Accounting Profit and Taxable Profit is given below

		31.03.2020	31.03.2019
Accounting Profit		575,121,801.29	164,560,156.13
Less :	Income not liable to Tax - Dividend Income	(573,800,130.02)	(159,320,000.00)
	Interest Income	(1,754,110.92)	(5,633,173.25)
Adjusted Business Profit / (Loss)		(432,439.65)	(393,017.12)
Add :	Interest Income	1,754,110.92	5,633,173.25
	Dividend Income	45.00	-
	Disallowed Expense	431,120.73	-
Taxable Income		1,752,837.00	5,633,173.25
Income Tax Payable Rs. 1,314,594 @ 28%		368,086.32	1,577,288.51
Income Tax Payable Rs. 438,198 @ 24%		105,167.38	-
Dividend Tax Payable Rs. 45 @ 14%		6.30	
Under/(over) Provision in respect of previos year		(3,758.51)	-
Deferred Tax		-	-
Total Tax		469,501.49	1,577,288.51

NOTE 13 - 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.

	31.03.2020	31.03.2019
Net Profit attributable to Ordinary Shareholders (Rs.)	574,652,299.80	162,982,867.62
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000
Earnings per Share (Rs.)	57.47	16.30

NOTE 14 -DIVIDEND PAID

		31.03.2020	31.03.2019
14.1	**Dividend Paid during the year**		
	First Interim Dividend	258,000,000.00	159,320,000.00
	Second Interim Dividend	-	12,000,000.00
		258,000,000.00	171,320,000.00
14.2	Dividend per share	25.80	17.13

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 15 - FINANCIAL ASSETS AND LIABILITIES

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

		Debt Instruments, Derivatives and Equity Instruments at FVTPL Rs.	Debt Instruments at FVTOCI Rs.	Debt Instruments at Amortised Cost Rs.	Total Rs.
31st March 2020					
Financial assets					
Other Receivable	5	-	-	315,800,073.69	315,800,073.69
Cash at Bank & in hand	6	-	-	6,229,852.60	6,229,852.60
		-	-	322,029,926.29	322,029,926.29

		Liabilities at FVTPL Rs.	Liabilities at Amortised Cost Rs.	Total Rs.
Financial Liabilities				
Trade & Other Payables	8	-	375,316.38	375,316.38
		-	375,316.38	375,316.38

	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 2019					
Financial assets					
Cash at Bank & in hand	6	-	-	6,025,351.05	6,025,351.05
		-	-	6,025,351.05	6,025,351.05

		Liabilities at FVTPL Rs.	Liabilities at Amortised Cost Rs.	Total Rs.
Financial Liabilities				
Trade & Other Payables	8	-	356,540.18	356,540.18
		-	356,540.18	356,540.18

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 16 - RELATED PARTY TRANSACTIONS

Mr. A.V. Goenka, Mr. P.K. Chowdhary, Mr. A. Banerjee, Mr. Tilak De Zoysa, Mr.Ravi Atmaram Dadlani & Mr. Arindam Chakrabarti 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)	Asian Tyres (Pvt) Ltd. (ATL)	Ceat Ltd. India
Mr. A. V. Goenka	√	√	√	√	√	√
Mr. P.K. Chowdhary	-	-	-	√	-	√
Mr. A. Banerjee	√	√	√	√	√	√
Mr. Tilak de Zoysa	-	√	√	√	-	-
Mr. Ravi Atmaram Dadlani	√	√	√	√	√	-
Mr. Arindam Chakrabarti	√	√	√	√	√	-

Details of significant Related Party transactions are as follows :

	CKH	CKR	ACPL	CKITL	Ceat Ltd. India
For the year ended 31.03.2020					
Dividend Received	573,800,000.00	46.50	36.27	47.25	-
Dividend Paid	-	-	-	-	258,000,000.00
For the year ended 31.03.2019					
Dividend Received	159,319,964.83	16.56	5.16	13.45	-
Dividend Paid	-	-	-	-	171,320,000.00

Related Party Balances	**Balance as at 31.03.2020 Due to**	**Balance as at 31.03.2019 Due to**
Associated Ceat (Pvt) Ltd	-	-

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 17 - CONTINGENT LIABILITIES

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

NOTE 18 - CAPITAL COMMITMENTS

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

NOTE 19 - EVENT OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which require adjustments to or disclosure in the Financial Statement other than the following and the matters disclosed in note 20.

The company has declared and paid a sum of Rs. 315,800,000/- as 2nd interim dividend for the year 2019/2020 on 8th April 2020.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 20 - GOING CONCERN

The management is actively monitoring the country situation caused by the outbreak of the pandemic COVID-19.

The management of the company is regularly reviewing the impact of the pandemic on the group's financial year 2020/2021 operations, liquidity, well being of the work force and also the partners – customers and suppliers. The management is also keenly following the development in the global and country's economic activities.

Based on the existing situation and the laws & regulations imposed by the Government of Sri Lanka, the company has prepared the projected financial performance for the year 2020/2021. Though the group will face certain difficulties during the first quarter and half of financial year 2020/2021, the management is very much confident that the business will be back to normalcy in the second half of financial year 2020/2021.

The company does not expect any issues related to liquidity to run the operations. The management of the company is confident and in the process to recover all the receivables of the group as on 31 March 2020 by end of Quarter 1 2020/2021. Over the past few years the group has been very profitable with EBITDA margin of average 18-19% and PBT of 13-14%. The group has a very healthy cash and bank balance of LKR 2.8 Bn as on 31 March 2020. The group also have a very low debt/equity ratio of 0.26 and have enough borrowing facility to the extent of LKR 6-7 Bn to manage the working capital. The group has already started the sales from end of April 2020 and have clear visibility for ramp up of the sales volumes for the next few months. Therefore, the collections will be normal as per the credit period provided to the dealers.

The management has also taken all precautionary measures for the employees as directed by the PHI for carrying on day to day operations in plant, office and in external market place. The management has also undertaken various CSR projects to help the effected section of the society, trade partners and government infrastructures.

Therefore, the company does not have any concern on the ability of the company to operate as a Going concern.

The management estimates are based on the existing worldwide situation and information available from various authorities across the world and the country.

However, considering that the pandemic situation is very dynamic and evolving, the management is not in a position to estimate the duration or the gravity of the outbreak and its impact on the world and country economic and social activity. Hence, the management is not in a position today to estimate the impact on the operations of the company if the pandemic continues for extended period.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 21 - 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 22 - 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 16. 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 2020	31,761.09	(31,761.09)	31,761.09	(31,761.09)
	Profit for the year		**Equity**	
	+1%	**-1%**	**+1%**	**-1%**
31st March 2019	50,624.66	(50,624.66)	50,624.66	(50,624.66)

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.

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 22 - 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.

	31.03.2020	31.03.2019
Classes of financial assets - carrying amounts:		
Short Term Investments	-	-
Cash and cash equivalents	6,229,852.60	6,025,351.05
	6,229,852.60	6,025,351.05

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 2020				
Other payables	375,316.38	-	-	-
Amount due to Related Party	-	-	-	-
	375,316.38	-	-	-

	Current		Non Current	
	Within 6 months	6 - 12 months	1 - 5 years	Laterthan 5 years
31st March 2019				
Other payables	356,540.18	-	-	-
Amount due to Related Party	-	-	-	-
	356,540.18	-	-	-

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Name of the Component: Associated Ceat Holdings Company (Pvt) Ltd
Year End: March 31, 2020
Currency: LKR

Report of the auditors of Associated Ceat Holdings Company (Pvt) Ltd, to SRBC & CO LLP, auditors of CEAT Limited (CEAT)

As requested in your instructions, we have audited the accompanying Group Reporting package of Associated Ceat Holdings Company (Pvt) Ltd ("the Company"), which comprise the Statement of Financial Position as at March 31 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Sstatement of Changes in Equity for the year then ended, and notes toGroup Reporting package, including a summary of significant accounting policies and other explanatory information. This financial information has been prepared solely to enable CEAT Limited to prepare its consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Group Reporting package give a true and fair view as per CEAT Accounting policies and manual which is based on the Indian Accounting Standard (IND AS) as at March 31, 2020, its profit/loss including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the Group Reporting package in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Group Reporting package'section of our report. We are independent of the Company in accordance with the ethical requirements required as per ISAs that are relevant to our audit of the Group Reporting package and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Group Reporting package.

Responsibilities of Management for the Group Reporting package

The Company's Board of Directors is responsible for the preparation of these Group Reporting package that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the CEAT Accounting policies and manual which is based on the Indian Accounting Standard (IND AS). This responsibility also includes maintenance of adequate accounting records in accordance with the CEAT Accounting policies and manual which is based on the Indian Accounting Standard (IND AS) for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Group Reporting package that give a true and fair view and are free from material misstatement, whether due to fraud or error.

KRESTON MNS & CO. COLOMBO Chartered Accountants

In preparing the Group reporting package, 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 Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Group Reporting package

Our objectives are to obtain reasonable assurance about whether the Group Reporting package 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 ISAs 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 Group Reporting package.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of theGroup Reporting package, 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.
- Obtainan 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 Group Reporting packageor, 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 Group Reporting package, including the disclosures, and whether the Group Reporting package 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KRESTON MNS & CO.
COLOMBO
Chartered Accountants

Restriction on Use and Distribution

This report is intended solely for the information and use of S R B C & CO LLP in conjunction with the audit of the consolidated financial statements of CEAT Limited and should not be used by or distributed to, anyone for any other purpose. If you have any questions on this report, please contact us.

Kreston MNS

CHARTERED ACCOUNTANTS
COLOMBO
26th May 2020

KRESTON MNS & CO. COLOMBO Chartered Accountants

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

STATEMENT OF FINANCIAL POSITION AS AT	Note	Group		
		31.03.2020	31.03.2019	31.03.2018
ASSETS				
Non - Current Assets				
Investment in Joint Venture	2	3,411,624,247	3,516,709,828	3,169,139,169
Investment in Related companies	3	30	30	30
		3,411,624,277	3,516,709,858	3,169,139,199
Current Assets				
Income Tax Refund Due	4	-	-	-
Dividend Receivable		315,800,074	-	
Bank balances other than cash and cash equivalents	5	3,176,109	5,062,466	15,568,380
Cash & cash equivalents	6	3,053,743	962,885	515,745
		322,029,926	6,025,351	16,084,125
Total Assets		3,733,654,203	3,522,735,209	3,185,223,324
EQUITY AND LIABILITIES				
Equity				
Stated Capital	7	100,000,000	100,000,000	100,000,000
Capital Reserve		27,200,000	27,200,000	27,200,000
Retained Earnings		3,605,658,859	3,394,092,141	3,054,858,614
Total Equity		3,732,858,859	3,521,292,141	3,182,058,614
Current Liabilities				
Amount due to Related Company		-	-	174,893
Income Tax Payable	4	420,027	1,086,528	2,708,661
Other Payables	8	375,316	356,540	281,156
Dividend Payable		-		-
		795,344	1,443,068	3,164,710
Total Equity & Liabilities		3,733,654,203	3,522,735,209	3,185,223,324

Notes forming part of the Accounts

signed for and on behalf of the Board of Directors.

Arindam Chakrabarti
Chief Financial Officer /Director

Ravi Dadlani
Managing Director

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

Partner

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Note	31.03.2020	31.03.2019	31.03.2018
		Group		
Revenue	9	-	-	-
Administrative Expenses		(429,790)	(392,367)	(357,017)
Other Operating Expenses		(2,650)	(650)	(4,387)
Operating Profit		(432,440)	(393,017)	(361,404)
Net Finance Inome	10	1,754,111	5,633,173	15,211,192
Profit / (Loss) before change in value of investments		1,321,671	5,240,156	14,849,788
Share of Profit from Joint Venture		610,148,890	656,508,335	702,164,356
Profit before Tax	11	611,470,562	661,748,491	717,014,144
Taxation	12	(140,109,076)	(152,070,013)	(150,621,009)
Profit for the period		471,361,485	509,678,479	566,393,135
Share of Other Comprehensive Income from Joint Venture				
Actuarial gain / (loss) on Retirement Benefit Obligation		(2,389,047)	1,044,263	6,885,217
		-	-	-
Tax on actuarial gain / (loss) on Retirement Benefit Obligation		594,281	(169,215)	(1,586,508)
		(1,794,767)	875,048	5,298,709
Total Comprehensive Income for the period		469,566,719	510,553,527	571,691,844
Earnings per Share	13	47.14	50.97	56.64
Dividend per Share	14	26.80	17.13	45.63

Notes forming part of the Accounts

signed for and on behalf of the Board of Directors

Arindam Chakrabarti
Chief Financial Officer /Director

Ravi Dadlani
Managing Director

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

Partner

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

STATEMENT OF CASH FLOW FOR THE YEAR ENDED	**Note**	**Group**		
		31.03.2020	**31.03.2019**	**31.03.2018**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before Taxation		611,470,562	661,748,491	717,014,144
Adjustments for :				
Share of Profit from Joint Venture		(610,148,890)	(656,508,335)	(702,164,356)
Net Interest Income	10	(1,754,111)	(5,633,173)	(15,211,192)
Operating Profit before working Capital Changes		(432,440)	(393,017)	(361,404)
Adjustments for Working Capital Changes				
Increase / (Decrease) in Other Payables	8	18,776	75,385	65,196
Increase / (Decrease) in Other Receivables			-	-
Increase / (Decrease) in Amount due to Related Company		-	(174,893)	3,519
Cash generated from Operations		(413,663)	(492,526)	(292,690)
Dividend Paid	14	(258,000,000)	(171,320,000)	(456,262,000)
Tax Paid	4	(1,136,002)	(3,199,422)	(1,566,106)
Net Cash from Operating Activities		(259,549,666)	(175,011,947)	(458,120,795)
CASH FLOW FROM INVESTING ACTIVITIES				
Net Interest Received	10	1,754,111	5,633,173	15,211,192
Investment in Short Term Deposits	5	1,886,356	10,505,914	(13,375,888)
Dividend Received		258,000,056	159,320,000	-
Net Cash Generated from Investing Activities		261,640,524	175,459,087	1,835,305
Increase / (Decrease) in Cash & Cash Equivalents		2,090,858	447,140	(456,285,491)
Cash & Cash Equivalents at the beginning of the year		962,885	515,745	456,801,236
Cash & Cash Equivalents at the end of the year	6	3,053,743	962,885	515,745

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

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital	Retained Earnings	Revaluation Surplus	Capital Reserve	Total
Balance as at 31st March 2018	100,000,000	3,054,858,614	-	27,200,000	3,182,058,614
Dividends	-	(171,320,000)	-	-	(171,320,000)
Transactions with owners	-	(171,320,000)	-	-	(171,320,000)
Profit for the year	-	509,678,479	-	-	509,678,479
Other Comprehensive Income for the year		875,048			875,048
Total Comprehensive Income for the year	-	510,553,527	-	-	510,553,527
Balance as at 31st March 2019	100,000,000	3,394,092,141	-	27,200,000	3,521,292,141
			-		
Dividends	-	(258,000,000)	-	-	(258,000,000)
Transactions with owners	-	(258,000,000)	-	-	(258,000,000)
Profit for the year	-	471,361,485	-	-	471,361,485
Other Comprehensive Income for the year		(1,794,767)	-		(1,794,767)
Total Comprehensive Income for the year	-	469,566,719	-	-	469,566,719
Balance as at 31st March 2020	100,000,000	3,605,658,859	-	27,200,000	3,732,858,859

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

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

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - INVESTMENT IN JOINT VENTURE

	Group		
BY GROUP	**31.03.2020**	**31.03.2019**	**31.03.2018**
As at 1st April	3,516,709,828	3,169,139,169	2,608,011,235
Share of Profit before tax from Joint Veture	610,148,890	656,508,335	702,164,356
Share of Income Tax from Joint Venture	(139,639,575)	(150,492,724)	(146,335,132)
Dividend Received	(573,800,130)	(159,320,000)	-
Other Comprehensive Income	(1,794,767)	875,048	5,298,709
Prior year adjustment on revaluation	-	-	-
	3,411,624,247	3,516,709,828	3,169,139,169

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

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

Summarised Financial Information for Joint Venture

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

	Group		
Summerised Statement of Financial Position as at	**31.03.2020**	**31.03.2019**	**31.03.2018**
Current			
Cash and cash equivalents	2,015,004,065	1,199,313,776	1,205,495,397
Other current assets (excluding cash)	4,359,493,457	4,734,402,356	3,899,680,754
Total current assets	6,374,497,521	5,933,716,132	5,105,176,151
Financial liabilities (excluding trade payables)	(2,676,282,833)	(1,517,920,931)	(1,176,517,254)
Other current liabilities (incliding trade payables)	(481,597,921)	(761,988,611)	(424,194,402)
Total current liabilities	(3,157,880,754)	(2,279,909,542)	(1,600,711,656)
Non-current			
Assets	4,723,844,015	4,577,453,129	3,796,949,191
Total non-current assets	4,723,844,015	4,577,453,129	3,796,949,191
Financial Liabilities	(270,833,344)	(321,090,004)	-
Other Liabilities	(846,378,948)	(877,083,395)	(963,135,356)
Total non-current liabilities	(1,117,212,292)	(1,198,173,399)	(963,135,356)
Net Assets	6,823,248,493	7,033,086,322	6,338,278,332

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

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - INVESTMENT IN JOINT VENTURE (CONTD.)

Summerised Statement of Comprehensive Income
For the year ended

	Group		
	31.03.2020	31.03.2019	31.03.2018
Revenue	9,456,581,885	9,953,281,951	10,222,470,684
Depreciation and amortisation	(422,483,323)	(330,747,599)	(317,324,754)
Interest income	173,023,488	158,979,459	134,615,774
Interest expense	(63,541,787)	(51,020,012)	(21,980,211)
Profit before tax from continuing operations	1,220,297,781	1,313,016,671	1,404,328,711
Income tax expense	(279,279,150)	(300,985,448)	(292,670,264)
Profit after tax from continuing operations	941,018,631	1,012,031,223	1,111,658,448
Profit after tax from discontinued operations	-	-	-
Other comprehensive income	(3,589,533)	1,750,096	10,597,417
Total comprehensive income	937,429,098	1,013,781,319	1,122,255,865
Dividends received from Joint Venture	573,800,130	159,320,000	-

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

Reconciliation of Summarised Financial Information

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

	Group		
Summarised financial information	31.03.2020	31.03.2019	31.03.2018
Opening net assets as at 01st April	7,033,419,656	6,338,278,333	5,216,022,469
Profit before tax of Joint Veture	1,220,297,781	1,313,016,671	1,404,328,711
Income Tax of Joint Venture	(279,279,150)	(300,985,448)	(292,670,264)
Dividend Paid by Joint Venture	(1,147,600,260)	(318,640,000)	-
Other Comprehensive Income	(3,589,533)	1,750,096	10,597,417
Closing net assets as at period end	6,823,248,494	7,033,419,656	6,338,278,337
Interest in Joint Venture @ 50%	3,411,624,247	3,516,709,828	3,169,139,169
Carrying value	3,411,624,247	3,516,709,828	3,169,139,169

NOTE 3 - INVESTMENTS IN RELATED COMPANIES

	Value		
	31.03.2020	31.03.2019	31.03.2018
Associated Ceat (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00	10.00
Ceat Kelani Radials (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00	10.00
Ceat Kelani International Tyres (Pvt) Ltd. (1 Ordinary Share)	10.00	10.00	10.00
	30.00	30.00	30.00

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

	Group		
NOTES TO FINANCIAL STATEMENTS (CONTD.)	**31.03.2020 Rs.**	**31.03.2019 Rs.**	**31.03.2018 Rs.**

NOTE 4 - INCOME TAX REFUND DUE/ (PAYABLE)

	31.03.2020	31.03.2019	31.03.2018
Balance as at 1st April	(1,086,528)	(2,708,661)	11,110
Provision made during the year	(469,501)	(1,577,289)	(4,285,877)
	(1,556,030)	(4,285,950)	(4,274,767)
Add : Income tax paid	1,136,002	3,199,422	1,566,106
Balance as at period end	(420,027)	(1,086,528)	(2,708,661)

NOTE 5 -BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

	31.03.2020	31.03.2019	31.03.2018
Deposits with Maturity of more than 3 months but less than 12 months	3,176,109	5,062,466	15,568,380
	3,176,109	5,062,466	15,568,380

NOTE 6 - CASH & CASH EQUIVALENTS

	31.03.2020	31.03.2019	31.03.2018
Cash at Bank	3,053,743	962,885	515,745
	3,053,743	962,885	515,745

NOTE 7 - STATED CAPITAL

	31.03.2020	31.03.2019	31.03.2018
Number of Ordinary Shares Issued & Fully Paid	10,000,000	10,000,000	10,000,000
Stated Capital on period end	100,000,000	100,000,000	100,000,000

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

NOTE 8 - OTHER PAYABLES

	31.03.2020	31.03.2019	31.03.2018
Audit Fees & Accounting fees Payable	375,316	356,540	281,156
	375,316	356,540	281,156

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

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

	Group		
NOTES TO FINANCIAL STATEMENTS (CONTD.)	**31.03.2020 Rs.**	**31.03.2019 Rs.**	**31.03.2018 Rs.**
NOTE 9 - REVENUE			
Dividend Received (Net)	-	-	-
	-	-	-
NOTE 10 - NET FINANCE INCOME			
Interest/ (Reversal) on Call Deposit	1,754,111	5,633,173	15,211,192
	1,754,111	5,633,173	15,211,192
NOTE 11 - PROFIT BEFORE TAXATION			
Is stated after charging all expenses including :			
Audit Fees	62,448	56,773	51,612
NOTE 12 - TAXATION			
Tax Expense			
- Income Tax on Profit for the year	469,501	1,577,289	4,285,877
- Share of Income Tax & Deferred Tax on Joint Venture	139,639,575	150,492,724	146,335,132
Tax expense reported in income statement	140,109,076	152,070,013	150,621,009
Share of deferred tax of Joint venture reported in Other Comprehensive Income	(594,281)	169,215	1,586,508
Total Tax Expense	139,514,796	152,239,227	152,207,517

NOTE 13 - EARNINGS PER SHARE

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

	31.03.2020	**31.03.2019**	**31.03.2018**
Net Profit attributable to Ordinary Shareholders (Rs.)	471,361,485	509,678,479	566,393,135
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000	10,000,000
Earnings per Share (Rs.)	47.14	50.97	56.64
NOTE 14 -DIVIDEND PER SHARE			
Dividend Paid	258,000,000	171,320,000	456,262,000
Weighted Average Number of Ordinary Shares	10,000,000	10,000,000	10,000,000
Dividend per share	25.80	17.13	45.63

NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 15 - CONTINGENT LIABILITIES

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

NOTE 16 - CAPITAL COMMITMENTS

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

NOTE 17 - EVENT OCCURRING AFTER THE REPORTING DATE

No circumstence have arisen since the reporting date which require adjustment to or disclosure in the Financial Statements other than the following and matters disclosed in Note 20

The company has declared and paid a sum of Rs. 315,800,000/- as 2nd interim dividend for the year 2019/2020 on 8th April 2020.

NOTE 18 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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

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

NOTE 19 - FINANCIAL INSTRUMENT RISK

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

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

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

Interest Rate Risk

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

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

Price Risk

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

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

Credit Risk

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

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

Liquidity Risk

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

The Company's management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any future commitments. The Company manages liquidity risk by maintaining adequate

NOTE 20 - GOING CONCERN

The management is actively monitoring the country situation caused by the outbreak of the pandemic COVID-19.

The management of the Group is regularly reviewing the impact of the pandemic on the group's financial year 2020/2021 operations, liquidity, well being of the work force and also the partners – customers and suppliers. The management is also keenly following the development in the global and country's economic activities.

Based on the existing situation and the laws & regulations imposed by the Government of Sri Lanka, the Group has prepared the projected financial performance for the year 2020/2021. Though the group will face certain difficulties during the first quarter and half of financial year 2020/2021, the management is very much confident that the business will be back to normalcy in the second half of financial year 2020/2021.

The Group does not expect any issues related to liquidity to run the operations. The management of the Group is confident and in the process to recover all the receivables of the group as on 31 March 2020 by end of Quarter 1 2020/2021. The group has already started the sales from end of April 2020 and have clear visibility for ramp up of the sales volumes for the next few months. Therefore, the collections will be normal as per the credit period provided to the dealers.

The management has also taken all precautionary measures for the employees as directed by the PHI for carrying on day to day operations in plant, office and in external market place. The management has also undertaken various CSR projects to help the effected section of the society, trade partners and government infrastructures.

Therefore, the Group does not have any concern on the ability of the company to operate as a Going concern.

The management estimates are based on the existing worldwide situation and information available from various authorities across the world and the country.

However, considering that the pandemic situation is very dynamic and evolving, the management is not in a position to estimate the duration or the gravity of the outbreak and its impact on the world and country economic and social activity. Hence, the management is not in a position today to estimate the impact on the operations of the company if the pandemic continues for extended period.

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LTD

Notes to financial statements for the year ended March 31, 2020.

1. Corporate Information

(a) Company

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

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

(b) Group

The consolidated Financial Statements of the Group for the year ended 31st March 2020 include the Company and its Joint Venture Ceat Kelani Holdings (Pvt) Ltd (together referred to as the "Group" and individually as "Group entities")

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

Name of Subsidiary	Principal Activities
Associated Ceat (Pvt) Ltd	Manufacturing of Pneumatic Tyres
Ceat Kelani International Tyres (Pvt) Ltd	Manufacturing of Pneumatic Tyres & Flaps and buying & selling Tyre, Tube, Flap
Ceat Kelani Radials (Pvt) Ltd	Manufacturing of Pneumatic Tyres

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

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LTD

Notes to financial statements for the year ended March 31, 2020.

2. Summary of significant Accounting Policies

(A) Basis of Accounting and preparation of Financial Statements

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

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

(B) Basis of consolidation

Group

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

The details of the group companies are as follows:

Name of Company	**Holding Interest**	
	31.03.2020	**31.03.2019**
Ceat Kelani Holdings (Pvt) Ltd (Joint Venture)	50.00%	50.00%
Subsidiaries of Ceat Kelani Holdings (Pvt) Ltd are given bilow,		
Associated Ceat (Pvt) Ltd.	99.99%	99.99%
Ceat Kelani International Tyres (Pvt) Ltd.	99.99%	99.99%
Ceat Kelani Radials (Pvt) Ltd.	99.99%	99.99%
Subsidiaries of Ceat Kelani International Tyres (Pvt) Ltd		
Asian Tyres (Pvt) Ltd	100%	100%

Joint arrangements

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

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LTD

Notes to financial statements for the year ended March 31, 2020.

2. Summary of significant Accounting Policies

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

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

(C) Current versus non-current classification:

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

2. Summary of significant Accounting Policies

(C) Current versus non-current classification(Contd.)

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

(D) Borrowing Cost

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

(E) Revenue Recognition

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

Interest income:

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

Dividends:

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

2. Summary of significant Accounting Policies

(F) Taxes

Current income tax:

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

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

Deferred tax:

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

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

2. Summary of significant Accounting Policies

(F) Taxes (Contd.)

Deferred tax: (Contd.)

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

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

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

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

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

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

ASSOCIATED CEAT HOLDINGS COMPANY (PVT) LTD

Notes to financial statements for the year ended March 31, 2020.

2. Summary of significant Accounting Policies

(G) Earnings Per Share

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

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

(H) Impairment of non-financial assets

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

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

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

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

2. Summary of significant Accounting Policies

(H) Impairment of non-financial assets (contd.)

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

(I) Provisions and Contingent Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

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

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

(J) Financial instruments

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

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

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

2. Summary of significant Accounting Policies

(J) Financial instruments (Contd.)

Debt instrument at FVTPL

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

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

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

Equity investments

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

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

Derecognition

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

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks

2. Summary of significant Accounting Policies

(J) Financial instruments (Contd)

Derecognition (Contd.)

and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Impairment of financial assets

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

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

2. Summary of significant Accounting Policies

(J) Financial instruments (Contd.)

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

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

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

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

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

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

2. Summary of significant Accounting Policies

(J) Financial instruments (Contd.)

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis. The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2. Summary of significant Accounting Policies

(J) Financial instruments (Contd.)

are recognised in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition

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

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are

2. Summary of significant Accounting Policies

(J) Financial instruments (Contd.)

expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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

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

(J) Financial instruments (Contd.)

Offsetting of financial instruments

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

(K) Cash and cash equivalents

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

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

(L) Dividend distribution to equity holders

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

(M) Foreign currencies:

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

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

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

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

2. Summary of significant Accounting Policies (Contd)

(N) **Leases**

Right to 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 Group 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

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 Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. 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.