
Annual Report 2015 - 2016

KELANI
T Y R E S

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Corporate Information

NAME OF COMPANY

Kelani Tyres PLC

LEGAL FORM

A quoted Public Company with limited liability

COMPANY REGISTRATION NO

PQ 123

DIRECTORS

Chanaka De Silva	-	Chairman
Rohan T. Fernando	-	Managing Director
Lasantha P. Fernando	-	Executive Director
T. Bevan Perera	-	Executive Director
D. S. Kamantha Amarasekera	-	Director
Ms S. S. Jayatilaka	-	Director
Eraj T. Fernando (Alternate Director to Mr. L. P. Fernando)		

SECRETARIES & REGISTRARS

P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road
Colombo 08.
Tel: 4640360/3

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
100, Braybrooke Place
Colombo 02.

BANKERS

Sampath Bank PLC
Commercial Bank of Ceylon PLC

MANAGEMENT

Mr. Ranjitha S. Jayasekera	-	General Manager
Mr. Prasanna Lenaduwa	-	GM/Finance -Seconded to the JV

REGISTERED OFFICE

P.O. Box 8, Nungamugoda, Kelaniya.

CORPORATE OFFICE

203, Union Place, Colombo 2.
Tel.: 2434183/2421418, Fax: 2300877
E-mail-roti@sltnet.lk

Chairman's Review

On behalf of the Board of Directors I welcome you to the Twenty Second Annual General Meeting of the Company for the year ending 31st March 2016.

In the year under review, CEAT-Kelani Joint Venture (JV) achieved a turnover of Rs. 10.080 Billion and an operating profit of Rs 2.026 billion compared to the turnover of Rs 10.349 billion and an operating profit of Rs 1.961 billion in the previous year.

As I mentioned in my last review the flooding of the market with imported tyres especially from China is continuing. Anti-dumping levies are now being imposed on Chinese origin Truck Tyre Imports to USA. Under these difficult global market conditions, the JV aggressively competed to hold on to its market share. Even with stiff competition, the JV continues to be the Market Leader in Truck/Bus, 3 Wheeler, Agricultural and Passenger Car/Van segments, whilst in the Motorcycle segment the JV holds the No. 2 position. Exports too continued to face stiff competition from established international brands as well as surplus production of Chinese tyres.

I give below some of the main performance statistics of our JV Companies which clearly highlights the progress achieved year on year.

All amounts are in Thousands

Period	* Avg. Production MT	* Avg. G.Sales	* Avg. Profit from Operations	* Avg. PAT	* Avg. Cost of Sales	* Avg. Export Earnings	* Avg. CAPEX
2003 to 2006	10,380	2,914,148	180,723	51,999	2,241,758	628,526	32,461
2007 to 2010	12,379	6,018,185	589,238	324,306	4,292,859	1,495,363	146,730
2011 to 2014	15,238	10,182,895	1,537,832	1,116,947	6,588,185	2,637,937	369,900
2015 (15/16)	15,211	10,080,957	2,026,787	1,610,072	5,689,022	2,398,209	764,304

* Where Applicable

In order to meet the rapidly increasing new tyre sizes of new motor vehicles imported to the country, the JV introduced 16 new sizes during the year under review.

The JV operated under stable raw material prices during the year. However, the same may not happen in the year 2016/17 as we are already experiencing an increasing trend in raw material prices. This will be an additional challenge the JV will have to face along with stiff competition from Imports.

The project to increase compounding/internal mixing (Banbury) capacity of the JV mentioned in the review of last year was successfully completed at a cost of Rs 431 million. This expansion will have a positive effect on overall quality of tyres manufactured whilst helping to substantially reduce energy cost. The 2 wheeler tyre production expansion undertaken last year has been completed and the project commissioned.

The Board of the Joint Venture continues to take a positive outlook at the industry and would be taking several decisions which would have a positive impact on your company as and when economic opportunities and trends emerge.

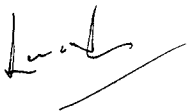
I wish to place on record my appreciation to the Ministry of Finance for its continued support in getting us closer to achieving our objective of total import substitution of Sri Lanka's tyre requirements with a quality product in par with international standards and brand names.

Chairman's Review (Contd..)

I also wish to place on record my continued appreciation for my fellow Directors for the guidance and support given at all times and to Mr. Harsh Goenka- Chairman CEAT India, Mr. Anant Goenka-Managing Director CEAT India and the Management Team and all staff of Kelani Tyres and CEAT Sri Lanka Companies.

I thank you, our shareholders for the continuous support extended to your Board of Directors and the confidence shown which has enabled us to make the necessary decisions in the best interest of the Company.

In closing, I am pleased to inform you that based on the performance of the Company during the year under review and subsequent dividend received from the JV, the Directors have approved an Interim Dividend of Rs. 2.50 (net) per share amounting to Rs.201.00 million for the year 2016/17.



Chanaka de Silva

2nd August 2016

Colombo.

Annual Report of the Board of Directors on the affairs of the Company

The Directors of Kelani Tyres PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2016.

General

Kelani Tyres PLC is a public limited liability company which was incorporated under the Companies Act, No.17 of 1982 as a limited liability company on 4th October 1990, listed on the Colombo Stock Exchange on 28th January 1994 and re-registered as per the Companies Act, No. 07 of 2007 on 3rd March 2008 with PQ 123 as the new number assigned to the Company.

Principal Activities

On 30th June 1999, the Company transferred its tyre manufacturing assets to a joint venture company, namely CEAT Kelani Holdings (Private) Limited (CKH), which commenced its activities on 1st July 1999. The Company owns 50% of the equity shares issued by CKH. Associated CEAT (Pvt) Ltd., CEAT- Kelani International Tyres (Pvt) Ltd and CEAT Kelani Radials (Pvt) Ltd are wholly owned subsidiaries of CKH.

A new company, Asian Tyres (Pvt) Ltd, was formed as a fully owned subsidiary of CEAT – Kelani International Tyres (Pvt) Ltd to manufacture Radial tyres.

The fully owned subsidiary Executive Cars (Pvt) Ltd [previously known as KTL Executive Hire (Pvt) Ltd] commenced its principal activity of vehicle hiring on 1st January 2006.

Review of Performance during the Year

The Chairman's review, which forms an integral part of the Directors' Report, contains a detailed description of the operations of the Company/Group during the year ended 31st March 2016.

Results

The profit/(loss) for the year of the Company and the Group amounted to Rs. 222.92 million and Rs. 777.99 million, respectively, as compared to last year's restated profit/(loss) of Rs.218.40 million and Rs. 768.57 million, respectively. The results for the year and changes in equity are set out in the Income Statement and Statement of Changes in Equity on pages 18, 20, and 21.

Financial Statements

The Financial Statements which, include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the Notes to the Financial Statements of the Company for the year ended 31st March 2016 are set out on pages 18 to 60.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 17.

Accounting Policies

The Accounting Policies adopted by the Company in the preparation of Financial Statements are given on pages 23 to 33 which are consistent with those of the previous year.

Directors

The names of the Directors who held office as at 31st March 2016 are given below and their brief profiles appear on page 8.

Executive Directors

Mr. Rohan T. Fernando	- Managing Director
Mr. Lasantha P. Fernando	- Executive Director
Mr. T. Bevan Perera	- Executive Director

Non-Executive Directors

Mr. Chanaka De Silva	- Chairman
Mr. Kamantha Amarasekera	- Director (Independent)
Ms. S S Jayatilaka	- Director (Independent)
Mr. E T Fernando	- Alternate Director to Mr. L P Fernando (Appointed w.e.f. 26/10/2015)

At the conclusion of the forthcoming Annual General Meeting, Messrs R C D De Silva and L P Fernando who are over 70 years of age will vacate office in pursuance of Section 210 of the Companies Act, No.07 of 2007. Two resolutions will be placed before the shareholders in terms of Section 211 of the Companies Act for the re-appointment of the said Directors.

Ms. S S Jayatilaka retires by rotation at the Annual General Meeting in terms of Articles 84 and 85 of the Articles of Association and being eligible, is recommended by the Directors for re-election.

Annual Report of the Board of Directors on the affairs of the Company (Contd..)

Interest Register

The Company maintains an interest register in term of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interest Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant Interest of Directors in the shares of the Company as at 31st March 2016 as recorded in the Interest Register are given in this Report under Directors' Shareholding.

Directors' Remuneration and other benefits

Mr Bevan Perera – Executive Director is paid a remuneration from the Company, and the total payment made to him during the year ended 31st March 2016 amounts to Rs.123,703/-.

All other expenses relating to the Directors are included under Management Related Expenses in Note 8 to the Financial Statements on page 39.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Auditors

The Financial Statements for the year ended 31st March 2016 were audited by PricewaterhouseCoopers, Chartered Accountants.

The Auditors have confirmed that they have had no interest in or relationship with the Company than that of Auditors. They confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

A total amount of Rs.283,500/- is payable by the Company to the Auditors for the year under review.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company is Rs.402,000,000/- represented by 80,400,000 ordinary shares.

Directors' Interest in Shares of the Company

The relevant interests of Directors in the shares of the Company as at 31st March 2016 and their corresponding holdings as at the end of the previous financial year are as follows: -

	As at 31.03.2016	As at 31.03.2015
Mr. Chanaka De Silva	Nil	Nil
Mr. Rohan T. Fernando	Nil	Nil
Mr. Lasantha P. Fernando	Nil	Nil
Mr. T. Bevan Perera	1,920	1,920
Mr. D. S. K. Amarasekera	Nil	Nil
Ms. S. S. Jayatilaka	240	240

Messrs Chanaka De Silva, Rohan T. Fernando, and Lasantha P. Fernando are also Directors of Silverstock Limited which held 35,080,523 shares constituting 43.632% of the issued shares of the Company.

Major Shareholders, Distribution schedule and Other Information

Information on the distribution of shareholding, analysis of shareholders, the 40 largest shareholders of the Company, public holding as per the listing rules of the Colombo Stock Exchange are given on pages 62 and 63.

Property, Plant and Equipment

Details of property, plant and equipment of the Company and its Group, additions and disposals made during the year and depreciation charge for the year are shown in Note 13 and 15 to the Financial Statements.

Annual Report of the Board of Directors on the affairs of the Company (Contd..)

Material Foreseeable Risk Factors

The Directors review the Group internal control system and the associated risks of the business through the Business Review Committee and the joint venture companies' Audit Committee.

Land Holdings

Details of the Company's land holdings are given in Note 14 to the Financial Statements.

The freehold land and buildings was recognized as investment property prospectively from 31 March 2015. The accounting policy for investment property has been restated based on the fair value method.

Reserves

The reserves of the Company and the Group with the movements during the year are given in Note 27 and 28 to the Financial Statements.

Charitable Contributions

Although the mandate was given to Directors, the Company made no contributions for charitable purposes during the year.

Industrial Relations

During the year under review, the industrial relations of the Company have been excellent.

Statutory Payments

All statutory payments of the Company as at the balance sheet date have been made or where necessary provided for in the Financial Statements.

Dividend

An interim dividend of Rs.1/50 (net) per share for the year under review was paid on 25th August 2015.

The Directors have approved the payment of an interim dividend of Rs.2.50 (net) per share for the year 2016/17, payable on 19th August 2016, subject to obtaining a Certificate of Solvency from the Auditors. As required by Section 56 of the Companies Act, the Directors have certified that the Board is satisfied that the Company will immediately after the distribution is made, satisfy the solvency test in accordance with the provisions of the Companies Act, No. 07 of 2007.

Going Concern

The financial statements are prepared on going concern principles. After making adequate enquiries from the Management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

Events occurring after the Balance Sheet date

No other events of significance occurred since the Balance Sheet date, which would require adjustments to or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors are responsible for the governance of the Company. The Board has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all the dealings of the Company and adopting good governance in managing the affairs of the Company. The Board in the discharge of its responsibilities aforesaid had been guided by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors confirms that the Company is compliant with the Listing Rules of the Colombo Stock Exchange.

Annual Report of the Board of Directors on the affairs of the Company (Contd..)

The Board comprises of three (03) Executive Directors and three (03) Non-Executive Directors, two of whom are Independent.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Board Sub Committees with Directors who possess the requisite qualifications and experience.

Annual General Meeting

The twenty second (22nd) Annual General Meeting will be held on, Friday 02nd September 2016 at 9.30 a.m. at Capri Club, No. 62, Dharmapala Mawatha, Colombo 03.

The Notice of the Annual General Meeting appears on page 74.

This Annual Report is signed for and on behalf of the Board of Directors by



Rohan T. Fernando
Director



(Mrs) S S Jayatilaka
Director



P W Corporate Secretarial (Pvt) Ltd.,
Director/Secretaries

2nd August 2016
Colombo.

Profile Of Directors

Mr. Chanaka De Silva

Chairman

Mr. Chanaka De Silva possess over 40 years management experience of which more than 30 years has been at Director/Chairman level.

He has been the Chairman of Kelani Tyres PLC since privatisation (in 1992) and the Chairman of Ceat Sri Lanka Group Companies since the formation of the Joint Venture (in 1998) and he is a Director of Sri Lankan Airlines Ltd and Sri Lankan Catering Ltd.

He has been the former Chairman of Sri Lanka Insurance Corporation, TransAsia Hotel, Club Robinson, and Union Bank of Colombo Ltd.

Mr. Rohan T. Fernando

Managing Director

Mr. Rohan Fernando is one of the most experienced persons in the tyre trade in Sri Lanka having been actively involved in the tyre trade for more than 30 years.

In addition to his position as Managing Director of Kelani Tyres PLC he also holds the position of Executive Director of Ceat Sri Lanka Group Companies.

He is also the Managing Director of Silverstock Holdings Group of Companies - the major shareholders of Kelani Tyres PLC.

Mr. L.P. Fernando

Executive Director

Mr. Lasantha Fernando has been a senior plantation executive counting over 40 years of private sector management experience.

He was a former General Manager Administration of Janatha Estate Development Board (JEDB) and prior to nationalisation served in many Sterling & Rupee Company estates in Sri Lanka.

In addition to his directorates in Kelani Tyres PLC/Ceat Sri Lanka Group Companies/Silverstock Holdings Group Companies, he is also a Founder Director of Hotel Sigiriya Ltd.

Mr. T. Beven Perera

Executive Director

Mr. Beven Perera is a well known businessman and counts over 25 years experience in the field of tyres in Sri Lanka. He was the Director of Sri Lanka Tyre Corporation (prior to privatisation) and continued holding his board position post privatisation to present.

He was a former director of C.W.E. (2001-2004) and STC General Trading Company (2004-2008).

Mr. D.S.K. Amarasekera

ACA, B.Sc., Attorney-at-law

Director

Mr. Kamantha Amarasekera is an eminent tax consultant and the Senior Tax and Legal Partner of Amarasekera & Company a leading tax consultancy firm in the country.

He is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka.

He graduated in Business Administration from the University of Sri Jayawardenapura.

Mr. Kamantha Amarasekera is also a Director of Associated Ceat (Pvt) Ltd., Lanka Milk Food PLC, Madulsima Plantation PLC, Balangoda Plantation PLC, Eden Hotels PLC, Confi Hotels Holdings PLC, Browns Investment PLC, Hydropower Freelanka PLC, Freelanka Capital Holdings PLC, Palm Garden Hotels PLC, and Ceylon Hotel Holdings PLC.

Mrs. S. Saroja Jayatilaka

FCA, MBA

Director

Mrs. Saroja Jayatilaka is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds a Masters in Business Administration from the University of Colombo.

She has well over 30 years of experience in key managerial positions in the fields of Accounting and Finance out of which 16 years have been in the Tyre Industry.

Currently she holds the position of Director Finance at Union Commodities (Pvt) Ltd.

Mr. Eraj T. Fernando

Alternate Director

Mr. Eraj T. Fernando has more than 20 years of experience in the Rubber and Commodity Trade. He was the former Chairman of the Corporative Wholesale establishment (C.W.E) and prior to that a senior manager at CEAT Sri Lanka. In addition he is an alternate Director of Wheels-Silverstock Group of Companies and CEAT Sri Lanka Companies. He is also Director at Hangover Hotels (Pvt) Ltd and Revognah Leisure (Pvt) Ltd.

Statement on Corporate Governance

Corporate Governance is the system of rules and principles by which companies are directed, managed and controlled and which creates a relationship between corporate Managers, Directors and the providers of equity, people and institutions who save and invest their capital to earn return. Therefore, the Company is committed to maintain a high standard of Corporate Governance rules and practices. Good governance facilitates effective management and control of the business, while maintaining a high level of business ethics and involves balancing the interest of the many stakeholders of the Company and provides the frame work for attaining the Company's objective and act as a measure of improving economic efficiency, growth and enhancing investor confidence.

The Board of Directors

The prime responsibilities of the Board of Directors are setting up the Company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board of Directors is also responsible to create value for its shareholders, potential shareholders and stakeholders through actions that are in compliance with laws and regulations, and, to promote a culture that rewards integrity, transparency, fair dealings and accountability.

The Board has placed high priority on following the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka, new rules of disclosure requirements for listed companies as mandated by the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka and the Companies Act, No 7 of 2007 in carrying out its business.

The Directors who have expertise in varied business fields bring along many years of diverse experience at the board level. They participate actively in defining goals, strategies and business aims of the Company and its Group collectively through their expertise in varied business fields and bring along many years of diverse experience at the board level.

The Board has overall collective responsibility for better performance and in carrying out activities for the best interest of the Company as well as its shareholders. In particular, Non-Executive Directors are responsible for:

- Using their un-biased wide range of skills, experience and recent relevant knowledge based on independent judgment on issues faced by the business.
- Constructively challenging and helping to develop proposals on strategy.
- Scrutinizing management performance in meeting agreed goals and monitor performance reporting and overseas the management of the business.
- Satisfying themselves, on the integrity of financial information and that financial controls and system of risk management are robust and defensible.
- Determining appropriate levels of remuneration for Executive Directors, and also appointment, removal and succession planning.

The Directors are required to update the Board with any new information in relation to their independence and to satisfy the Board that any outside commitments are not in conflict with the duties as a Director of the Company.

Composition of the Board and Independence

The Board of Directors is structured with three (03) Executive Directors and three (03) Non-Executive Directors. Their names and profiles are given on pages 4 and 8 of the Annual Report.

The Board has determined that two Non-Executive Directors, namely, Mr D S K Amarasekera and Ms S S Jayatilaka are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the said Directors have submitted signed declarations in this regard.

Chairman and Managing Director

The roles of the Chairman and the Managing Director are separate with a clear distinction of responsibilities, which ensure balance of power and authority.

Statement on Corporate Governance (Contd..)

Board Meetings

The Board meets regularly to review and approve the set objectives, monitor performance against set objectives and also ensure compliance with the statutory obligations.

The Board met on nine (09) occasions during the year under review and the attendance at the relevant meetings are as follows;

Name of Director	Attendance
Executive Directors:	
Mr. Rohan T. Fernando	09 occasions
Mr. Lasantha P. Fernando	09 occasions
Mr. T. Bevan Perera	04 occasions
Non-Executive Directors:	
Mr. Chanaka De Silva	09 occasions
Independent Non-Executive Directors:	
Mr. D. S. Kamantha Amarasekera	03 occasions
Ms. S. S. Jayatilaka	09 occasions

The Directors receive a comprehensive package of relevant information of the Company and joint venture investee companies on all issues prior to each meeting. The Board monitors and oversees the business performance of the Company and its investments. Subject to formal and transparent procedures, approvals relating to key appointments and capital expenditure are granted at Board meetings. There were also written Board Minutes relating to discussions and key decisions of the meetings and they are available for inspection at any

time. All the Directors have access to details of Board Minutes through the Board Secretary.

Dedication of adequate time and effort

The Board dedicated adequate time and effort to discharge their duties effectively. Adequate time is devoted at every meeting to ensure that the Board's responsibilities are carried out satisfactorily to create a confidence that all the activities and affairs of the entity are carried out highly monitored for the best interest of the shareholders.

Appointments to the Board

The Board collectively decides on the appointment of Directors.

As per the Articles of Association of the Company, at each Annual General Meeting (AGM), one Director, except the Directors referred to hereinafter shall retire by rotation and offer himself for re-election. A Director appointed to the office of Executive Chairman, Managing or joint Managing Director shall not, whilst holding that office, be subject to retirement by rotation. Any Director appointed during the year seek re-election at the next AGM.

Access to Management and Independent Advisors

The Board members have access to the Management. The Board and the Board Committees have access to the advice of the Company Secretaries and independent legal, accounting and other experts and consultants, as they may deem appropriate at the Company's expense.

CSE Rule Number & Subject	Corporate Governance Principle	Compliance Status	Remarks
7.10. 1(a) Non-Executive Directors	Two or 1/3rd of the total number of Directors, whichever is higher, shall be Non-Executive Directors.	Compliant	Corporate Governance – Page 9
7.10. 2(a) Independent Directors	Two or 1/3rd of Non-Executive Directors, whichever is higher, shall be Independent.	Compliant	Corporate Governance – Page 9
7.10. 2(b) Independent Directors	Each Non-Executive Directors should submit a declaration of his/her independence/ Non – independence in the prescribed format.	Compliant	Non- Executive Directors have submitted declarations during 2015/16

Statement on Corporate Governance (Contd..)

CSE Rule Number & Subject	Corporate Governance Principle	Compliance Status	Remarks
7.10. 3(a) Disclosures relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Annual Report of the Board of Directors – Page 4
7.10. 3(b) Disclosures relating to Directors	The basis for the Board to determine a Director is Independent, if criteria specified for independent is not met.	Compliant	Specified criteria is met by Independent Directors
7.10. 3(c) Disclosures relating to Directors	A brief resume of each Director should be included in the Annual Report including the area of their expertise.	Compliant	Profile of Directors – Page 8
7.10. 3(d) Disclosure relating to Directors	Upon appointment of a new Director to the Board, the entity shall forthwith provide to the Exchange a brief resume of new Directors appointed to the Board with details specified in Rule 7.10.3(a),(b) and (c) to the public.	Compliant	Profile of Directors – Page 8
7.10. 4(a - h) Determination of independence	Requirements for meeting criteria of independence.	Compliant	The Board has determined independence/Non-independence of each Non-Executive Directors during 2015/16
7.10.5 Remuneration Committee	A Listed Entity shall have a Remuneration Committee	Compliant	Remuneration Committee Report Page - 15
7.10.5(a) Composition of Remuneration Committee	The Committee shall consist of Non-Executive Directors. The majority of whom shall be independent.	Compliant	Remuneration Committee Report Page - 15
7.10.5(b) Functions of Remuneration Committee	The remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Compliant	Remuneration Committee Report Page - 15
7.10.5(c) Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report shall include: a) Names of Directors b) Statement of the remuneration policy c) Aggregated remuneration paid to Executive and Non-Executive Directors.	Compliant	Remuneration Committee Report Page – 15 and Note 31 (b) Key Management Personnel Page 60
7.10.6 Audit Committee	A Listed Entity shall have a Audit Committee	Compliant	Audit Committee Report Page 15
7.10.6(a) Composition of Audit Committee	The Committee shall comprise of Non-Executive Directors, the majority of whom shall be independent. The Chairman of the Committee should be a Non-Executive Director and member of a recognized professional accounting body.	Compliant	Audit Committee Report Page 15

Statement on Corporate Governance (Contd..)

CSE Rule Number & Subject	Corporate Governance Principle	Compliance Status	Remarks
7.10.6(b) Functions of Audit Committee	<ul style="list-style-type: none"> a. Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of the Listed Entity, in accordance with the Sri Lanka Accounting Standards. b. Overseeing of the entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. c. Overseeing the processes to ensure that the Entity's internal control and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. d. Assessment of the independence and performance of the Entity's external auditors. e. To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. 	} Compliant	Audit Committee Report Page 15
7.10.6(c) Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> a. Names of the Directors comprising the Audit Committee. b. Determination of independence of the Auditors and disclosure of the basis for such determination c. A report of the Audit Committee setting out the manner of compliance with its functions. 	} Compliant	Audit Committee Report- Page 15

Board Sub Committees

The Board has established three (3) Sub Committees of the main Board in order to monitor, review and enhance the transparency and accountability of overall functions and by doing so they safeguard and maintain the good governance practices of Company and the Group. These Board Committees are as follows:

Audit Committee

The Audit Committee consists of two Independent Non-Executive Directors and is responsible to assist the Board in accomplishing its oversight responsibilities in the financial reporting process. The detailed Audit Committee Report appears on page xxx of this report.

Remuneration Committee

As per the Remuneration Committee Report on page xxx, the Remuneration Committee consists of two Independent Non-Executive Directors and is responsible to the Board to determine the remuneration policy for the Executive Directors and Key Management Personnel.

The Related Party Transaction Review Committee

According to the Code of Best Practices on Related Party Transactions (Code) issued by the Securities and Exchange Commission of Sri Lanka together with the Colombo Stock Exchange the Company has formed a Related Party Transaction Review Committee in January 2016. The Committee is

Statement on Corporate Governance (Contd..)

responsible to review all Related Party Transactions (RPT) other than those excepted by the Code of Best practices on RPT. The Committee comprises of two (2) Independent Non-Executive Directors. The Committee is expected to meet at least once in every quarter to discharge their responsibilities in reviewing all RPTs to ensure the transactions are in accordance with the Code of Best Practices on Related Party Transactions.

The detailed Related Party Transaction Review Committee Report appears on page 16 of this report.

Shareholder Interest/Relations

Your Board has always given priority to establish policies to protect and promote the shareholders rights to ensure that all shareholders will be treated fairly and equally and values the importance of equitable treatment to them. The Board is accountable on its activities delivering value through good governance of the business and ensures to make available information on strategies, performance and the financial status of the Company at the Annual General Meeting each year.

Your Board always encourages maximizing attendance of shareholders at General Meetings and gives opportunities to ask questions and the Directors are always ready to answer reliably and maintain an appropriate dialogue with them and also maintain to treat all shareholders fairly.

Oversight on the Performance of Investee Companies

Since your Company is only a vehicle to carry the investment in the four CEAT-Kelani production entities which handle all production and commercial operations vis-à-vis the manufacture of motor vehicle tyres, the oversight function of the Audit and Remuneration Committees ought to be and was in fact directed on the operation of these four production companies.

This task was effected via the Business Review Committee chaired by your Chairman and the joint venture companies Audit Committee chaired by one of the Independent Directors of your Company.

The functions of the Remuneration Committee for the four production companies are also carried out by the Business Review Committee.

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. Your Board has ensured to make available accuracy, integrity and reliability of financial statements and reports through maintaining an efficient, proper internal control system.

Company Secretaries/Legal Officers

P W Corporate Secretarial (Pvt) Ltd, who act as Secretaries to the Company are qualified to act as Secretaries as per the provisions of the Companies Act, No. 07 of 2007.

All Directors have access to the advice and services of the Company Secretaries as well as the Company Lawyers and the Tax Consultants.

Compliance with Legal Requirements

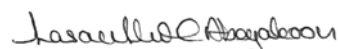
The Board through the Company Secretaries and the finance division makes every endeavor to ensure that the Company complies with laws and regulations. It is the Board of Directors' responsibility to follow host of legal and non - legal principles and practices affecting the control of the affairs of the Company. The Board of Directors requires that in all possible aspects, the financial statements of the Company are prepared in accordance with Sri Lanka Accounting Standards and the relevant Statutes. The Company has regular communication with shareholders through quarterly updates of performance. Maximum possible information is provided to shareholders and full disclosure is made subject only to any sensitive information, which could directly impact the business of the Company.

The Board is satisfied with its level of compliance with the governance requirements and recognizes that practicing its procedures creates a good corporate culture that will satisfy reliability of the shareholders towards the Company and your Board will assure to continue the same with timely and relevant changes of governance requirements in the future. The Company has adopted a Code of Business Conduct and Ethics for Directors and the Members of the Senior Management.

The Company has complied with the Colombo Stock Exchange Listing Rules and the best practices set out in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Directors' confirmation on complying with all statutory dues is given in the Report of the Directors on page 6.

By Order of the Board
KELANI TYRES PLC



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

2nd August 2016
Colombo

Statement of the Directors' Responsibility

STATEMENT OF THE DIRECTORS' RESPONSIBILITY FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Board of Directors is responsible for preparing and presenting the Financial Statements, which are set out on pages 18 to 60.

As per the provisions of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company.

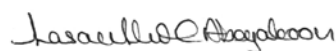
In preparing the Financial Statements, the Directors have selected appropriate accounting policies and applied them in a consistent manner. Such policies are supported by reasonable and prudent judgment and all applicable Accounting Standards have been followed.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and that the Financial Statements presented comply with the requirements of the Companies Act No. 07 of 2007.

The Directors have taken reasonable steps to safeguard the assets of the Company and to establish appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in this statement.

By Order of the Board
KELANI TYRES PLC



P W Corporate Secretarial (Pvt) Ltd.,
Secretaries

2nd August 2016
Colombo

Audit Committee Report

The Committee assists the main board in fulfilling its responsibility to the shareholders and other stake holders relating to the Company's financial statements and the financial reporting process to ensure that the financial reporting systems adhere to the Sri Lanka Accounting Standards and with other regulatory bodies. The Committee also reviews the internal controls, business risks and pursues other operational activities.

The Audit Committee comprises of two Independent Non-Executive Directors and the names of the members are set out below.

D.S. Kamantha Amarasekera
Chairman - Independent Non-Executive Director

Mrs. S. S. Jayatilaka- Member
Independent Non-Executive Director

The Managing Director, Mr. Rohan Fernando attends the meetings at the invitation of the Committee. Discussions are also held with the representatives of the External Auditors.

The Committee met six (06) times during the year and reviewed and discussed with the Company's management team and the External Independent Auditors, the consolidated financial statements for the year ended 31st March 2016.

Main role and responsibilities of the Audit Committee

- Review and discuss the annual and quarterly financial statements prior to their release, including the compliance with Sri Lanka Accounting Standards and the Companies Act, No 7 of 2007.
- Review the operational effectiveness of the internal controls of the systems & procedures and business risk and management and procedures in place to mitigate such risk.

The Committee has recommended to the Board of Directors the reappointment of M/S PricewaterhouseCoopers as its external auditors for the financial year ending 31st March 2017 subject to the approval of the shareholders at the Annual General Meeting.



D. S. K. Amarasekera
Chairman- Audit Committee

Report of the Remuneration Committee

The Remuneration Committee consists of the following members and is a subcommittee of the main Board to which it is accountable.

D.S. Kamantha Amarasekera – Chairman - Independent Non-Executive Director

Mrs. S. S. Jayatilaka- Member - Independent Non-Executive Director

The Committee reviews the remuneration packages of the Key Management Personnel prior to the determination of remuneration packages taking into account, market conditions

and the set guidelines of the Company. None of the directors draw any salary from the Company other than Executive Director Mr. T. B. Perera.

Mr. Rohan Fernando - Managing Director participates in the deliberations by invitation.

The Committee met twice (02) during the year under review.



D. S. K. Amarasekera
Chairman- Remuneration Committee

Related Party Transaction Review Committee

The Board of Directors of Kelani Tyres PLC (KTPLC), in compliance with the Code of Best Practices on Related Party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC), formed the Related Party Transactions Review Committee (RPTRC) in January 2016.

Purpose of the Committee

The purpose of the Committee is to conduct an independent review, approval and oversight of all related party transactions of the Company and to ensure that the Company complies with the Rules set out in the Code.

Composition of the Committee

The following Directors served as members of the Committee during the year:

D.S. Kamantha Amarasekera – Chairman
(Independent Non-Executive Director)
Mrs. S. S. Jayatilaka - Member
(Independent Non-Executive Director)

In addition the Managing Director, Mr. Rohan Fernando and Mr. Ranjitha Jayasekera – General Manager attended meetings by invitation.

Charter of the Related Party Transaction Review Committee

The Charter of the Related Party Transaction Review Committee clearly sets out the purpose, membership, authority, the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and in an efficient manner. The Committee has been authorized to:

- Receive regular reports pertaining to related party transactions from the management to provide any information within the scope of its responsibilities.
- Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions.
- Review and evaluate the terms, conditions, authenticity and the advisability of any transactions with related party.
- Determine whether the transactions entered with any related party is fair and transparent to the best interest of the Company as well as its shareholders.
- Examine whether any transaction entered with any related party and recommend to the Board is within the policies and procedures stipulated by the Committee.

- Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties.

Responsibilities of the Related Party Transaction Review Committee

The following key responsibilities have been set out in the charter for RPTRC.

- Ensure that the Company complies with the Rules set out in the Code.
- Subject to the exceptions given under rule 27 of the Code, review, in advance all related party transactions.
- Have meetings every fiscal quarter and report to the Board on the Committee's activities.
- Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.
- Perform such other functions as assigned by law and regulations or the Board.

Procedures for Reporting and Review RPTRC's

The Managing Director is responsible for reporting to the Committee as per the information set out under Rule 30 of the Code other than exception given in Rule 27 of the Code.

The Committee reviewed all related party transaction of the Company for the financial year 2015/16 and it was observed that all related party transactions entered during the year were of a recurrent nature and necessary for the day-to-day operation of the Company. The Committee has recommended that those transactions were in "arm's length" and not favorable to any related party than generally available to the public. The details of the related party transactions entered into during the year are given in Note 31 to the Financial Statements on page 59 of the Annual Report.



D. S. K. Amarasekera

Chairman- Related Party Transactions Review committee

Independent Auditor's Report



To the shareholders of Kelani Tyres PLC Report on the Financial Statements

1. We have audited the accompanying financial statements of Kelani Tyres PLC ("the Company"), the consolidation financial statements of the Company and its subsidiary ("the Group"), which comprise the statements of financial position as at 31 March 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 18 to 60.

Management's Responsibility for the Financial Statements

2. 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.

Auditor's Responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 March 2016, and of their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

7. These financial statements also comply with the requirements of Section 151 (2) and Sections 153 (2) to 153 (7) of the Companies Act, No. 07 of 2007.

August 2016
Colombo

PricewaterhouseCoopers
Chartered Accountants

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA,
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Statements of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Note	Group Year ended 31 March		Company Year ended 31 March	
		2016	2015 Restated	2016	2015 Restated
Revenue	6	351,076	484,798	344,027	477,302
Cost of sales		(317,557)	(441,942)	(317,557)	(441,942)
Gross profit		33,519	42,856	26,470	35,360
Other operating income	7	6,487	4,835	255,347	206,186
Net gain from fair value adjustment on Investment Property	14	15,276	49,250	15,276	49,250
Distribution costs		(13,901)	(17,689)	(13,901)	(17,689)
Administrative expenses		(57,732)	(50,339)	(57,759)	(50,378)
Depreciation and amortisation		(7,047)	(7,061)	(612)	(572)
Operating (loss) / profit	8	(23,398)	21,852	224,821	222,157
Finance income	9a	3,467	1,266	3,751	1,692
Finance costs	9b	(5,864)	(6,257)	(5,017)	(5,223)
Share of results of joint venture	17	805,036	750,195	-	-
Profit before income tax		779,241	767,056	223,555	218,626
Income tax (expense) / credit	10	(1,247)	1,514	(631)	(225)
Profit for the period		777,994	768,570	222,924	218,401
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligations	24	497	(861)	497	(861)
Gains on revaluation of land, building and motor vehicle	13	971	-	971	-
Items that may be subsequently reclassified to profit or loss					
Share of other comprehensive income/(expense) from joint venture	17	3,591	(3,641)	-	-
Other comprehensive Income / (loss) for the year - net of tax		5,059	(4,502)	1,468	(861)
Total comprehensive income for the year		783,053	764,068	224,392	217,540
Earnings per share - basic and diluted (Rs)	11	9.68	9.56	2.77	2.72

The Notes on pages 23 to 60 form an integral part of these financial statements.

Independent auditor's report - page 17.

Statements of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Note	Group			Company		
		31 March	2015	1 April	31 March	2015	1 April
		2016	Restated	Restated	2016	Restated	2014
ASSETS							
Non-current assets							
Property, plant and equipment	13	29,492	34,170	11,623	21,810	19,998	1,184
Investment property	14	352,950	337,500	288,250	352,950	337,500	288,250
Intangible assets	15	147	197	-	98	131	-
Deferred income tax assets	16	1,553	1,582	-	-	-	-
Investment in joint venture	17	3,022,872	2,465,245	1,921,191	139,607	139,607	139,607
Investment in subsidiary	18	-	-	-	10	10	10
Non-current receivable from subsidiary	19	-	-	-	1,438	1,154	2,729
		3,407,014	2,838,694	2,221,064	515,913	498,400	431,780
Current assets							
Inventories and consumables		-	-	37,868	-	-	37,868
Trade and other receivables	20	250,278	243,380	114,266	250,257	246,027	116,839
Income tax receivable		-	10	-	-	56	-
Cash and cash equivalents	21	72,833	118,292	48,088	70,705	116,888	47,543
		323,111	361,682	200,222	320,962	362,971	202,250
Total assets		3,730,125	3,200,376	2,421,286	836,875	861,371	634,030
EQUITY AND LIABILITIES							
Capital and reserves							
Stated capital	26	402,000	402,000	402,000	402,000	402,000	402,000
Revaluation reserves	27	971	-	-	971	-	-
Other reserves	28	237,815	237,815	237,815	-	-	-
Retained Earnings		3,033,892	2,372,410	1,742,208	385,794	282,973	199,299
Total equity		3,674,678	3,012,225	2,382,023	788,765	684,973	601,299
Non-current liabilities							
Borrowings	23	4,718	7,320	3,116	-	-	-
Defined benefit obligations	24	2,378	2,572	1,284	2,378	2,572	1,284
		7,096	9,892	4,400	2,378	2,572	1,284
Current liabilities							
Trade and other payables	22	8,315	5,179	4,127	7,947	5,034	4,002
Borrowings	23	39,097	173,080	29,768	37,210	168,792	27,255
Current income tax liabilities		939	-	968	575	-	190
		48,351	178,259	34,863	45,732	173,826	31,447
Total liabilities		55,447	188,151	39,263	48,110	176,398	32,731
Total equity and liabilities		3,730,125	3,200,376	2,421,286	836,875	861,371	634,030

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by Board of Directors on 21st July 2016.



Managing Director



Director



Finance Officer

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

The Notes on pages 23 to 60 form an integral part of these financial statements.

Independent auditor's report - page 17.

Statement of Changes in Equity - Group

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Revaluation reserves	Other reserves	Retained earnings	Total
Attributes to equity holder of the Company						
Balance at 1 April 2014 as previously reported		402,000	-	237,815	1,652,166	2,291,981
Prior year adjustment		-	-	-	90,042	90,042
Balance at 1 April 2014 (restated)		402,000	-	237,815	1,742,208	2,382,023
Profit for the year		-	-	-	768,570	768,570
Other comprehensive income / (loss) for the year net of tax		-	141,770	-	(4,502)	137,268
Total comprehensive income for the year		-	141,770	-	764,068	905,838
Transactions with owners of the Group, recognised directly in equity						
Dividends paid	29	-	-	-	(133,866)	(133,866)
Balance at 31 March 2015		402,000	141,770	237,815	2,372,410	3,153,995
Balance at 1 April 2015		402,000	141,770	237,815	2,372,410	3,153,995
Prior year adjustment		-	(141,770)	-	-	(141,770)
Balance at 1 April 2015 (restated)		402,000	-	237,815	2,372,410	3,012,225
Profit for the year		-	-	-	777,994	777,994
Other comprehensive income		-	971	-	4,088	5,059
Total comprehensive income for the year		402,000	971	237,815	3,154,492	3,795,278
Transactions with owners of the Group, recognised directly in equity						
Dividends paid	29	-	-	-	(120,600)	(120,600)
Balance at 31 March 2016		402,000	971	237,815	3,033,892	3,674,678

The Notes on pages 23 to 60 form an integral part of these financial statements.

Independent auditor's report - page 17.

Statement of Changes in Equity - Company

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Revaluation reserves	Retained earnings	Total
Attributable to the equity holder of the Company					
Balance at 1 April 2014		402,000	-	109,257	511,257
Prior year adjustment		-	-	90,042	90,042
Balance at 1 April 2014 (Restated)		402,000	-	199,299	601,299
Net profit		-	-	218,401	218,401
Other comprehensive income /(loss) for the year net of tax		-	141,770	(861)	140,909
Total comprehensive income for the year		402,000	141,770	416,839	960,609
Transactions with owners of the Company, recognised directly in equity					
Dividend paid	29	-	-	(133,866)	(133,866)
Balance at 31 March 2015		402,000	141,770	282,973	826,743
Balance at 1 April 2015		402,000	141,770	282,973	826,743
Prior year adjustment		-	(141,770)	-	(141,770)
Balance at 1 April 2015 (Restated)		402,000	-	282,973	684,973
Net profit		-	-	222,924	222,924
Other comprehensive income		-	971	497	1,468
Total comprehensive income for the year		402,000	971	506,394	909,365
Transactions with owners of the Company, recognised directly in equity					
Dividend paid	29	-	-	(120,600)	(120,600)
Balance at 31 March 2016		402,000	971	385,794	788,765

The Notes on pages 23 to 60 form an integral part of these financial statements.

Independent auditor's report - page 17.

Statements of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Note	Group		Company	
		Year ended 31 March		Year ended 31 March	
		2016	2015	2016	2015
Cash flows from operating activities					
Cash used in operations	30	(35,512)	(111,252)	(41,859)	(118,882)
Interest received	9 a	3,467	1,266	3,467	1,266
Interest paid	9 b	(5,864)	(6,257)	(5,017)	(5,223)
Tax paid		(269)	(1,047)	-	(470)
Cash used in operating activities		(38,178)	(117,290)	(43,409)	(123,309)
Cash flows from investing activities					
Purchases of property plant and equipments		(3,392)	(31,586)	(1,592)	(19,383)
Proceeds from sale of property plant and equipment		4,012	3,131	-	-
Dividend received from joint venture		251,000	202,500	251,000	202,500
Movement in non current receivable from subsidiary	19	-	-	-	2,000
Purchase of intangible assets	15	-	(201)	-	(134)
Net cash generated from investment activities		251,620	173,844	249,408	184,983
Cash flows from financing activities					
Movement in bank borrowings		(146,703)	145,963	(139,984)	139,984
Dividends paid	29	(120,600)	(133,866)	(120,600)	(133,866)
Net cash generated from / (used in) financing activities		(267,303)	12,097	(260,584)	6,118
(Decrease) / increase in cash and cash equivalents		(53,861)	68,651	(54,585)	67,792
At start of year		89,484	20,833	88,080	20,288
(Decrease) / increase		(53,861)	68,651	(54,585)	67,792
At end of year	21	35,623	89,484	33,495	88,080

The Notes on pages 23 to 60 form an integral part of these financial statements.

Independent auditor's report - page 17.

Notes to the Financial Statements

(In the notes all amounts are shown in Sri Lanka Rupees thousands unless otherwise stated)

1 General information

(a) Company

The Company is a public limited liability company incorporated in accordance with the Companies Act, No. 17 of 1982 and re-registered under the Companies Act, No. 7 of 2007. The address of its registered office is, P.O. Box. 8, Nungamugoda, Kelaniya. The Company is listed on the Colombo Stock Exchange under stock code - TYREN000. The Company is involved in the business of importation and sale of tyres in addition to holding investments in its subsidiary and joint venture as well as earning rental income from investment property.

(b) Subsidiary

In 2006, the vehicle hire business of the Kelani Tyres PLC was transferred to a fully owned subsidiary Executive Cars (Private) Limited [Previously known as KTL Executive Hire (Private) Limited], which was incorporated on 1 January 2006.

(c) Joint venture (JV)

The JV's principal activity is the manufacture of automobile tyres for the purpose of local sales and exports. In addition, the JV imports and sell tyres of certain sizes. The JV's manufacturing facilities are located at their factories at Nagoda, Kalutara district and Kelaniya, Gampaha district.

On 1 July 1999 a joint venture was formed after entering into an agreement between Associated Ceat (Private) Limited (ACPL), Ceat Limited India and the Kelani Tyres PLC. Ceat Kelani International Tyres (Private) Limited (CKITL) was incorporated to carry on the tyre manufacturing operations and the assets and facilities of Kelani Tyres PLC were transferred to CKITL. ACPL shares were transferred to Associated Ceat Holding (Private) Limited (ACH), a new company. Another company was incorporated, Ceat Kelani Holdings (Private) Limited (CKHPL) to

acquire and hold eventually all of the shares of ACPL and CKITL. The consideration for such acquisition was the issuance by CKHPL of its shares to both ACHPL and KTPLC in equal proportion. Ceat Kelani Radials (Private) Limited [previously known as Associated Ceat Kelani Radials (Private) Limited] which was incorporated on 9 September 2005 is also a fully owned subsidiary of CKHPL.

Asian Tyres (Private) Limited which was incorporated on 14 November 2012, under Company's Act No. 07 of 2007 as a fully owned subsidiary of CKITL.

2. Summary of significant accounting policies

2.01 Basis of preparation

The consolidated financial statements of Kelani Tyres PLC Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and investment property.

The preparation of financial statements in conformity with SLFRS / LKAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the group

The following standards have been adopted by the group for the first time for the financial year

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.1.1 Changes in accounting policy and disclosures (Contd..)

beginning on or after 1 April 2015 and have a material impact on the group and the company.

Amendment to LKAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs.

(b) **New standards, amendments and interpretations not yet adopted**

SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and Financial liabilities. SLFRS 9 was issued in November 2009 and October 2010. It replaces the parts of LKAS 39 that relate to the classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess SLFRS 9's full impact and intends to adopt

SLFRS 9 no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018.

2.02 **Consolidation**

(a) **Group**

The Group financial statements comprise a consolidation of accounts of the Company with its fully owned subsidiary Executive Cars (Private) Limited and equity method of accounting for interests in joint venture.

(b) **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.02 Consolidation

reported by subsidiaries have been adjusted to conform with the group's accounting policies.

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) **Joint ventures**

The group applies SLFRS 11 to all joint arrangements. Under SLFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), 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 ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the

transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

2.03 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

2.04 **Currency**

(a) **Functional and presentation currency**

Items included in the financial statements of a Group are measured using the currency primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sri Lanka Rupees, which is the functional currency of the Company and the presentation currency of the Group.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.05 **Investment**

Investments by the Company in the subsidiary and joint venture are stated in the separate financial statements of the Company at cost.

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.06 Property, plant and equipment

Land and buildings comprise mainly the office premises. Land, buildings and motor vehicles are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings and motor vehicles. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their

residual values over their estimated useful lives, as follows:

Buildings	50 years
Equipment	8 years
Motor vehicles	6 years
Motor vehicles purchased on or after 1 April 2003	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.07 Accounting for leases

(a) Finance lease

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.07 Accounting for leases

payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

(b) **Operating lease**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.08 **Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under LKAS 16. Any resulting increase in the carrying amount of the property is recognised in income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to income statement.

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.09 Intangible assets

Cost associated with computer software which is subjected to amortization has been classified as Intangible assets in accordance with LKAS 38 - Intangible Assets where the cost of a separately acquired intangible assets can usually be measured reliably when the purchase consideration is in the form of cash or other monetary assets. Estimated useful lives of the intangible assets is 4 years.

2.10 Impairment of non financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Financial assets

2.12.1 Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. On the reporting date, the group did not have any financial assets other than loans and receivables.

(a) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

2.12.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date- the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investment in financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.13 Trade receivables

business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13.1 Impairment of financial assets

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and

the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks where original maturities of at three months or less banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank net of bank overdrafts.

2.15 Stated capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

'Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.16 Trade payables

payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the year comprise current tax and deferred tax. Tax is recognised in the statement of comprehensive income except for the extent that it relates to items recognised in other comprehensive or directly in equity. The charge for current tax is based on the results for the year as adjusted for disallowable items calculated on the basis of the tax laws enacted at the statement of financial position date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions here appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related

deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.21 Employee benefits

The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

(a) Defined benefit obligations

Typically defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the market rates on government bonds.

The current service cost of the defined benefit plan, recognised in the income statement in

employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

(b) Defined contribution plans

All local employees of the Group, are members of the Employees' Provident Fund and Employees' Trust Fund, to which their employers contribute 12% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the Financial Statements (Contd..)

2. Summary of significant accounting policies (Contd..)

2.23 Revenue recognition

(a) **Sale of goods**

Sales of goods are recognised when a Group has delivered products to the distributors. Delivery does not occur until the products have been dispatched to the specified location, the risks of obsolescence and loss have been transferred to the distributors, and either the distributors have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) **Interest income**

Interest income is recognised using the effective interest method.

(c) **Rent income**

Rent income is recognised as it accrues, unless collectability is in doubt.

(d) **Hire income**

Hire income is recognised as it accrues, unless collectability is in doubt.

(e) **Dividend income**

Dividend income is recognised when the shareholder's right to receive payment is established.

3. Critical accounting estimates and judgments

(a) **Defined Benefit plans - Gratuity**

The present value of the gratuity obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for gratuity include the discount rate. Any changes in these assumptions will impact the carrying amount of gratuity obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the gratuity obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds.

Other key assumptions for gratuity obligations are based in part on current market conditions.

(b) **Income taxes**

The Group is subject to income taxes in Sri Lanka. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax assessment issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) **Estimated useful lives of property, plants and equipment**

The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plans, strategies, expected level of usage and future technological developments. Future result of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment which increase the recorded depreciation charge and decrease the carrying value of property, plant and equipment. Further details of judgements and assumptions made are noted in note 13.

Notes to the Financial Statements (Contd..)

3. Critical accounting estimates and judgments

(d) Fair value of investment property

The fair value of investment properties are determined by using valuation techniques. Further details of judgments and assumptions are noted in note 14.

ii) Credit risks

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. No independent risk ratings are available for customers. Credit control assess the credit quality of the customs taking into account its financial position, past performance and other factors. In connection with the joint venture, credit limits are set based on the security deposit scheme (SDS) and the utilization of credit limits is regularly monitored.

4. Financial risks management

4.1 Financial risks factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

iii) Liquidity risks

Cash flow forecasting is performed Group which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration the Group's debt financing plans.

a) Market risks

(i) Interest rate risk

The Group's interest rate risks arises from the borrowings. The fluctuation in the London Inter Bank Offer Rate (LIBOR) and Average Weighted Prime Lending Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value. The Group analyses the interest rate exposure on a dynamic basis monitoring LIBOR and AWPLR.

iv) Liquidity risks

The table below analyses the Groups's / Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(a) Group

	Less than 3 months	Between 3 months and 1 Year	Between 1 Year and 2 Year	2 and 5 Years	Total
At 31 March 2016					
Borrowings(ex finance - lease liabilities)	37,210	1,887	-	4,718	43,815
Trade and other payable	8,315	-	-	-	8,315
At 31 March 2015					
Borrowings(ex finance - lease liabilities)	28,808	144,272	-	7,320	180,400
Trade and other payable	5,179	-	-	-	5,179

Notes to the Financial Statements (Contd..)

4. Financial risks management (Contd..)

4.1 Financial risks factors (Contd..)

(b) Company

	Less than 3 months	Between 3 months and 1 Year	Between 1 Year and 2 Year	2 and 5 Years	Total
At 31 March 2016					
Borrowings(ex finance					
- lease liabilities)	37,210	-	-	-	37,210
Trade and other payable	7,947	-	-	-	7,947
At 31 March 2015					
Borrowings(ex finance					
- lease liabilities)	28,808	139,984	-	-	168,792
Trade and other payable	5,034	-	-	-	5,034

v) Price risks

The joint venture is exposed to the commodity price risk of rubber. The joint venture monitors the price of rubber on a dynamic basis and adjust the inventory levels to minimize the impact.

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 March 2016 and 31 March 2015 were as follows:

	Group			Company		
	2016	2015	2014	2016	2015	2014
Total borrowings	43,815	180,400	32,884	37,210	168,792	27,255
Less: Cash and cash equivalent	(72,833)	(118,292)	(48,088)	(70,705)	(116,888)	(47,543)
Net debt	(29,018)	62,108	(15,204)	(33,495)	51,904	(20,288)
Total equity	3,674,678	3,012,225	2,382,023	788,765	684,973	601,299
Total capital	3,645,660	3,074,333	2,366,819	755,270	736,877	581,011
Gearing ratio	-	2%	-	-	7%	-

5. Segmenting reporting

Operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker. The chief operating decision maker who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Notes to the Financial Statements (Contd..)

5. Segmenting reporting (Contd..)

Accordingly the group is organised in to three operating segments as follows:

- (a) Local sales of tyres
- (b) Vehicle hiring income
- (c) Investments

(a) Segmental income statements

Income statement for the year ended 31 March 2016

	Local sales of tyres	Vehicle hiring income	Investments	Adjustments	Group
Revenue					
Local sales	385,727	-	-	-	385,727
Hiring income	-	8,415	-	(421)	7,994
Value Added Tax	(38,225)	(834)	-	42	(39,017)
Nation Building Tax	(3,475)	(153)	-	-	(3,628)
Net turnover	344,027	7,428	-	(379)	351,076
Direct expenses of production	(317,557)	-	-	-	(317,557)
Administrative and selling expenses	(72,271)	(6,787)	-	379	(78,679)
Dividend received from joint venture	-	-	251,000	(251,000)	-
Net gain from fair value adjustment on Investment Property	15,276	-	-	-	15,276
Rent income	-	-	3,430	-	3,430
Other income	917	2,140	-	-	3,057
Interest cost	(5,018)	(1,130)	-	284	(5,864)
Interest income	3,751	-	-	(284)	3,467
Share of results of joint venture	-	-	805,036	-	805,036
Income tax expense	(631)	(616)	-	-	(1,247)
Net profit	(31,507)	1,035	1,059,466	(251,000)	777,994

Income statement for the period ended 31 March 2015 - Restated

	Local sales of tyres	Vehicle hiring income	Investments	Adjustments	Group
Revenue					
Local sales	538,711	-	-	-	538,711
Hiring income	-	9,087	-	(509)	8,578
Value Added Tax	(56,588)	(974)	-	54	(57,508)
Nation Building Tax	(4,821)	(162)	-	-	(4,983)
Net turnover	477,302	7,951	-	(455)	484,798
Direct expenses of production	(441,942)	-	-	-	(441,942)
Administrative and selling expenses	(68,638)	(6,906)	-	455	(75,089)
Dividend received from joint venture	-	-	202,500	(202,500)	-
Net gain from fair value adjustment on Investment Property	49,250	-	-	-	49,250
Rent income	-	-	3,095	-	3,095
Other income	591	1,149	-	-	1,740
Interest cost	(5,223)	(1,460)	-	426	(6,257)
Interest income	1,692	-	-	(426)	1,266
Share of results of joint venture	-	-	750,195	-	750,195
Income tax expense	(225)	1,739	-	-	1,514
Net profit	12,807	2,473	955,790	(202,500)	768,570

Notes to the Financial Statements (Contd..)

5. Segmenting reporting (Contd..)

(b) Segmental financial position

Statement of financial position as at 31 March 2016

	Local sales of tyres	Vehicle hiring income	Investments	Adjustments	Group
ASSETS					
Property, plant and equipment	21,811	10,246	-	(2,565)	29,492
Intangible assets	98	49	-	-	147
Deferred income tax assets	-	1,553	-	-	1,553
Investment property	-	-	352,950	-	352,950
Investments in subsidiaries	-	-	10	(10)	-
Investment in JV	-	-	3,162,479	(139,607)	3,022,872
Receivable from subsidiary	1,438	-	-	(1,438)	-
	23,347	11,848	3,515,439	(143,620)	3,407,014
Current assets					
Inventories	-	-	-	-	-
Trade and other receivables	250,256	22	-	-	250,278
Income tax refund	-	-	-	-	-
Cash and cash equivalents	70,705	2,128	-	-	72,833
	320,961	2,150	-	-	323,111
Total assets	344,308	13,998	3,515,439	(143,620)	3,730,125
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Stated capital	402,000	10	-	(10)	402,000
Revaluation reserves	971	-	-	-	971
Other reserves	-	-	237,815	-	237,815
Retained earnings	385,794	5,045	2,785,058	(142,004)	3,033,892
Total equity	788,765	5,055	3,022,873	(142,014)	3,674,678
Non - current liabilities					
Borrowings	-	4,718	-	-	4,718
Deferred income tax liabilities	-	-	-	-	-
Retirement benefit obligations	2,378	-	-	-	2,378
Amounts due to related party	-	1,438	-	(1,438)	-
	2,378	6,156	-	(1,438)	7,096
Current liabilities					
Trade and other payables	7,945	535	-	(168)	8,312
Provision for Taxation	575	364	-	-	939
Borrowings	-	1,887	-	-	1,887
Bank overdraft	37,211	-	-	-	37,211
	45,732	2,786	-	(168)	48,351
Total liabilities	48,110	8,942	-	(1,606)	55,447
Total equity and liabilities	836,875	13,997	3,022,873	(143,620)	3,730,125

Notes to the Financial Statements (Contd..)

5. Segmenting reporting (Contd..)

Statement of financial position as at 31 March 2015 - Restated

	Local sales of tyres	Vehicle hiring income	Investments	Adjustments	Group
ASSETS					
Non-current assets					
Property, plant and equipment	19,998	16,737	-	(2,565)	34,170
Intangible assets	131	66	-	-	197
Deferred income tax assets	-	1,582	-	-	1,582
Investment property	-	-	337,500	-	337,500
Investments in subsidiaries	-	-	10	(10)	-
Investment in JV	-	-	2,604,852	(139,607)	2,465,245
Receivable from subsidiary	3,154	-	-	(3,154)	-
	23,283	18,385	2,942,362	(145,336)	2,838,694
Current assets					
Inventories	-	-	-	-	-
Trade and other receivables	244,029	6	-	(655)	243,380
Income tax refund	56	(46)	-	-	10
Cash and cash equivalents	116,888	1,404	-	-	118,292
	360,973	1,364	-	(655)	361,682
Total assets	384,256	19,749	2,942,362	(145,991)	3,200,376
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Stated capital	402,000	10	-	(10)	402,000
Revaluation reserves	-	-	-	-	141,770
Other reserves	-	-	237,815	-	237,815
Retained earnings	282,973	4,012	2,227,430	(142,005)	2,372,410
Total equity	684,973	4,022	2,465,245	(142,015)	3,012,225
Non - current liabilities					
Borrowings	-	10,474	-	(3,154)	7,320
Deferred income tax liabilities	-	-	-	-	-
Retirement benefit obligations	2,572	-	-	-	2,572
	2,572	10,474	-	(3,154)	9,892
Current liabilities					
Trade and other payables	5,034	965	-	(820)	5,179
Borrowings	139,984	4,288	-	-	144,272
Bank overdraft	28,808	-	-	-	28,808
	173,826	5,253	-	(820)	178,259
Total liabilities	176,398	15,727	-	(3,974)	188,151
Total equity and liabilities	861,371	19,749	2,465,245	(145,989)	3,200,376

Notes to the Financial Statements (Contd..)

5. Segmenting reporting (Contd..)

Statement of financial position as at 31 March 2014 - Restated

	Local sales of tyres	Vehicle hiring income	Investments	Adjustments	Group
ASSETS					
Non-current assets					
Property, plant and equipment	2,896	11,291	-	(2,564)	11,623
Investment Property	288,250	-	-	-	288,250
Investments in subsidiaries	-	-	10	(10)	-
Investment in JV	-	-	2,060,798	(139,607)	1,921,191
Receivable from subsidiary	4,729	-	-	(4,729)	-
	295,875	11,291	2,060,808	(146,910)	2,221,064
Current assets					
Inventories	37,868	-	-	-	37,868
Trade and other receivables	114,839	82	-	(655)	114,266
Income Tax Refund	-	-	-	-	-
Cash and cash equivalents	47,543	545	-	-	48,088
	200,250	627	-	(655)	200,222
Total assets	496,125	11,918	2,060,808	(147,565)	2,421,286
EQUITY AND LIABILITIES					
Equity attributable to equity holders					
Stated capital	402,000	10	-	(10)	402,000
Revaluation reserves	-	-	-	-	-
Other reserves	-	-	237,815	-	237,815
Retained earnings	199,298	1,540	1,683,376	(142,006)	1,742,208
Total equity	601,298	1,550	1,921,191	(142,016)	2,382,023
Non - current liabilities					
Borrowings	-	7,845	-	(4,729)	3,116
Retirement benefit obligations	1,284	-	-	-	1,284
	1,284	7,845	-	(4,729)	4,400
Current liabilities					
Trade and other payables	4,002	945	-	(820)	4,127
Provision for Taxation	190	778	-	-	968
Preference Shares	-	-	-	-	-
Borrowings	-	2,513	-	-	2,513
Bank overdraft	27,255	-	-	-	27,255
	31,447	4,236	-	(820)	34,863
Total liabilities	32,731	12,081	-	(5,549)	39,263
Total equity and liabilities	634,029	13,631	1,921,191	(147,565)	2,421,286

Notes to the Financial Statements (Contd..)

6. Revenue

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
Local turnover	392,929	547,289	385,727	538,711
	392,929	547,289	385,727	538,711
Taxes				
- Value Added Tax	(38,378)	(57,508)	(38,225)	(56,588)
- Nations Building Tax	(3,475)	(4,983)	(3,475)	(4,821)
	(41,853)	(62,491)	(41,700)	(61,409)
Net turnover	351,076	484,798	344,027	477,302

7. Other operating income

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
Rent income	3,430	3,095	3,430	3,095
Profit on disposal of property, plant and equipment	2,140	1,149	-	-
Administration charges	652	591	652	591
Other income	265	-	265	-
Dividend income	-	-	251,000	202,500
	6,487	4,835	255,347	206,186

8. Expenses by nature

The following items have been charged in arriving at operating profit:

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
Directors' emoluments	8,458	6,759	8,458	6,759
Auditors' remuneration				
- Audit	518	443	319	270
- Non audit	100	143	75	102
Depreciation on property, plant and equipment [Note 13]	6,996	7,057	579	568
Amotisation of intangible assets [Note 15]	51	4	33	3
Staff costs (Exclude Directors' emoluments)	11,901	9,724	11,901	9,724
Management related expenses	19,879	15,874	19,879	15,874
Cost of sale	317,557	441,942	317,557	441,942
Distribution cost	13,901	17,689	13,901	17,689
Other	16,876	17,396	17,127	17,650
	396,237	517,031	389,829	510,581

Notes to the Financial Statements (Contd..)

8. Expenses by nature (Contd..)

(a) Staff costs

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
Wages and salaries	19,147	15,275	19,147	15,275
Defined benefit obligations [Note 24]	303	427	303	427
Defined contribution plans	909	781	909	781
	20,359	16,483	20,359	16,483
Average number of persons employed				
Full time	10	10	10	10

9. Finance income and costs

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
(a) Interest income				
- Interest income from fixed deposits	3,467	1,266	3,467	1,266
- Fair Value adjustments for intercompany loan	-	-	284	426
	3,467	1,266	3,751	1,692
(b) Interest expense				
- bank borrowings	5,864	6,257	5,017	5,223
	5,864	6,257	5,017	5,223
Net finance cost	2,397	4,991	1,266	3,531

10. Income tax expense

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
Current tax	2,800	547	631	230
Adjustments in respect of prior years	-	(479)	-	(5)
Deferred tax credit [Note 16]	(1,553)	(1,582)	-	-
	1,247	(1,514)	631	225

Notes to the Financial Statements (Contd..)

10. Income tax expense (Contd..)

The tax on the Company's and the Group's profit before tax differ from the theoretical amount that would arise using the tax rate applicable to profits of the Company and the Group as follows :

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
Profit before tax	779,241	767,056	223,555	218,626
Tax calculated at the tax rate of 28%	218,187	214,775	62,595	61,215
- Tax on joint venture result reported	(157,623)	(150,327)	-	-
- Income not subject to tax	(74,799)	(71,614)	(74,636)	(71,302)
- Expenses not deductible for tax purposes	3,919	2,484	2,009	1,602
- Utilisation of previously unrecognised tax losses	(1,618)	(2,164)	(340)	(124)
- Tax losses for which no deferred income tax asset was recognised	10,687	8,839	11,003	8,839
Adjustments in respect to prior year	-	(479)	-	(5)
Tax charge	1,247	(1,514)	631	225

Company

Current tax of the Company wholly consists of tax on interest income at the rate of 28% (2015 - 28%). No income tax arises from trade during the year due to tax losses. Tax losses of the Company available for carry forward amounted to Rs. 324,513,653 (2015 - Rs 287,975,080) as at the reporting date. The Company did not recognise deferred income tax assets of Rs 90,524,037 (2015 - Rs 79,295,741) in respect of losses amounting to Rs. 323,300,133 that can be carried forward.

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2016	2015	2016	2015
Net profit attributable to shareholders	777,994	768,570	222,924	218,401
Weighted average number of ordinary shares in issue (thousands)	80,400	80,400	80,400	80,400
Earnings per share - basic and diluted (Rs)	9.68	9.56	2.77	2.72

Notes to the Financial Statements (Contd..)

12. (a) Financial instrument by category

	Loans and receivables					
	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Assets as per statement of financial position						
Trade and other receivable excluding pre- payments	250,029	242,402	112,640	250,008	243,049	113,213
Cash an cash equivalent	72,833	118,292	48,088	70,705	116,888	47,543
Receivable from subsidiaries	-	-	-	1,438	3,154	4,729
Total	322,862	360,694	160,728	322,151	363,091	165,485

	Other Financial liabilities at amortised cost					
	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Liabilities as per Statement of financial position						
Borrowings (excluding finance lease liability)	43,815	180,400	32,884	37,210	168,792	27,255
Trade and other payables excluding non financial-Liabilities	8,315	5,179	4,127	7,947	5,034	4,002
Total	52,130	185,579	37,011	45,157	173,826	31,257

12. (b) Credit quality of financial assists

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade receivable

Counter parties without external credit rating.

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Group I	31,998	170,930	-	31,998	170,930	-
Group II	200,805	56,738	88,823	200,805	56,738	88,823
	232,803	227,668	88,823	232,803	227,668	88,823

Group I New customers up to 6 months

Group II Existing customer

Cash at bank and short- term bank deposits

	Rating	Group 31 March			Company 31 March		
		2016	2015	2014	2016	2015	2014
Name of the bank							
Commercial Bank of Ceylon PLC	AA	-	34,178	545	-	32,774	-
Sampath Bank PLC	AA-	70,705	84,114	47,543	70,705	84,114	47,543
		70,705	118,292	48,088	70,705	116,888	47,543

Notes to the Financial Statements (Contd..)

13. Property, plant and equipment - Group	Freehold land	Freehold building and installation	Plant / machinery and equipment	Motor vehicles	Total
At 31 March 2014					
Cost or valuation	-	-	1,480	26,364	27,844
Accumulated depreciation and impairment	-	-	(1,148)	(15,073)	(16,221)
Net book amount	-	-	332	11,291	11,623
Year ended 31 March 2015					
Opening net book amount	-	-	332	11,291	11,623
Additions	14,276	5,044	62	12,204	31,586
Disposals- cost	-	-	-	(9,660)	(9,660)
Accumulated depreciation related to disposals	-	-	-	7,678	7,678
Depreciation [Note 8]	-	(65)	(57)	(6,935)	(7,057)
Closing net book amount	14,276	4,979	337	14,578	34,170
At 31 March 2015					
Cost	14,276	5,044	1,542	28,908	49,770
Accumulated depreciation	-	(65)	(1,205)	(14,330)	(15,600)
Net book amount	14,276	4,979	337	14,578	34,170
Year ended 31 March 2016					
Opening net book balance	14,276	4,979	337	14,578	34,170
Additions	-	156	385	2,679	3,220
Disposals- cost	-	-	-	(8,724)	(8,724)
Accumulated depreciation related to disposals	-	-	-	6,851	6,851
Depreciation [Note 8]	-	(101)	(72)	(6,823)	(6,996)
Revaluation surplus	-	-	-	971	971
Closing book amount	14,276	5,034	650	9,532	29,492
As at 31 March 2016					
Cost	14,276	5,200	1,927	23,834	45,237
Accumulated depreciation	-	(166)	(1,277)	(14,302)	(15,745)
Net book amount	14,276	5,034	650	9,532	29,492

Property, plant and equipment includes fully depreciated assets still in use, the cost of which amounted to LKR 1,125,573 (2015 - LKR 1,829,432) as at the date of statement of financial position.

Notes to the Financial Statements (Contd..)

13. Property, plant and equipment - Company

	Freehold land	Freehold building and installation	Equipment	Motor vehicles	Total
At 31 March 2014					
Cost or valuation	-	-	1,480	2,586	4,066
Accumulated depreciation	-	-	(1,148)	(1,734)	(2,882)
Net book amount	-	-	332	852	1,184
Year ended 31 March 2015					
Opening net book balance	-	-	332	852	1,184
Additions	14,276	5,044	62	-	19,382
Depreciation [Note 8]	-	(65)	(57)	(446)	(568)
Closing book amount	14,276	4,979	337	406	19,998
As at 31 March 2015					
Cost	14,276	5,044	1,542	2,586	23,448
Accumulated Depreciation	-	(65)	(1,205)	(2,180)	(3,450)
Net book amount	14,276	4,979	337	406	19,998
Year ended 31 March 2016					
Opening net book balance	14,276	4,979	337	406	19,998
Additions	-	156	385	879	1,420
Depreciation [Note 8]	-	(101)	(72)	(406)	(579)
Revaluation surplus	-	-	-	971	971
Closing book amount	14,276	5,034	650	1,850	21,810
As at 31 March 2016					
Cost	14,276	5,200	1,927	4,436	25,839
Accumulated Depreciation	-	(166)	(1,277)	(2,586)	(4,029)
Net book amount	14,276	5,034	650	1,850	21,810

Property, plant and equipment includes fully depreciated assets still in use, the cost of which amounted to LKR 1,125,573 (2015 - LKR 1,046,824) as at the date of Statement of Financial Position.

Notes to the Financial Statements (Contd..)

13 Property, plant and equipment - Company (Contd..)

Fair Value of Motor Vehicle

The Company has acquired a motor vehicle during the year which has been transferred from Executive Cars (Pvt) Ltd has been revalued as at 31 March 2016. An independent valuation of motor vehicle was performed by valuers to determine the fair value as at 31 March 2016. The revaluation surplus was credited to revaluation reserves in shareholders' equity.

Motor vehicle called "Maruti A-Star (WP KR-9123)" first registered on 10th January 2012, has been transferred to Kelani Tyres PLC from Executive Cars (Pvt) Ltd after completion of 48 months hire period at a value amounting to Rs. 879,176 which was equal to its carrying value at the time of transferring.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

	Significant other observable inputs (Level II) Rs '000	Significant other unobservable inputs (Level III) Rs '000	Total Rs '000
Motor vehicle	1,850	-	1,850
Fair value measurements at 31 March 2016	1,850	-	1,850

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the group's motor vehicles. As at 31 March 2016, the fair value of the motor vehicle has been determined by an independent professional "Care Drive Motor Engineers (Pvt) Ltd". Valuation was made on the basis of open market value.

14. Investment property

(Company / Group)

	Freehold land	Freehold building	Total
Non Current Assets at fair value			
Opening balance at 1 April 2013 (Previously stated)	125,295	72,913	198,208
Prior year adjustment on fair value [Note 14(a)]	55,348	34,694	90,042
Closing balance at 31 March 2014 (Restated)	180,643	107,607	288,250
Opening balance at 1 April 2014 (Restated)	180,643	107,607	288,250
Prior year adjustment on fair value [Note 14(a)]	28,345	20,905	49,250
Closing balance at 31 March 2015 (Restated)	208,988	128,512	337,500
Opening balance at 1 April 2015	208,988	128,512	337,500
Acquisition	-	174	174
Net gain from fair value adjustment	14,172	1,104	15,276
Closing balance at 31 March 2016	223,160	129,790	352,950

Notes to the Financial Statements (Contd..)

14. Investment property (Company / Group) (Contd..)

- (a) Freehold land & building were classified as property plant and equipment since 1996. Since the land & building are held for capital appreciation and earning of rentals, these assets meet the criteria of investment property as per LKAS 40.

Accordingly, in 2015, those assets were transferred to investment property and the management adopted cost model as the accounting policy. In 2016, the management subsequently selected the fair value model as the accounting policy and stated the investment property retrospectively.

The effect of retrospective application of fair value model for investment property on the financial statements is summarised as follows.

	2015	2014
(Decrease) in Property plant and equipment	-	(198,208)
Increase in Investment property	51,728	288,250
Increase in equity	51,728	90,042
(Decrease) in revaluation reserve	(141,770)	-
Increase retained earnings	141,770	-
Increase in net gain from fair value adjustment on investment property	49,250	82,740
Decrease in depreciation expense	2,478	7,302
Increase in profit	51,728	90,042

Extent of investment property as follows,

		Extent
(i) Land called "Philmount Estate, together with the factory and administrative buildings, situated at Nungamugoda, Kelaniya.	}	Land 259 perches
		Building 30,351 sq.ft.
ii) St. Joseph's Estate together with the residential building standing thereon bearing assessment Nos, 398, 398A, 398/01/1 and 398A/01/1, Suddharshana Mawatha, situated at Nungamugoda, in Kelaniya.	}	Land 24 perches
		Building 6,106 sq.ft.

Fair value of land

An independent valuation of the land and building was performed by valuers to determine the fair value of the land as at 31 March 2016. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

Land called "Philmount Estate, together with the factory and Administrative Buildings, situated at Nungamugoda, Kelaniya.

Notes to the Financial Statements (Contd..)

14. Investment property (Company / Group) (Contd..)

	Significant other observable inputs (Level II) Rs	Significant other unobservable inputs (Level III) Rs	Total Rs
Land	207,560	-	207,560
Building	108,190	-	108,190
Fair value measurements at 31 March 2016	315,750	-	315,750

St. Joseph's Estate together with the residential building standing thereon bearing assessment Nos, 398, 398A, 398/01/1 & 398A/01/1 , Suddharshana Mawatha, situated at Nungamugoda, in Kelaniya.

	Significant other observable inputs (Level II) Rs	Significant other unobservable inputs (Level III) Rs	Total Rs
Land	15,600	-	15,600
Building	21,600	-	21,600
Fair value measurements at 31 March 2016	37,200	-	37,200
Total	352,950	-	352,950

Valuation techniques used to derive level II fair values

Fair value of land has been derived using the sales comparison approach. Sales prices of comparable lands in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

15. Intangible assets

	Group 31 March		Company 31 March	
	2016	2015	2016	2015
Year ended 31 March				
Acquisition of software	201	201	134	134
Amortisation	(51)	(4)	(33)	(3)
Closing net book amount	150	197	101	131
At 31 March				
Cost	201	201	134	134
Accumulated amortisation	(54)	(4)	(36)	(3)
Net book value	147	197	98	131

Intangible assets represent the amounts paid for acquisition of new version with license of a accounting system. Estimated useful lives of the intangible assets is 4 years.

Notes to the Financial Statements (Contd..)

16. Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows,

	Group 31 March		Company 31 March	
	2016	2015	2016	2015
Deferred tax assets	1,579	1,869	-	-
Deferred tax liability	(26)	(287)	-	-
Net deferred tax asset	1,553	1,582	-	-

The gross movement on the deferred income tax asset for the group is as follows.

	2016	2015
At 1 April	1,582	-
Credited to the income statement	(29)	1,582
At 31 March	1,553	1,582

The movement in deferred income tax assets and liabilities during the year for the group.

Deferred tax liability	Accelerated tax depreciation
As at 1 April 2015	287
Credited to comprehensive income statement	(261)
As at 31 March 2016	26
Deferred tax assets	Tax losses
As at 1 April 2015	1,869
Released to comprehensive income statement	(290)
As at 31 March 2016	1,579

The movement in deferred income tax assets and liabilities during the year for the company.

Deferred tax liability	Accelerated tax depreciation
As at 1 April 2015	10,588
Credited to comprehensive income statement	(4,511)
As at 31 March 2016	6,077
Deferred tax assets	Tax losses
As at 1 April 2015	10,588
Released to comprehensive income statement	(4,511)
As at 31 March 2016	6,077

Notes to the Financial Statements (Contd..)

16. Deferred income taxes (Contd..)

Deferred income tax asset is recognised on tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Tax losses of the Company available for carry forward amounted to Rs. 324,513,653 (2015 - Rs 287,975,080) as at the reporting date. The Company did not recognise deferred income tax assets of Rs 90,524,037 (2015 - Rs 79,295,741) and deferred tax liabilities of Rs 6,077,404 (2015 - Rs 10,588,799) in view of the deferred tax assets due to tax losses that can be carried forward.

17. Investment in joint venture

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
At 1 April	2,465,245	1,921,191	1,402,321	139,607	139,607	139,607
Share of profit net of tax	805,036	750,195	693,774	-	-	-
Share of other comprehensive income - net of tax	3,591	(3,641)	(6,154)	-	-	-
Dividends received	(251,000)	(202,500)	(168,750)	-	-	-
At 31 March	3,022,872	2,465,245	1,921,191	139,607	139,607	139,607

- (a) The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the Company.

Nature of investment in joint venture 2016 and 2015.

Name of entity	Place of business/ country of incorporation	% of ownership	Nature of the relationship	Measurement method
Ceat Kelani Holding (Private) Limited	Sri Lanka	50	Note*	Equity

* Investment in joint venture represents the 50% holding in Ceat Kelani Holdings (Private) Limited, a company incorporated in Sri Lanka to acquire shares of Associated Ceat (Private) Limited, Ceat Kelani International Tyres (Private) Limited and Ceat Kelani Radials (Private) Limited.

- (b) Ceat Kelani Holding (Private) Limited is a private company and there is no quoted market price available for its shares.
- (c) Commitment and contingent liabilities in respect of joint venture.

There are no commitment and contingent liabilities relating to the group's interest in the joint venture.

Ceat Kelani Holding (Private) Limited has following commitments and contingent liabilities.

Notes to the Financial Statements (Contd..)

17. Investment in joint venture (Contd..)

i) Contingent liabilities

The joint venture company, Ceat Kelani Holding (Private) Limited has given Corporate Guarantees on behalf of Associated Ceat (Private) Limited on the bank facilities obtained from Indian Bank which was Rs. 80 Mn & Hatton National Bank for Rs.150 Mn as at 31st March 2016.

The joint venture company has given Corporate Guarantees on behalf of Ceat Kelani Radials (Private) Limited on the bank facilities obtained from HSBC which was 100 Mn.

The joint venture company has given Corporate Guarantees on behalf of Ceat Kelani International Tyres (Private) Limited, on the bank facilities obtained from NDB which was Rs. 25 Mn, DFCC Vardhana Bank which was Rs. 65 Mn, Indian Overseas Bank which was Rs. 278 Mn, Indian Bank which was Rs. 150 Mn and Nations Trust Bank which was Rs. 230 Mn as at 31st March 2016.

ii) Financial commitments

Associated Ceat (Private) Limited, and Ceat Kelani International Tyres (Private) Limited, Subsidiary Companies of CKAH, have an annual commitment to pay royalty at 1% net of taxes, discounts and incentives to Ceat Limited India. Ceat Kelani Radials (Private) Limited, Subsidiary Company of CKH and Asian Tyres (Private) Limited, Subsidiary of Ceat Kelani International Tyres (Private) Limited have an annual commitment to pay royalty at 2% net of taxes, discounts and incentives to Ceat Limited. - India.

iii) Capital commitments

There is no capital commitments for the joint venture.

Summarized financial information for joint venture.

Set out below are the summarised financial information for Ceat Kelani Holding (Private) Limited, which is accounted for using the equity method.

Summarised statement of financial position

	Joint venture		
	Year ended 31 March		
	2016	2015	2014
Current			
Cash and cash equivalents	1,964,493	1,117,248	598,089
Other current assets (excluding cash)	2,236,530	2,618,383	2,573,234
Total current assets	4,201,023	3,735,631	3,171,323
Financial liabilities (excluding trade payables)	(173,746)	(209,453)	(692,552)
Other current liabilities (including trade payables)	(1,109,160)	(1,311,354)	(1,279,682)
Total current liabilities	(1,282,906)	(1,520,807)	(1,972,234)
Non current			
Assets	3,739,735	3,229,753	3,069,945
Financial liabilities	-	(4,765)	(36,561)
Other liabilities	(612,107)	(509,322)	(390,091)
Total non-current liabilities	(612,107)	(514,087)	(426,652)
Net assets	6,045,745	4,930,490	3,842,382

Notes to the Financial Statements (Contd..)

17. Investment in joint venture (Contd..)

Summarised statement of comprehensive income.

	Joint venture		
	Year ended 31 March		
	2016	2015	2014
Domestic revenue	6,763,708	7,016,628	7,007,190
Export revenue	2,398,208	2,415,995	2,771,205
Total revenue	9,161,916	9,432,623	9,778,395
Cost of sales	(5,689,023)	(6,254,401)	(6,619,187)
Distribution / administrative cost	(1,464,725)	(1,243,460)	(1,358,151)
Other operating income	18,617	26,511	21,727
Finance income	88,880	17,998	-
Finance expense	(4,877)	(13,967)	(64,567)
Pre-tax profit from continuing operations	2,110,788	1,965,304	1,758,217
Income tax expense	(500,718)	(464,913)	(370,669)
Post-tax profit from continuing operations	1,610,070	1,500,391	1,387,548
Other comprehensive income			
Remeasurement of defined benefit obligations	8,709	(9,842)	(15,309)
Tax on remeasurement of defined benefit obligation	(1,526)	2,559	3,000
Other comprehensive income for the year - net of tax	7,183	(7,283)	(12,309)
Total comprehensive income	1,617,253	1,493,108	1,375,239

Reconciliation of summarised financial information

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

	As at 31 March		
	2016	2015	2014
Summarised financial information			
Opening net assets 1 April	4,930,490	3,842,382	2,804,643
Profit / (loss) for the period	1,610,070	1,500,391	1,387,548
Other comprehensive income net of tax	7,183	(7,283)	(12,309)
Dividend distributed for the year	(502,000)	(405,000)	(337,500)
Closing net assets	6,045,743	4,930,490	3,842,382
Interest in Joint venture @ 50%	3,022,872	2,465,245	1,921,191
Goodwill	-	-	-
Carrying value	3,022,872	2,465,245	1,921,191

Notes to the Financial Statements (Contd..)

18. Investment in subsidiary

	Company		
	31 March		
	2016	2015	2014
Investment in subsidiary	10	10	10

The Company invested in ordinary shares of KTL Executive Hire (Private) Limited [now known as Executive Cars (Private) Limited] on 1 January 2006. Executive Cars (Private) Limited is considered as a wholly owned subsidiary of the Company.

19. Non current receivable from subsidiaries

Non current receivable from subsidiary mainly consists of purchase consideration for motor vehicle transferred to Executive Cars (Private) Limited. This loan is unsecured.

	Company		
	31 March		
	2016	2015	2014
Loan receivable from Executive Cars (Private) Limited			
- Non current	1,438	1,154	2,729
- Current [Note 20]	-	2,000	2,000
	1,438	3,154	4,729

Under the requirements of LKAS 39, receivables are classified as financial assets are initially recognised at fair value and subsequently carried at amortised cost. The loan has been amortised at 9%. The financial statements were adjusted to incorporate relevant changes with regard to loans given to subsidiary. All non-current receivable on due within 5 years from the end of reporting period.

20. Trade and other receivables

	Group			Company		
	31 March			31 March		
	2016	2015	2014	2016	2015	2014
Trade receivables						
- Related company	232,803	227,668	88,823	232,803	227,668	88,823
[See (a) below]						
[Note 32 (iv)]						
Prepayments	249	978	1,626	249	978	1,626
Receivable from related	3,069	1,441	612	3,069	2,096	1,267
related companies						
[Note 32 (ii)]						
Loan receivable from						
Executive Cars (Private)	-	-	-	-	2,000	2,000
Limited [Note 19]						
Other receivables and	14,157	13,293	23,205	14,136	13,285	23,123
deposits [See (b) below]	250,278	243,380	114,266	250,257	246,027	116,839

(a) Trade receivables of the Company consist of receivables from Wheels (Private) Limited, Power wheels (Private) Limited and Tyre Express (Private) Limited which are related parties.

(b) Other receivables of the Company includes VAT receivable Rs 1,614,030 (2015 - Rs 1,406,111), other advances Rs 8,187,429 (2015 - Rs 10,077,076) and Economic Service Charge receivable Rs. 1,995,802 (2015 - Rs.1,995,802).

Notes to the Financial Statements (Contd..)

21. Cash and cash equivalents

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Cash at bank and in hand	35,267	115,837	45,747	33,139	114,434	45,202
Fixed deposits maintain within 3 months	37,566	2,455	2,341	37,566	2,454	2,341
	72,833	118,292	48,088	70,705	116,888	47,543

Cash and cash equivalents include the following for the purposes of the statement of cash flows.

Cash and bank balances	72,833	118,292	48,088	70,705	116,888	47,543
Bank overdrafts [Note 23]	(37,210)	(28,808)	(27,255)	(37,210)	(28,808)	(27,255)
	35,623	89,484	20,833	33,495	88,080	20,288

22. Trade and other payables

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Accrued expenses	7,994	1,745	-	7,947	1,558	-
Other payables	321	3,434	4,127	-	3,476	4,002
	8,315	5,179	4,127	7,947	5,034	4,002

Other payables of the Company includes unclaimed dividend payable Rs 2,865,131 (2015 - Rs 2,867,104) and NBT payable Rs. 479,606 (2015 - Rs 295,502).

23. Borrowings

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Current						
Bank overdrafts [Note 21]	37,210	28,808	27,255	37,210	28,808	27,255
Bank borrowings	1,887	144,272	2,513	-	139,984	-
	39,097	173,080	29,768	37,210	168,792	27,255
Non-current						
Bank borrowings	4,718	7,320	3,116	-	-	-
	4,718	7,320	3,116	-	-	-
Total borrowings	43,815	180,400	32,884	37,210	168,792	27,255

Notes to the Financial Statements (Contd..)

23. Borrowings (Contd..)

a) Maturity of non-current borrowings:

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Non-current						
Between 1 and 2 years	3,145	4,489	-	-	-	-
Between 2 and 5 years	1,573	2,831	3,116	-	-	-
	4,718	7,320	3,116	-	-	-

b) Bank borrowings of the Group are secured as follows:

i) Executive Cars (Private) Limited

Lender	Rate of Interest	Balance as at 31 March 2016 (Rs '000)	Terms of repayment per month (Rs '000)	Security
Bank of Ceylon PLC	AWPLR + 1.5%	6,605	157	Mortgage has executed over the vehicles purchased
		6,605		

* AWPLR - Average Weighted Prime Lending Rate

The bank overdrafts of the Company and group are secured by investment properties and bear interest at AWPLR+1.5%.

24. Retirement benefit obligations

The amounts recognised in the balance sheet are determined as follows:

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Present value of unfunded obligation	2,378	2,572	1,284	2,378	2,572	1,284
Liability in balance sheet	2,378	2,572	1,284	2,378	2,572	1,284

The movement in the defined benefit obligation over the year is as follows:

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
At 1 April	2,572	1,284	2,453	2,572	1,284	2,453
Current service costs	300	338	202	300	338	202
Interest costs	3	89	111	3	89	111
Actuarial loss / (gain) recognised in other comprehensive income	(497)	861	(1,482)	(497)	861	(1,482)
At 31 March	2,378	2,572	1,284	2,378	2,572	1,284

Notes to the Financial Statements (Contd..)

24. Retirement benefit obligations (Contd..)

The amounts recognised in the income statement are as follows:

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Current service cost	300	338	202	300	338	202
Interest cost	3	89	111	3	89	111
Cost included in the staff costs [Note 8 (a)]	303	427	313	303	427	313
Actuarial loss recognised in other comprehensive income	(497)	861	(1,482)	(497)	861	(1,482)
	(497)	861	(1,482)	(497)	861	(1,482)
Total cost	(194)	1,288	(1,169)	(194)	1,288	(1,169)

The principal actuarial assumptions used were as follows:

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Discount rate	11%	7%	10%	11%	7%	10%
Future salary increases	20%	10%	10%	20%	10%	10%
Retiring age	55 - 62 years	55 - 62 years	55 years	55 - 62 years	55 - 62 years	55 years

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

Change in assumption	Impact form change in assumption				
	Increase in assumption (Rs)		Decrease in assumption (Rs)		
	Group	Company	Group	Company	
Discount rate per annum	1%	4,747	4,747	(4,752)	(4,752)
Annual salary increment rate	1%	(4,753)	(4,753)	4,743	4,743

25. Commitments and contingent liabilities.

There were no any commitments and contingent liabilities relating to the Company and the Group as at 31 March 2016. The commitments and contingent liabilities in relation to the group's interest in the joint venture is disclosed in Note 17.

26. Stated capital

Company	Number of ordinary shares	Ordinary shares Rs
At the beginning and end of the year	80,400	402,000

Notes to the Financial Statements (Contd..)

27. Revaluation reserves

	Group 31 March		Company 31 March	
	2016	2015	2016	2015
At the beginning of thhe year (Previously reported)	-	141,770	-	141,770
Prior year adjustment	-	(141,770)	-	(141,770)
At the beginning of the year (Restated)	-	-	-	-
Gain on revaluation of motor vehicles	971	-	971	-
At end of year	971	-	971	-

Group and company

Revaluation increments are recognised in other comprehensive income and accumulated as a separate component of equity in the property, plant and equipment revaluation reserve. Motor vehicles have been revalued at the year end and accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

28. Other reserves

	Group 31 March		
	2016	2015	2014
Other reserves	237,815	237,815	237,815

Other reserves, which is capital reserve, wholly consists of the Company's share of capital reserves and revaluation reserves of Joint venture as at 31 March 2016 amounting to Rs. 54,400,000 and Rs. 421,229,780 respectively.

29. Dividend per share

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Dividend declared to shareholders	120,600	133,866	119,394	120,600	133,866	119,394
Number of shares in issue (thousands)	80,400	80,400	80,400	80,400	80,400	80,400
Dividends per share - (Rs)	1.50	1.67	1.49	1.50	1.67	1.49
Dividend pay out ratio	16%	19%	18%	59%	80%	90%

Notes to the Financial Statements (Contd..)

30. Cash generated from / (used in) operations

Reconciliation of profit before tax to cash generated from / (used in) operations:

	Group 31 March		Company 31 March	
	2016	2015	2016	2015
Profit before tax	779,241	767,056	223,555	218,626
Adjustments for:				
Depreciation on property plant and equipment [Note 13]	6,996	7,057	579	569
Amortisation of intangible assets [Note 15]	51	4	33	3
Profit on disposal of property, plant and equipment [Note 7]	(2,140)	(1,149)	-	-
Gain from fair value adjustment on Investment Property [Note 14]	(15,276)	(49,250)	(15,276)	(49,250)
Net interest income [Note 9]				
Net interest expense [Note 9]	2,113	4,991	1,266	3,531
Share of profit from joint venture [Note 17]	(805,036)	(750,195)	-	-
Dividend income [Note 7]	-	-	(251,000)	(202,500)
Changes in working capital :				
- trade and other receivables	(4,247)	(129,113)	(4,230)	(129,188)
- inventories	-	37,868	-	37,868
- payables	2,483	1,052	2,911	1,032
Defined benefit obligations [Note 24]	303	427	303	427
Cash used in operations	(35,512)	(111,252)	(41,859)	(118,882)

Notes to the Financial Statements (Contd..)

31. Related party transactions

The directors of the company are directors of following companies with which the Company had transactions in the ordinary course of business during the year.

	Ceat Kelani Holdings (Private) Limited	Wheels (Private) Limited	Silver Stock Limited	Executive Cars (Private) Limited	Smart Wheels (Private) Limited	Power Wheels (Private) Limited	Tyres Express (Private) Limited
Mr Chanaka De Silva - Chairman	X	X	X	X	X	X	X
Mr Rohan T Fernando - Director	X	X	X	X	X	X	X
Mr L P Fernando - Director	X	X	X	X	X	X	X
Mr T B Perera - Director	-	-	-	X	-	-	-
Mr S K Amarasakara - Director	-	-	-	-	-	-	-
Mrs. S S Jayathilaka - Director	-	-	-	X	-	-	-
Mr Eraj T Fernando - Alternate Director to Mr L P Fernando	X	X	X	X	X	X	X

('X' denotes the companies of which each of the persons mentioned was a director.)

Notes to the Financial Statements (Contd..)

31. Related party transactions (Contd..)

(a) Transaction and balances with related parties

The following transactions were carried out with the related companies during the year:

(i)	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Sale of goods and services						
Wheels (Private) Limited	213,882	104,085	378,137	208,138	97,340	371,043
Silver Stock Limited	437	583	583	-	-	-
Ceat Kelani International Tyres (Private) Limited	1,030	695	360	1,030	695	360
Hercules Motor Company	28,827	-	-	28,827	-	-
Tyres Express (Private) Limited	-	325,674	-	-	325,674	-
Smart Wheels (Private) Limited	742	253	-	-	-	-
Power Wheels (Private) Limited	113,352	61,586	-	113,202	61,509	-
	358,270	492,876	379,080	351,197	485,218	371,403

Outstanding balance arising from transactions with related companies.

(ii)	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Receivable from related parties						
Wheels (Private) Limited	34	119	410	34	119	410
Silver Stock Limited	3,035	1,322	202	3,035	1,322	202
Executive Cars (Private) Limited	-	-	-	-	655	655
	3,069	1,441	612	3,069	2,096	1,267
(iii)						
Loan receivable from related parties						
Executive Cars (Private) Limited	-	-	-	1,438	3,154	4,729
	-	-	-	1,438	3,154	4,729
(iv)						
Trade receivable from related parties						
Tyres Express (Private) Limited	-	106,248	-	-	106,248	-
Power Wheels (Private) Limited	65,305	64,682	-	65,305	64,682	-
Wheels (Private) Limited	135,500	56,738	88,823	135,500	56,738	88,823
Hercules Motor Company	31,998	-	-	31,998	-	-
	232,803	227,668	88,823	232,803	227,668	88,823

Notes to the Financial Statements (Contd..)

31. Related party transactions (Contd..)

(b) Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	Group 31 March			Company 31 March		
	2016	2015	2014	2016	2015	2014
Salaries and other short term employee benefits	10,943	10,859	9,466	10,943	10,859	9,466
Termination benefits	-	-	-	-	-	-
	10,943	10,859	9,466	10,943	10,859	9,466

32. Post balance sheet events

No events have occurred since the balance sheet date which would require adjustments to, or disclosure in the financial statements.

RELATED PARTY TRANSACTIONS (Receivables) AS AT 31-03-2016

Disclosur requirement as per Circular No. 09/2010 and Section 7 of Continuing Listing Requirement of Colombo Stock Exchange

The following transactions ("Actual Values") are in respect of Storage and Sales relating to Importing of Tyres and Batteries in the ordinary course of business of the Company.

Name of the Party	Relationship	Date of Transaction	Value Rs.	Tot. Assets		Equity		Terms	Rationale
				Rs.	% of Tot. Assets	Rs.	% of Equity		
Total value as at 31st March 2016				<u>836,874,019</u>		<u>788,765,586</u>			
Wheels Group of Companies	Common Directors	26-08-2015	9,422,270						
		01-10-2015	9,670,789						
* (Wheels (Pvt) Ltd,		01-10-2015	10,018,305						
Tyres Express (Pvt) Ltd,		01-10-2015	19,719,028						
Power Wheels (Pvt) Ltd)		26-10-2015	8,346,974						
		26-10-2015	9,321,652						
		04-11-2015	9,479,111						
		04-11-2015	6,715,726						
		11-11-2015	7,500,000						
		20-11-2015	10,124,412						
		04-12-2015	10,360,814						
		30-12-2015	10,412,037						
		08-01-2016	27,194,746						
		24-02-2016	31,997,528						
		05-03-2016	9,284,160						
		05-03-2016	11,376,634						
		05-03-2016	11,372,133						
		08-03-2016	20,484,721						
				<u>232,801,040</u>	<u>27.82%</u>	<u>29.51%</u>			

Note Common Directors - Mr. Chanaka de Silva (Chairman), Mr. Rohan T. Fernando (Managing Director), Mr. Lasantha P. Fernando (Executive Director) and Mr. Eradj T. Fernando (alternate director to Mr. L. P. Fernando) are also the Directors of Wheels Group of Companies

Information to Shareholders and Investors

1. STOCK EXCHANGE LISTING

The issued Ordinary shares of Kelani Tyres PLC are listed with Colombo Stock Exchange.

2. SHAREHOLDING AS AT 31ST MARCH 2016

	2015/2016			2014/2015		
	No. of Holders	No. of Shares	%	No. of Holders	No. of Shares	%
FROM 1 1,000	6,433	1,873,592	2.33	6,465	1,905,898	2.37
1,001 10,000	1,658	4,232,607	5.26	1,691	4,333,946	5.39
10,001 100,000	128	3,922,937	4.88	155	4,542,966	5.65
100,001 1,000,000	37	8,915,312	11.09	40	8,771,179	10.91
OVER 1,000,000	8	61,455,552	76.44	9	60,846,011	75.68
	8,264	80,400,000	100.00	8,360	80,400,000	100.00

3. CATEGORIES OF SHAREHOLDERS AS AT 31ST MARCH 2016

	2015/2016			2014/2015		
	No of Holders	No. of Shares	%	No of Holders	No. of Shares	%
Local Individuals	7,988	23,067,739	28.69	8,090	24,329,423	30.26
Local Institutions	204	53,210,068	66.18	197	51,829,122	64.46
Foreign Individuals	65	566,021	0.70	66	548,750	0.68
Foreign Institutions	7	3,556,172	4.42	7	3,692,705	4.59
	8,264	80,400,000	100	8,360	80,400,000	100

4. PUBLIC SHARE HOLDING AS AT 31ST MARCH 2016 - 56.36% Comprising of 8,256 shareholders.

5. SHARE VALUATION

	2015/2016		2014/2015	
		(Rs.)		(Rs.)
Market value of Ordinary Shares	31st Mar 2016	64.00	31st Mar 2015	78.00
Highest value recorded	05th Aug. 2015	89.00	12th Jan. 2015	84.50
Lowest value recorded	09th Mar. 2016	59.00	01st Apr 2014	51.70

Forty Largest Shareholders as at 31 March 2016

	2015/2016		2014/2015	
	No of Shares	% Holding	No of Shares	% Holding
Silverstock Limited	35,080,523	43.632	33,520,000	41.692
Bank of Ceylon A/C Ceybank Unit Trust	8,037,911	9.997	7,790,560	9.690
Mr. N Ganarajah	6,440,800	8.011	6,332,000	7.876
Mr. M M Udeshi & Mr. H. M. Udeshi	4,227,000	5.257	4,338,000	5.396
Lombard Odier Darier Hentsch and CIE	3,508,800	4.364	-	0.000
Employee Provident Fund	1,553,800	1.933	1,614,504	2.008
Bank of Ceylon A/C Ceybank Century Growth Fund	1,351,439	1.681	141,272	0.176
Mr. N Pusparaj	1,255,279	1.561	1,255,279	1.561
Bank of Ceylon No 01 Account	860,280	1.070	1,253,628	1.559
Commercial Bank of Ceylon PLC/V Saraswathy } Sampath Bank PLC/ Mrs. Saraswathy Vasudevan }	- 601,907	0.000 0.749	601,907 -	0.749 0.000
Commercial Bank of Ceylon PLC/S Vasudevan } Sampath Bank PLC/ Mr. Subramaniam Vasudevan }	- 537,630	0.000 0.669	600,000 -	0.746 0.000
Aruna Enterprises (Pvt) Ltd	437,600	0.544	437,600	0.544
Mr. A Sithampalam } Hatton National Bank PLC / Arunasalam Sithampalam }	- 386,000	0.000 0.480	487,200 -	0.606 0.000
Mr. T. L. M. Imtiaz	344,822	0.429	19,400	0.024
Mr. B Pobran	344,240	0.428	344,240	0.428
Mr. G Dangampola & Mrs. N P Dangampola	341,507	0.425	333,015	0.414
Hatton National Bank PLC A/c NO. 4 (HNB Retirement Pension Fund)	330,000	0.410	330,000	0.000
Mrs. N. Mulji	291,694	0.363	291,694	0.363
Seylan Bank PLC / Ransiri Enterprises (Pvt) Ltd	268,200	0.334	268,200	0.334
Rubber Investment Trust Limited A/c No. 01	267,316	0.332	211,816	0.263
Mr. A. Tirathdas	258,657	0.322	150,000	0.187
Ceylon Investment PLC A/c No. 01	249,432	0.310	250,000	0.311
Deutsche Bank AG as Trustee to Candor Sharia Fund	237,753	0.296	-	0.000
Mr. Z G Carimjee	234,533	0.292	480	0.001
The Ceylon Chamber of Commerce A/C No. 2	202,000	0.251	422,000	0.525
Mrs. A. A. Merchant	200,000	0.249	203,300	0.253
Sithlanka (Private) Limited	172,000	0.214	172,000	0.214
Waldock Mackenzie Ltd / Mr. M. Z. M. Waffk	171,286	0.213	160,070	0.199
Ms. S Durga	167,400	0.208	167,400	0.208
Life Insurance Corporation (Lanka) Ltd	158,422	0.197	-	0.000
Mr. A. Sivapalan	150,000	0.187	150,000	0.187
Waldock Mackenzie Ltd / HI-LINE Trading (Pvt) Ltd	150,000	0.187	150,000	0.187
Kalday (Pvt) Ltd	149,760	0.186	149,760	0.186
Asha Financial Services Ltd / Mr. C. N. Pakianathan	143,068	0.178	-	0.000
DFCC Bank PLC / A. K. Investments (Pvt) Ltd	131,617	0.164	131,617	0.164
Mr. S. Abishek } Union Bank Of PLC / Mr. Sithampalam Abishek }	- 130,500	0.000 0.162	130,500 -	0.162 0.000
Sri Lanka Insurance Corporation Ltd - Life Fund	128,128	0.159	-	0.000
Mr. A. R. Gunasekara and Mrs. S. R. Gunasekara	122,432	0.152	-	0.000
Mrs. Z. M. Adamally	117,027	0.146	-	0.000
Mr R. Gautam	110,000	0.137	110,000	0.137

Performance Highlights

	GROUP (Investment in JV Accounted for on					COMPANY				
	Equity Method		Proportionate Consolidation			2015/16	2014/2015 (Restated)	2013/14	2012/13	2011/12
	2015/16	2014/15 (Restated)	2013/14 (Restated)	2012/13	2011/12					
(amounts in Sri Lanka Rupees thousands)										
Gross Sales (after discounts)										
Local	392,929	547,289	421,012	3,846,324	3,991,349	385,727	538,711	412,880	417,308	204,873
Export	-	-	-	1,571,273	1,111,002	-	-	-	-	-
Trading Profitability										
Net Sale	351,076	484,798	372,926	4,945,027	4,615,138	344,027	477,302	364,957	368,868	181,092
Cost of Sales	(317,557)	(441,942)	(346,994)	(3,683,708)	(3,655,687)	(317,557)	(441,942)	(346,907)	(348,104)	(171,908)
Gross Profit	33,519	42,856	25,932	1,261,319	959,451	26,470	35,560	18,050	20,764	9,184
Other Operating Income										
Rent Income	3,430	3,095	2,760	1,974	1,691	3,430	3,095	2,760	2,154	1,871
Hire Income	-	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Dividend Income	-	-	-	-	-	251,000	202,500	168,750	135,000	157,500
Others	3,057	1,740	2,688	13,532	15,486	917	591	629	1,336	1,837
Net gain from fair value adjustment on Investment Property	15,276	49,250	-	-	-	15,276	49,250	-	-	-
Expenditure										
Distribution cost	(13,901)	(17,689)	-	(343,964)	(306,171)	(13,901)	(17,689)	-	-	-
Administrative Expenditure	(64,779)	(57,400)	(55,461)	(236,174)	(183,189)	(58,371)	(50,950)	(48,753)	(38,488)	(32,230)
Other Operating Expenses	-	-	-	(7,189)	(21,836)	-	-	-	-	-
Finance Cost	(2,397)	(4,991)	(10,200)	(82,434)	(73,703)	(1,266)	(3,531)	(8,556)	(7,222)	(4,659)
Minority Interest	-	-	-	-	-	-	-	-	-	-
Share of results of joint venture	805,036	750,195	693,774	-	-	-	-	-	-	-
Net Profit (after tax)	777,994	768,570	658,781	447,615	298,357	222,924	218,401	132,570	113,354	133,879
Financial Position (Rs.'000)										
Market value per share as at										
31 March Rs.	64.00	78.00	52.20	34.50	26.50	64.00	78.00	52.20	34.50	26.50
Dividends per share	1.5	1.67	1.49	1.31	1.26	1.5	1.67	1.49	1.31	1.26

Financial Review of the Group

	Consolidated under Equity		Consolidated under Proportionate		
	Method		Method		
	2015/2016 Rs. '000	2014/2015 Rs. '000	2013/2014 Rs. '000	2012/2013 Rs. '000	2011/2012 Rs. '000
Sales	351,076	484,798	372,926	4,945,027	4,615,138
Gross Profit	33,519	42,856	25,932	1,261,319	959,451
Operating Profit Before Tax & interest (with share of results of joint venture)	781,638	772,047	669,693	689,498	465,432
Profit After Taxation & Minority interest	777,994	768,570	658,781	447,615	298,357
Share Capital & Reserves					
Stated Capital	402,000	402,000	402,000	402,000	402,000
Revaluation & other reserve	238,786	237,815	237,815	238,060	238,060
Accumulated Profit/ (losses)	3,033,892	2,372,410	1,742,208	1,118,547	777,173
Shareholders' Funds	3,674,678	3,012,225	2,382,023	1,758,607	1,417,233
Minority Interest	-	-	-	-	-
Assets & (Liabilities)					
Current Assets	323,111	361,682	200,222	1,671,983	1,417,077
Current Liabilities	(48,351)	(178,259)	(34,863)	(1,183,516)	(1,205,973)
Net Current Assets	274,760	183,423	165,359	488,467	211,104
Non Current Assets	3,407,014	2,838,694	2,221,064	1,480,820	1,405,381
Non Current Liabilities	(7,096)	(9,892)	(4,400)	(210,680)	(199,252)
	3,674,678	3,012,225	2,382,023	1,758,607	1,417,233
Ratio Analysis					
Gross Profit Margine	10%	9%	7%	26%	21%
Earnings per Share(Rs)	9.68	9.56	8.19	5.57	3.71
Net Assets per Share(Rs)	45.70	37.47	29.63	21.87	17.63
Assets Utilization -(Times)	0.10	0.17	0.17	3.34	3.28
Current Ratio (Times)	6.68	2.03	5.74	1.41	1.18
Bank Borrowings as a % of Total Assets	0.18%	5%	0.23%	12%	25%
Gearing Ratio	0%	2%	0%	25%	32%

Consolidation Analysis

Statement of Comprehensive Income

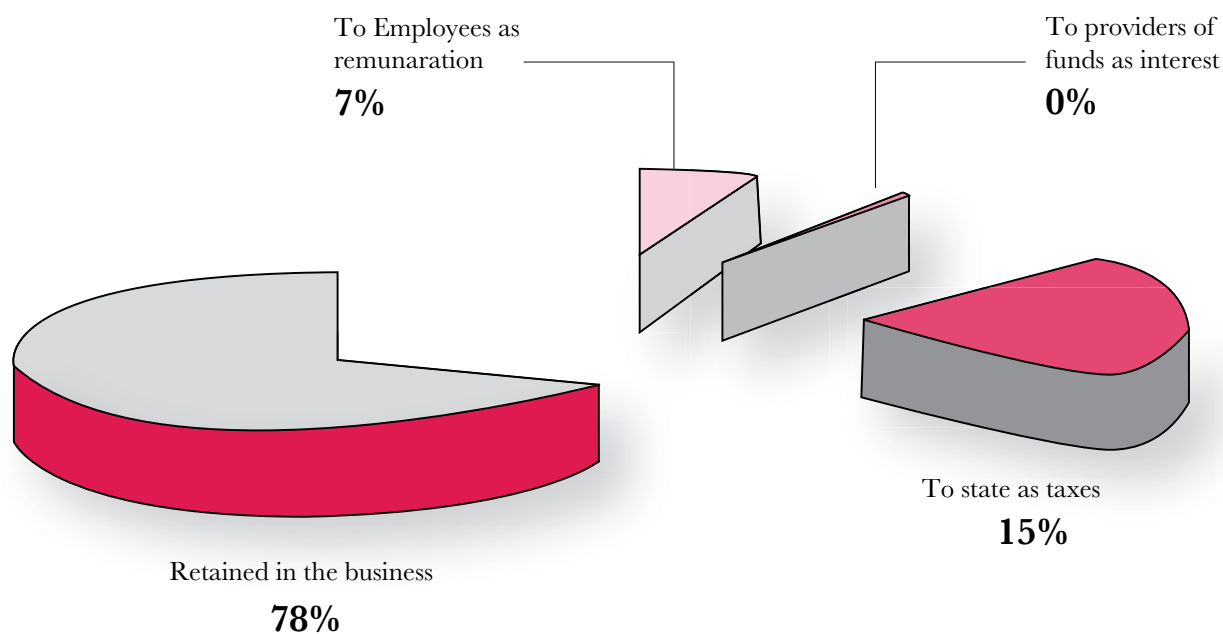
	Company Twelve Months ended 31st Mar. 2016	EC Twelve Months ended 31st Mar. 2016	Group Twelve Months ended 31st Mar. 2016
Sales	344,026,970	7,428,273	351,076,243
Cost of Sales	(317,556,704)	Nil	(317,556,704)
Gross Profit	26,470,266	7,428,273	33,519,539
Other Operating Income	255,347,314	2,139,649	6,486,917
Net gain from fair value adjustment on Investment Property	15,275,882	Nil	15,275,882
Distribution Cost	(13,900,915)	Nil	(13,900,915)
Administrative Expenses	(57,759,368)	(356,562)	(57,736,930)
Depreciation	(611,013)	(6,430,563)	(7,041,576)
Other Operating Expenses	Nil	Nil	Nil
Operating Profit	224,822,166	2,780,797	(23,397,083)
Finance Income/(Costs)	(1,266,701)	(1,130,328)	(2,397,029)
Share of results of joint venture	Nil	Nil	805,035,912
Profit before tax	223,555,465	1,650,469	779,241,800
Income Tax expense	(631,031)	(615,692)	(1,246,723)
Profit from Ordinary activities	222,924,434	1,034,777	777,995,077
Other Comprehensive Income			
Remeasurement of defined benefit obligation	497,231	Nil	497,231
Gains on revaluation of motor vehicle	970,825	Nil	970,825
Share of other comprehensive income from joint venture	Nil	Nil	3,591,611
Total Comprehensive Income for the year	224,392,490	1,034,777	783,054,744
Basic earnings per share - Rs.	2.77	1,034.78	9.68

Consolidation Analysis

Statement of financial position

	Company as at 31st Mar. 2016	EC as at 31st Mar. 2016	Group as at 31st Mar. 2016
ASSETS			
Non - Current Assets			
Property, Plant & Equipment	21,810,839	10,246,464	29,492,215
Investment Property	352,950,000	Nil	352,950,000
Intangible Asset	97,563	48,781	146,344
Deferred income tax assets	Nil	1,553,738	1,553,738
Investment in Joint Venture	139,606,988	Nil	3,022,872,584
Investment in Subsidiary	10,000	Nil	Nil
Receivable from Subsidiary	1,437,979	Nil	Nil
	515,913,369	11,848,983	3,407,014,881
Current Assets			
Trade and Other Receivables	250,255,919	22,436	250,278,355
Cash and Cash Equivalent	70,704,731	2,127,533	72,832,264
	320,960,650	2,149,969	323,110,619
Total Assets	836,874,019	13,998,952	3,730,125,500
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	402,000,000	10,000	402,000,000
Revaluation and Other Reserves	970,825	Nil	238,785,715
Retained Earnings/(Accumulated Losses)	385,794,761	5,045,375	3,033,893,755
	788,765,586	5,055,375	3,674,679,470
Non - Current Liabilities			
Borrowings	Nil	4,718,261	4,718,261
Defined Benefit Obligations	2,378,122	Nil	2,378,122
Differed Tax Liability	Nil	Nil	Nil
Loan from Parent Company	Nil	1,437,979	Nil
	2,378,122	6,156,240	7,096,383
Current Liabilities			
Trade and Other Payables	7,944,337	536,300	8,312,637
Amounts Due to Related Companies	Nil	-	Nil
Provision for Taxation	575,276	364,242	939,518
Preference Shares	Nil	Nil	Nil
Borrowings	Nil	1,886,795	1,886,795
Bank Overdraft	37,210,698	Nil	37,210,698
	45,730,311	2,787,337	48,349,647
Total Liabilities	48,108,433	8,943,577	55,446,030
Total Equity and Liabilities	836,874,019	13,998,952	3,730,125,500
Net Asset value per Share -Rs.	9.81	5,055.38	45.70

Statement of Value Added



	2015/2016	%	2014/2015	%
Turnover	385,727	134.19%	538,711	179.20%
Other Income	270,623	94.15%	255,436	84.97%
Cost of Material & Services Purchased	(368,901)	(128.34%)	(493,526)	(164.17%)
	287,449	100.00%	300,621	100.00%
Distributed as follows				
To Employess as remuneration	20,316	7.07%	16,483	5.48%
To providers of funds as interest	1,266	0.44%	3,531	1.17%
To State as taxes	42,331	14.73%	61,634	20.50%
To Shareholders as dividens	-	0.00%	-	0.00%
Retained in the business				
Depriciation	612	0.21%	572	0.19%
Reserves	222,924	77.55%	218,401	72.65%
	287,449	100%	300,621	100%

JOINT VENTURE

PERFORMANCE HIGHLIGHTS

Commissioning of modern and new machinery to expand motorcycle tyre production capacity



From left to right : Mr. Vijay Gambhire - MD/CEO Ceat Sri Lanka, Mr. Anant Goenka - MD/CEO Ceat Ltd India, Mr. Chanka de Silva - Chairman Kelani Tyres PLC and Ceat Sri Lanka Group, Mr. Rohan Fernando - Managing Director Kelani Tyres PLC and Executive Director Ceat Kelani Group, Mr. N.C. Venugopal - MD/CEO Ceat Sri Lanka (Retired w.e.f. April 2015) and Mr. Tom Tomas - Executive Director Techinal and R&D Ceat Ltd India.



Mr. Chanka de Silva - Chairman Kelani Tyres PLC and Ceat Sri Lanka Group and from left Mr. Rohan Fernando - Managing Director Kelani Tyres PLC Executive Director Ceat Kelani Group

Summarised Income Statement

Ceat Kelani Holdings (Pvt) Ltd - Consolidated

(amounts in Sri Lanka Rupees thousands)

	2015/16	2014/15	2013/14	2012/13	2011/12
Production (MT)	15,211	15,440	15,469	14,987	15,057
Total Sales (MT)	15,488	15,924	16,087	14,993	14,993
Domestic Sales	6,763,707	7,016,628	7,007,190	5,996,109	6,492,811
Export Sales	2,398,209	2,415,996	2,771,205	3,142,547	2,222,003
Total Sales	9,161,916	9,432,623	9,778,395	9,138,656	8,714,814
Cost of Sales	(5,689,023)	(6,254,402)	(6,619,187)	(6,656,874)	(6,822,280)
Contribution	3,472,893	3,178,222	3,159,208	2,481,782	1,892,534
Distribution/Administrative Cost	(1,464,723)	(1,243,460)	(1,358,151)	(1,101,456)	(955,355)
Finance Income / Cost (net)	84,002	4,031	(64,567)	(146,714)	(138,856)
Other Operating Income	18,617	26,511	21,727	24,968	24,798
PBT	2,110,790	1,965,303	1,758,217	1,258,580	823,122
Taxation	(500,718)	(464,913)	(370,669)	(317,924)	(183,927)
PAT	1,610,072	1,500,391	1,387,548	940,657	639,195
PBDT	2,379,703	2,174,235	1,926,759	1,374,087	932,894

Summarised Financial Position

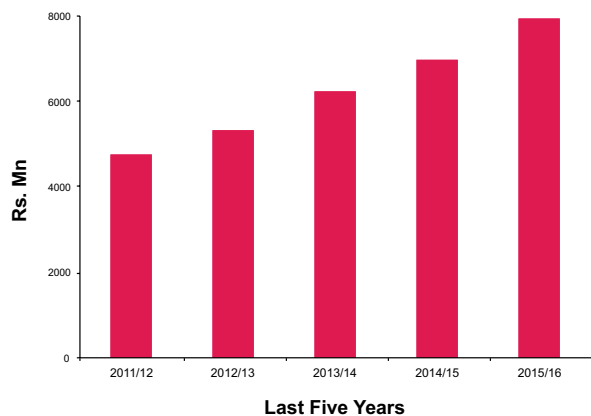
Ceat Kelani Holdings (Pvt) Ltd - Consolidated

(amounts in Sri Lanka Rupees thousands)

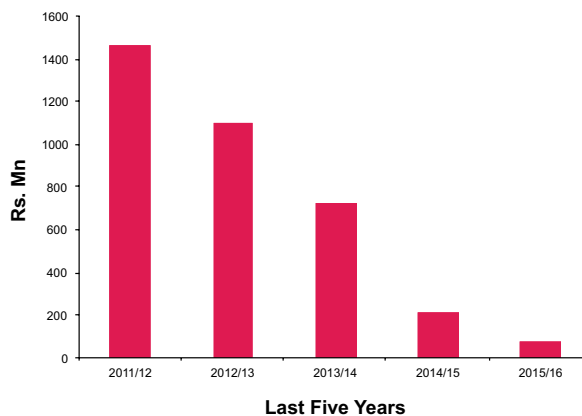
	31-03-2016	31-03-2015	31-03-2014	31-03-2013	31-03-2012
Non-Current Assets	3,739,735	3,229,753	3,069,944	2,527,271	2,373,604
Current Assets	4,201,023	3,735,631	3,171,323	2,798,241	2,387,759
Total Assets	7,940,758	6,965,384	6,241,267	5,325,512	4,761,363
Capital and Reserves	6,045,745	4,930,490	3,842,382	2,804,643	2,136,234
Non-Current Liabilities	612,107	514,087	426,652	406,070	385,842
Current Liabilities	1,282,907	1,520,807	1,972,233	2,114,800	2,239,288
Total Equity and Liabilities	7,940,758	6,965,384	6,241,267	5,325,512	4,761,363

Performance Highlights - Joint Venture

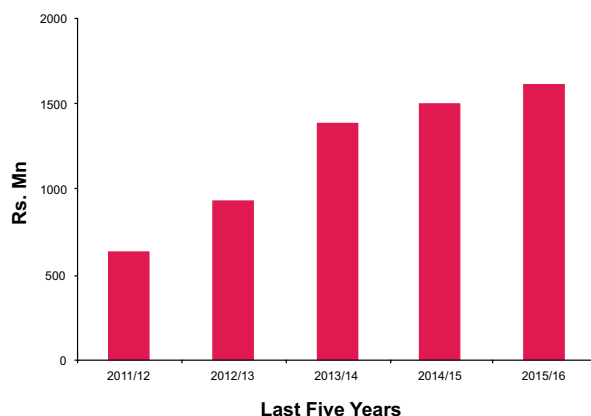
Total Assets Employed



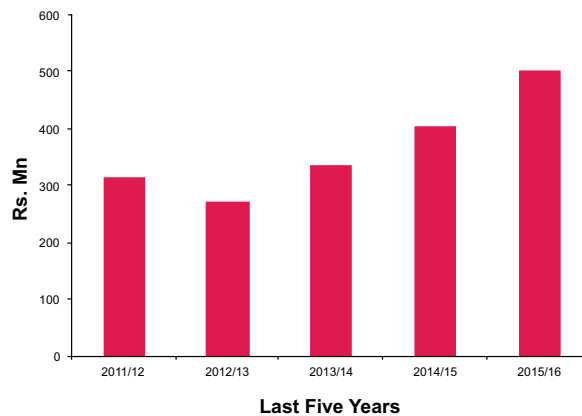
Total Borrowings



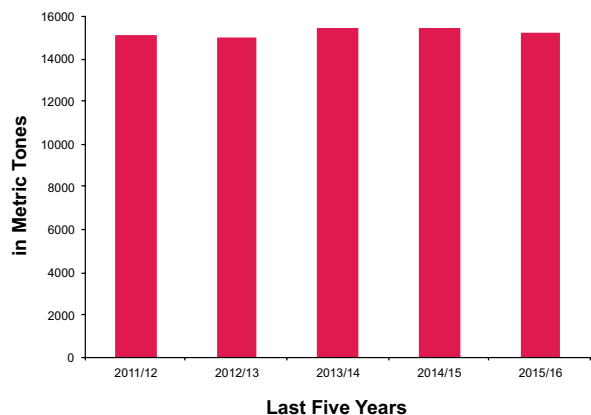
Profit After Tax



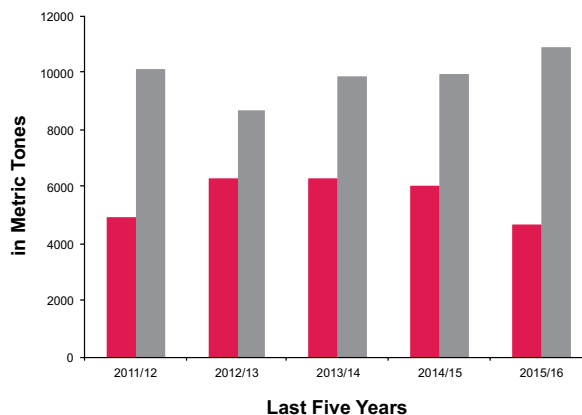
Ordinary Dividends



Production



Exports/Local



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Second (22nd Annual General Meeting of Kelani Tyres PLC will be held at the Capri Club No. 62, Dharmapala Mawatha, Colombo 3, on, Friday, 2nd, September 2016 at 9.30 am for the following purposes;

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2016 and the Report of the Auditors thereon.
2. To pass the Ordinary Resolution set out below to re-appoint Mr R C D De Silva who is 74 years of age, in pursuance of the provisions of the Companies Act, No.7 of 2007, as a Director of the Company:

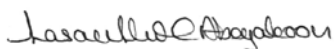
“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr R C D De Silva who is 74 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.7 of 2007.”

3. To pass the Ordinary Resolution set out below to re-appoint Mr L P Fernando who is 71 years of age, in pursuance of the provisions of the Companies Act, No.7 of 2007, as a Director of the Company:

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Mr L P Fernando who is 71 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act, No.7 of 2007.”

4. To re-elect Ms S S Jayatilaka who retires by rotation in terms of Articles 84 and 85 of the Articles of Association, as a Director of the Company.
5. To re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine donations for the year ending 31st March 2017 and up to the date of the next Annual General Meeting.

By Order of the Board
KELANI TYRES PLC



P W CORPORATE SECRETARIAL (PVT) LTD
Directors / Secretaries

2nd August 2016
Colombo

- Notes:
1. A shareholder entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend, speak and vote on behalf of him/her.
 2. A Proxy need not be a shareholder of the Company.
 3. A Form of Proxy is enclosed for this purpose.
 4. The completed Form of Proxy must be deposited at the Registered Office of the Company, P O Box 8, Nungamugoda, Kelaniya by 9.30 am on 31st August 2016.

Form of Proxy

I/We*.....(holder of NIC No.....) of.....

 being a shareholder/s* of KELANI TYRES PLC hereby appoint
of.....
or failing him*;

Mr Ruwanpura Chanaka Dharmajith De Silva	of Colombo or failing him*
Mr Rohan Thilak Fernando	of Colombo or failing him*
Mr Lasantha Premalal Fernando	of Colombo or failing him*
Mr Tuduwage Bevan Perera	of Colombo or failing him*
Mr Don Soshan Kamantha Amarasekera	of Colombo or failing him*
Ms Samalee Saroja Jayatilaka	of Colombo or failing her*
Mr Eraj Triantha Fernando (Alternate Director to Mr. L P Fernando)	of Colombo*

as my/our *proxy to represent me/us* to speak on my /our behalf and to vote as indicated hereunder for me/us* on my/our* behalf at the Twenty Second Annual General Meeting of the Company to be held at Capri Club, No. 62, Dharmapala Mawatha, Colombo 3, on Friday, 02nd, September 2016 at 9.30 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To pass the Ordinary Resolution set out under item 2 of the Notice of Meeting to re-appoint Mr R C D De Silva who is 74 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To pass the Ordinary Resolution set out under item 3 of the Notice of Meeting to re-appoint Mr L P Fernando who is 71 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Ms S S Jayatilaka, who retires by rotation in terms of Articles 84 and 85 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine donations for the year ending 31st March 2017 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hand this day of Two Thousand and Sixteen.

.....
 Signature of Shareholder/s

*Please delete what is inapplicable.

Note: Instructions as to completion appear on the reverse hereof.

Instructions as to Completion

1. Kindly perfect the Form of Proxy by filling in legibly your Full Name, Address and the National Identity Card Number and by signing in the space provided and filing in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
3. If the appointer is a Company/Incorporated body, the Proxy Form must be executed in accordance with the Articles of Association/Statute.
4. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided.
5. Please indicate with an 'X' in the space provided how your Proxy is to vote on the resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company, P.O. Box 8, Nungamugoda, Kelaniya, by 9.30 a.m. on 31st August 2016.

Attendance Slip

Please bring this Attendance Slip and your National Identity Card when attending the Twenty Second Annual General Meeting to be held at Capri Club No. 62, Dharmapala Mawatha, Colombo 3, on Friday, 02nd, September 2016 at 9.30 a.m.

Signature of Shareholder

Shareholder's Full Name

Shareholder's NIC Number

Number of Shares

Signature of Proxy Holder

(If applicable)

Proxy Holder's Full Name

Proxy Holder's NIC Number



