
Annual Report 2021 - 2022



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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
T. Bevan Perera	- Executive Director
D. S. Kamantha Amarasekera	- Director
Ms S. S. Jayatilaka	- Director
Eraj T. Fernando	- Executive Director
R. P. Weerasooria	- Director

SECRETARIES & REGISTRARS

P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road,
Colombo 08.
Tel: 011 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
Mr. M. J. R. B. Peter	- 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@slt.net.lk

Chairman's Review

On behalf of the Board of Directors, it is my pleasure to welcome you to the Twenty Eighth Annual General Meeting of the Company for the year ending 31st March 2022.

The year under review began positively with fewer COVID – 19 pandemic related disruptions affecting operations. However, early signs of the serious economic, social, and political crisis the country is facing had its negative impact on operations. Foreign currency (Fx) shortages in the banking system due to lack of Fx inflows affected the supply chain, mainly in the form of not being able to procure raw materials on time. Fx scarcity created shortages in locally procured items as well. In addition, inflation that was climbing steadily had to be addressed.

Amidst these challenges, the CeatKelani Joint Venture achieved a turnover of Rs 20.549 Bn compared to Rs 13.942 Bn in the previous year. The operating profit recorded was Rs 1.914 Bn compared to Rs 2.117 Bn in the previous year. The decline was mainly on account of providing a Rs 649.6 Mn for foreign exchange loss due to the significant devaluation arising from the free floating of the rupee in March 2022.

I am pleased to place on record that Fitch Ratings re-affirmed the National Long-Term rating of 'AA+ (lka) /Stable' on the CEAT-Kelani JV up to 31-03-2023.

Performance statistics of the JV for your information are given below.

All amounts are in Thousands

Period	Prodcution MT	Gross. Sales	Profit from Operations	PAT	Cost of Sales	Export Earnings	CAPEX
2017 (17/18)	17,122	11,629,546	1,291,693	1,111,658	7,248,667	2,049,307	298,922
2018 (18/19)	16,074	12,056,055	1,182,273	989,247	7,603,842	2,252,940	1,234,200
2019 (19/20)	14,680	11,416,833	1,103,596	933,799	7,078,022	1,324,057	390,533
2020 (20/21)	17,612	13,942,469	2,117,200	1,948,196	8,280,762	996,144	487,528
2021 (21/22)	19,454	20,549,426	1,914,420	1,692,837	12,744,603	747,685	1,011,831

I once again note with satisfaction that we continue to retain our position as market leader in the Truck, Light Truck, Van and Passenger Car Radials, 3 wheeler and agriculture tyres.

"CEAT", the tyre brand manufactured by the JV in Sri Lanka, was ranked as the most valuable brand in the tyre segment in 2022 by Brand Finance and CEAT retained the AAA Brand Rating. On an overall basis, Brand Finance ranked CEAT as the 38th most valuable brand in Sri Lanka in 2022. This is an improvement of 10 places year on year where CEAT was ranked 48 in 2021.

To support the green energy policy objectives of the Government, the JV invested on a roof top solar power generation project. The project has the capacity to generate 2.4 MW and is expected to be operational by December 2022. This project will substantially reduce the cost of electricity at the Kelaniya plant.

The Ministry of Industries & Commerce and Ministry of Finance & Planning continues to extend their support to the JV and we wish to place on record our sincere appreciation for the support extended by all officials in the Ministries.

I thank my fellow Directors for all the advice, support and guidance extended at all times to steer the JV through a challenging year. I thank and place on record my appreciation of counsel and support given by Mr. Harsh Goenka – Chairman CEAT Ltd., India, and Mr. AnantGoenka – Managing Director CEAT Ltd., India. I also thank the Management Teams and all staff at Kelani Tyres PLC and CEAT Kelani Sri Lanka Companies for their commitment and untiring efforts to make operations successful by facing numerous challenges during the year.

I thank you, our shareholders, for the continuous support extended to your Board of Directors. The confidence demonstrated by you has encouraged us to make decisions in the best long-term interest of the Company.

In closing, even though macro-economic sentiments are negative and despite the many operational challenges, I am pleased to inform you that based on the performance of the Company during the year under review, the Directors have approved an Interim Dividend of Rs. 5/- (net) per share amounting to Rs. 402 Mn for the year 2022/23.



Chanaka de Silva

26th August 2022

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 2022.

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 1 July 1999. The Company owns 50% of the equity shares issued by CKH. Associated CEAT (Pvt) Ltd., CEAT- Kelani International Tyres (Pvt) Ltd & CEAT Kelani Radials (Pvt) Ltd. are wholly owned subsidiaries of CKH.

The other joint partner of the Joint Venture is Associated Ceat Holdings (Pvt) Ltd.

Asian Tyres (Pvt) Ltd, was formed as a fully owned subsidiary of CEAT – Kelani International Tyres (Pvt) Ltd to manufacture radial tyres has now been amalgamated with CEAT Kelani Radials (Pvt) Ltd. a wholly owned subsidiary of CKH With effect from 1st April 2021.

The fully owned subsidiary of the Company, 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

The Chairman's review, which forms an integral part of the Directors' Report, contains a detailed description of the operations of the Company and the Group during the year ended 31st March 2022.

Results

The profit/(loss) for the year of the Company and the Group amounted to Rs.564.677 million and Rs. 830.141 million, respectively, as compared to last year's profit/(loss) of Rs.141.517 million and Rs. 964.724 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 23, 25 and 26.

Financial Statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act, No.7 of 2007.

The aforesaid Financial Statements, duly signed by the Finance Officer, two Directors on behalf of the Board and the Auditors are included in this Annual Report and form an integral part of this Annual Report of the Board of Directors.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company and the Group is given on pages 19 to 22.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 28 to 44 to the Financial Statements. There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year. However the amendments to the Sri Lanka Accounting Standards (LKAS/ SLFRS) that are relevant for the preparation of future financial statements are also given on above pages to the Financial Statements.

Directors' responsibility for Financial Reporting

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

The Directors are of the view that the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 23 to 64 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility for Financial Reporting is given on page 14.

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

Information on the Directors of the Company and the Group as at 31st March 2022

Directors of the Company

The Board of Directors of the Company as at 31st March 2022 consisted of seven (7) Directors, with a broad range of skills, experience and attributes.

The names of the Directors who held office as at 31st March 2022 are given below:

Executive Directors

Mr. Rohan T. Fernando - Managing Director
Mr. T. Bevan Perera
Mr. Eraj T. Fernando

Non-Executive Directors

Mr. R. C. D. De Silva - Chairman
Mr. Kamantha Amarasekera*
Ms. S. S. Jayatilaka*
Mr. R. P. Weerasooria

* Independent Directors as per the Listing Rules

- Mr. R. C. D. De Silva who is Eighty (80) years of age will vacate office at the conclusion of the forthcoming Annual General Meeting in pursuance of Section 210 of the Companies Act, No.07 of 2007 and is recommended by the Board, for re-appointment as a Director under Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Director.
- Mr. R. P. Weerasooria 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.

Directors of the subsidiary

Names of the Directors of the fully owned subsidiary, Executive Cars (Pvt) Ltd are given below:

Mr. R. C. D. De Silva - Chairman
Mr. Rohan T. Fernando - Managing Director
Mr. T. Bevan Perera - Director
Ms. S. S. Jayatilaka - Director

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 2022 as recorded in the Interest Register is given in this Report under Directors' Shareholding.

Directors' Remuneration and other benefits

Mr T. Bevan Perera – Executive Director is paid a remuneration from the Company, and the total payment made to him during the year ended 31st March 2022 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 45.

Related Party Transactions

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2022.

Details of the Related Party Transactions Review Committee and its Report are given on pages 17 to 18.

Directors' Interest in Shares of the Company

The relevant interests of Directors in the shares of the Company as at 31st March 2022 and their corresponding holdings as at the end of the previous financial year are as follows: -

	As at 31.03.2022	As at 31.03.2021
Mr. Chanaka De Silva	1,801,104	1,801,104
Mr. Rohan T. Fernando	Nil	Nil
Mr. T. Bevan Perera	1,920	1,920
Mr. D. S. K. Amarasekera	Nil	Nil
Ms. S. S. Jayatilaka	240	240
Mr. Eraj T. Fernando	15,000	Nil
Mr. R. P. Weerasooria	Nil	Nil

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

Mr. Chanaka De Silva and Mr. Rohan T. Fernando are Directors of Silverstock Limited which held 36.975Mn shares constituting 45.989% of the issued shares of the Company.

Auditors

The Financial Statements for the year ended 31st March 2022 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 issued by the Institute of Chartered Accountants of Sri Lanka.

The Auditors were paid Rs.561,270/- and Rs 275,000/- as Audit Fees by the Company and its Subsidiary, respectively.

Resignation of PricewaterhouseCoopers (PWC) as Statutory Auditors

PricewaterhouseCoopers (PWC) by letter dated 13-06-2022 informed that they are resigning as statutory auditors of the Company on the completion of the audit for the financial year ending 31st March 2022. The reason extracted from the above letter is as follows:

“We have resigned as auditors of CEAT Kelani International Tyres Pvt Ltd, (CEAT) at the request of the management of CEAT. Thereby, the firm’s coverage of the audit of the Kelani Tyres Plc group financial statements is not sufficient to express our opinion on the group financial statements per the firm’s risk management requirement. Therefore, we will no longer be able to continue as auditors of the Company and we wish not to be reappointed as the auditor of the Company for the year ending 31st March 2023.”

The above letter of resignation was taken up by the Audit Committee and noted that PWC is not reconsidering its decision.

The Audit Committee obtained a proposal from KPMG to be appointed as statutory auditors with effect from 1st April 2022.

Based on the recommendations of the Audit Committee, the Board is recommending to the shareholders, the appointment of Messrs KPMG, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of the forthcoming Annual General Meeting in place of the retiring

Auditors, Messrs PricewaterhouseCoopers, Chartered Accountants.

Notice of the proposed resolution has been served on the retiring Auditors as required by the Companies Act, No. 07 of 2007.

Stated Capital

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

Shareholders

There were 9,524 registered shareholders as at 31st March 2022 (9,354 shareholders as at 31st March 2021). The distribution of shareholding as at 31st March 2022 is given on page 66.

Public Holdings

A percentage of 51.74% of the issued shares of the Company are held by the public comprising of 9,515 shareholders as at the end of the year (31/03/2021 – 51.76% comprising 9,346 shareholders).

Major Shareholding

Details of the major shareholders of the Company as at 31 March 2022 are given under largest shareholdings on page 67.

Stock Market Information

Information relating to trading of shares of the Company is given under share valuation on page 66.

Property, Plant and Equipment and Investment Property

The Land and Building situated at Dr. Colvin R. De Silva Mawatha, Colombo 2 (part of the land and building) is classified under Property Plant and Equipment in the Financial Statements:

- Land to the extent of 9.8 perches and one two storied Building of 3,364 sq.ft

The Land and Building situated at Nungamugoda, Kelaniya is classified under Investment Property (IP) in the Financial Statements:

- IP (income generated) Land called Philmount Estate together with the factory and administrative buildings (4Nos) - Land to the Extent of 1A. 2R. 19P and Building 30,351 sq.ft. An independent valuation was performed by valuers to determine the fair value of the said property

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

as at 31st March 2022 and the value of the said property has increased by Rs. 71.400Mn compared with the previous year's value of Rs. 48.276Mn.

During the year under review the Company has incurred Rs. Nil (2021 – Rs. Nil) for property that generated rental income and Rs. 0.093 Mn (2021 – Rs. 0.022 Mn) for property that did not generate rental income as repairs and maintenance.

Details of property, plant and equipment and Investment Property of the Company and its Group, additions and disposals made during the year and depreciation charge for the year are shown in Note 13 & 14 to the Financial Statements.

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.

Reserves

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

Charitable Contributions

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

Industrial Relations

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

By following an open door policy we have ensured staff engagement and contentment.

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.5/- per share for the year under review was paid on 13th September 2021.

The Directors have approved the payment of an interim dividend of Rs. 5/- per share for the year 2022/23, payable on 23rd September 2022, 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 management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

Events occurring after Balance Sheet Date

No other events of significance occurred since the reporting 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 Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The Statement on Corporate Governance appears on pages 8 to 12.

Annual General Meeting

The Notice of the Twenty Eighth (28th) Annual General Meeting appears on page 78.

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



Director



Director



P W Corporate Secretarial (Pvt) Ltd.,

Director/Secretaries

This 26th day of August 2022
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 KelaniTyres PLC since privatisation (in 1992) and the Chairman of Ceat Sri Lanka Group Companies since the formation of the Joint Venture (in 1998).

He is also the Chairman of Silverstock Holdings Group of Companies - the major shareholders of KelaniTyres PLC since its inception.

He has been the former Chairman of Sri Lanka Insurance Corporation, TransAsia Hotels Ltd, Club Robinson, and also founder Chairman of Union Export Ltd, Union Commodities (Pvt) Ltd and first Chairman of the Union Bank of Colombo Ltd. He has been a director of Sri Lankan Airlines Ltd, Sri Lankan Airline Catering Ltd, Intercontinental Hotels, The Lanka Oberoi Hotel and Lewis Brown & Co. 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 KelaniTyres 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 KelaniTyres PLC since its inception.

Mr. T. Beven Perera

Executive Director

Mr. BevenPerera is a well known businessman and counts over 30 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, Confifi Hotels Holdings PLC, Browns Investment PLC, Palm Garden Hotels PLC and Ceylon Hotel Holdings PLC.

Mrs. S.Saroja Jayatilaka

FCA, MBA

Director

Mrs. SarojaJayatilaka 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 25 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

Director

Mr. Eraj T. Fernando has more than 30 years of experience in the Rubber and Commodity Trade. He was the former Chairman of the Corporative Wholesale establishment (C.W.E).

Mr. Eraj T. Fernando is also a Director of CEAT Sri Lanka Group Companies, Hangover Hotels (Pvt) Ltd and Revognah Leisure (Pvt) Ltd.

Mr. R.P. Weerasooria

BSC in Marketing (Bently College - USA)

Director

Mr. R. P. Weerasooria functions as the Managing Director of Uga Escapes (Pvt) Ltd., a subsidiary of the Finco Group and encompasses over 22 years of experience specializing in the areas of production, marketing, merchandizing and finance. Mr. Weerasooria's efforts as Managing Director have been instrumental in overseeing the evaluation of the Uga Escapes brand to one of the premier boutique leisure destinations in Sri Lanka.

In addition to the top position at Uga Escapes (Pvt) Ltd., Mr. Weerasooria is Vice President of the Finco Group and holds several directorships in a number of subsidiaries of the Finco Group, which includes operating as Managing Director of Alpha Industries (Pvt) Ltd.

Prior to holding this position, Mr. Weerasooria worked as Commercial Manager at Orient Garments Limited (OGL), before assuming duties as Managing Director/ Chief Executive in 1996. He was a key factor in OGL's expansion drive which included the growth of its product portfolio, value addition through designs to consumers, and the establishment of new manufacturing plants to increase production.

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 a 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. It also involves balancing the interest of many stakeholders of the Company and provides the framework for attaining the Company's objectives, whilst acting 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 on Corporate Governance 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.

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 strategies.
- Scrutinize Management performance in meeting agreed goals and monitor performance reporting and overseas the management of the business.
- Satisfy 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 Kelani Tyres PLC comprises of three (03) Executive Directors and four (04) Non-Executive Directors. Their names and profiles are given on page 4 and 7 of the Annual Report.

Based on the declarations submitted by the Non-Executive Directors, the Board has determined that two Non-Executive Directors, namely, Mrs. S. S. Jayatilaka and Mr. D. S. K. Amarasekera are "Independent" as per the Listing Rules.

In determining the Directors' independence the Board has taken into consideration that Mrs. S. S. Jayatilaka serves as a Non-Executive Director of Executive Cars (Pvt) Ltd of which Mr. Rohan T. Fernando is the Managing Director and Mr. T. Bevan Perera is an Executive Director. Mr. R. C. D. De Silva serves as the Chairman of Executive Cars (Pvt) Ltd. Accordingly, the total number of common Directors on the Board of the said company is four (04) being a majority of the Directors of the Company.

The period of service of Mr. D. S. K. Amarasekera exceeds nine years.

The Board has decided that Mrs. S. S. Jayatilaka and Mr. D. S. K. Amarasekera shall nevertheless be treated as Independent Directors, on the basis that the aforesaid factors do not compromise the independence and objectivity of the said Directors in discharging the functions as Independent Directors.

Statement on Corporate Governance (Contd..)

Chairman and Managing Director

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

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 Four (04) occasions during the year under review and the attendance at the relevant meetings is as follows;

Name of Director	Attendance
Executive Directors:	
Mr. Rohan T. Fernando	04 occasions
Mr. T. Bevan Perera	04 occasions
Mr. Eraj T. Fernando	04 occasions
Non-Executive Directors:	
Mr. Chanaka De Silva	04 occasions
Mr. R. Priyanjith Weerasooria	02 occasions
Independent Non-Executive Directors:	
Mr. D. S. Kamantha Amarasekera	03 occasions
Ms. S. S. Jayatilaka	04 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 controlled and carefully monitored for the best interest of the shareholders and other stakeholders.

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 seeks 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.

Board Sub Committees

The Board has established three (3) Sub Committees 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 Sub Committees are as follows:

- Audit Committee
- Remuneration Committee
- Related Party Transactions Review Committee

Audit Committee

The Audit Committee consists of the following two Independent Non-Executive Directors:

Mr. D. S. Kamantha Amarasekera- Chairman
Ms. S. S. Jayatilaka - Member

The Audit Committee is responsible to assist the Board in accomplishing its oversight responsibilities in the financial reporting process. The detailed Audit Committee Report appears on Page 15 of this report.

Statement on Corporate Governance (Contd..)

Remuneration Committee

The Remuneration Committee consists of two Independent Non-Executive Directors and their names are as follows:

Mr. D. S. Kamantha Amarasekera - Chairman
Ms. S. S. Jayatilaka - Member

The Remuneration Committee is responsible to the Board to determine the remuneration policy for the Executive Directors and Key Management Personnel. The detailed Remuneration Committee Report appears on page 16 of this report.

The Related Party Transactions Review Committee

According to the Code of Best Practices on Related Party Transactions (Code) issued by the Securities and Exchange Commission of Sri Lanka (SEC) together with the Colombo Stock Exchange (CSE), the Company has formed a Related Party Transactions Review Committee in January 2016. The Committee is responsible to review all Related Party Transactions (RPT) other than those excepted by the Code of Best Practices on RPTs. The Committee comprises of two (2) Independent Non-Executive Directors. The Committee members can get assistance from the Managing Director by an invitation. The Committee is expected to meet at least once in every quarter [during the year under review the Committee met three (03) times] to discharge their responsibilities in reviewing all RPTs to ensure all those transaction are in accordance with the Code of Best Practices on RPT.

The detailed Related Party Transactions Review Committee Report appears on Pages 17 and 18.

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 for 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 the shareholders opportunities to ask questions. The Directors are always ready to answer reliably and maintain an appropriate dialogue with them and also continue 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-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 affected 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.

Statement on Corporate Governance (Contd..)

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.

Compliance with CSE Continuing Listing Rules

CSE Rule Number & Subject	Corporate Governance Principle	Compliance	Remarks Status
7.10. 1(a)	Non-Executive Directors	Compliant	Four out of Seven Directors are NEDs
7.10. 2(a)	Independent Directors	Compliant	Two out of Four NEDs were Independent
7.10. 2(b)	Independent Directors	Compliant	All the Non- Executive Directors have submitted declarations on his/her Independence/Non-Independence during 2021/22
7.10. 3(a)	Disclosure relating to Directors	Compliant	Please refer pages 4 and 8 for the names of the Independent Directors
7.10. 3(b)	Disclosure relating to Directors	Compliant	Please refer page 4 and 8 of this Report
7.10. 3(c)	Disclosure relating to Directors	Compliant	Please refer page 7 for the brief resumes of each Director
7.10. 3(d)	Disclosure relating to Directors	Compliant	There were no new appointments to the Board during the year 2021/22
7.10.5	Remuneration Committee	Compliant	Refer Remuneration Committee Report on page 16.
7.10.5(a)	Composition of Remuneration Committee	Compliant	Refer Remuneration Committee Report on page 16.
7.10.5(b)	Functions of Remuneration Committee	Compliant	Refer Remuneration Committee Report on page 16.
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee	Compliant	Please refer Remuneration Committee Report on page 16 and Note 30 (c) - Key Management Personnel on page 64.
7.10.6	Audit Committee	Compliant	Please refer Audit Committee Report on page 15.

Statement on Corporate Governance (Contd..)

CSE Rule Number & Subject	Corporate Governance Principle	Compliance	Remarks Status
7.10.6(a)	Composition of Audit Committee	Compliant	Please refer Audit Committee Report on page 15.
7.10.6(b)	Functions of Audit Committee	Compliant	Please refer Audit Committee Report on page 15.
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	Compliant	Please refer Audit Committee Report on page 15.
9.2.1	Related Party Transactions Review Committee	Compliant	Please refer the Related Party Transactions Review Committee Report on pages 17 and 18.
9.2.2	Composition	Compliant	Please refer the Related Party Transactions Review Committee Report on pages 17 and 18.
9.2.4	Meetings	Compliant	The Committee met 03 times quarterly during the year 2021/22
9.3.2 (a) and (b)	Disclosure of Non-Recurrent and Recurrent Related Party Transactions	Compliant	Please refer Note 30 to the Accounts on pages 61 to 64.
9.3.2 (c)	The Report by the Related Party Transactions Review Committee	Compliant	Please refer page 4, 17 and 18.
9.3.2 (d)	A Declaration by the Board of Directors	Compliant	Please refer the Annual Report of the Board of Directors on page 4 for an affirmative statement of compliance

By Order of the Board
KELANI TYRES PLC



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

This 26th day of August 2022
Colombo.

RISK Management

Management of commercial and operational risks of the CEAT-Kelani JV companies primarily rests with the Board of Directors, where one half (including the Chairman) in each of the companies is represented by nominees of KelaniTyres PLC.

Application of sound internal controls and systems and compliance to statutory requirements are the necessary tools used to evaluate and monitor levels of risk.

All investments in projects, capacity expansion, production capability modernization, and restructuring of existing operations (where required) are adequately reviewed and approved by the Board of Directors.

Given below are key risks and risk mitigation activities addressed by them continuously.

Description of Risk	Risk Mitigation
Asset Risk Losses due to machinery and equipment breakdowns and damages due to fire or theft.	- Insuring the plant and machinery adequately. - Carry out diligently, preventive and autonomous maintenance.
Credit Risk Possible losses due to default by debtors of the group of companies.	- Regular follow up on the performance of trade debtors' position and over dues to minimize possible losses. - Ensuring adequate impairment provisions.
Liquidity (Funding) Risk Inability to fund working capital and required capital expenditure.	- Ensuring that a sufficient asset base is available to offer as collateral when required to financial institutions. - Obtaining funding from commercial banks at lowest possible cost.
Interest Rate Risk Possible negative impact on the profitability.	- Negotiating with commercial banks for best possible interest rates for borrowings. - Negotiating for supplier credit – local purchases and imports.
Exchange rate fluctuation affecting cost of inputs of production. Risk of raw material and other imported input cost increases.	Micro economic trends are monitored closely.
Competition Risk Loss of market share and competitiveness leading to loss of profitability.	- Ensuring that at all times quality standards are met and maintained. - Promoting the brand to create brand loyalty. - Ensuring availability of products to customers in all parts of Sri Lanka. - Keeping abreast of technology developments in the industry and adopting what is relevant to the local market with the shortest possible time lag. - Monitoring competitor activities in the market place.
Operational Risk Losses from human errors, inefficient processes, frauds and natural perils.	- Conducting Internal Audit reviews on a regular basis to ensure compliance and effectiveness of internal controls and standard operating procedures. - Maintaining updated, business continuity plans.
Employee Risk Risk of not being able to attract, motivate and retain skilled and experienced staff affecting competitiveness.	- Implementing effective human resource policies. - Adopting an open-door policy for any employee to speak to senior management regarding any concern.
Employee Health and Safety Risk Risk of COVID-19 spreading among workforce, adversely affecting production output or resulting in complete closure of plants.	- Providing PPEs to all employees and ensuring social distancing measures. - Ensuring sanitization and random PCR checking in consultation with health authorities. - Safety procedures have been made available for all operational areas and adherence is monitored. - Maintain and monitor health and safety statistics.
Risk of injuries due to accidents whilst at work, affecting especially production output.	
Environmental Issues Risk Risk of disruptions to operations by statutory bodies monitoring adverse impact to environment and reactions by persons living in the vicinity of plant.	- Comply with standards set by relevant statutory authorities. - Building a trusting and cordial relationship with persons living in the vicinity of the plant.

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 23 to 64.

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

This 26th day of August 2022
Colombo

Audit Committee Report

Introduction

The Audit Committee of the Company is constituted as a Sub-Committee of the Main Board, to which it is accountable. The Charter of the Committee clearly defines its terms of reference and the activities of the Audit Committee are in line with the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Purpose

The Committee assists the main board in fulfilling its responsibility to the shareholders and other stakeholders 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.

PricewaterhouseCoopers (PWC) by letter dated 13-06-2022 informed that they are resigning as statutory auditors of the Company on the completion of the audit for the financial year ending 31-03-2022.

The above letter of resignation was taken up by the Audit Committee and noted.

Based on the recommendations of the Audit Committee, the Board is recommending to the shareholders, the appointment of Messrs KPMG, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of the forthcoming Annual General Meeting in place of the retiring Auditors, Messrs PricewaterhouseCoopers, Chartered Accountants.

Composition

The Audit Committee comprises of the following two Independent Non-Executive Directors.

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

Mrs. S. S. Jayatilaka- Member
Independent Non-Executive Director (also, the Chairman of CEAT-Kelani JV Companies Audit Committee)

The Chairman, Mr. D.S. K Amarasekera is a member of The Institute of Chartered Accountants of Sri Lanka.

Meetings

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 recurrent business transaction of the Company as well as the interim financials and consolidated financial statements for the year ended 31st March 2022.

The Managing Director, Mr. Rohan Fernando attends the meetings at the invitation of the Committee.

The attendance of the Directors at the said meetings is given below.

Name of Director	Total Meetings attended
Mr. D.S. K. Amarasekera	6
Mrs. S. S. Jayatilaka	6

Main role and responsibilities of the Audit Committee

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



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.

Mr. D. S. K. Amarasekera – Chairman - Independent Non-Executive Director

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

The Committee reviews and recommends to the Board, the remuneration packages of the Key Management Personnel, after taking into account the market conditions and the guidelines set by the Company.

None of the directors draw any salary from the Company other than the Executive Director - Mr. T. B. Perera. The expenses related to Directors are annually analyzed and reviewed.

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

The Committee met once (01) during the year under review and the attendance of the Directors at the said meetings is given below.

Name of Director	Total Meetings attended
Mr. D.S. K. Amarasekera	01
Mrs. S. S. Jayatilaka	01



D. S. K. Amarasekera

Chairman- Remuneration Committee

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) was formed by the Board of Directors of Kelani Tyres PLC (KTPLC) as a sub-committee to the Main Board in compliance with the Code of Best Practices on Related Party Transactions (Code) issued by the Securities and Exchange Commission of Sri Lanka (SEC) in January 2016 to conduct an independent review approval and oversight of all related party transactions (RPT) of the Company and to ensure that the Company complies with the Rules set out in the Code.

Composition of the Committee

The Related Party Transactions Review Committee of the Company comprises the following Non-Executive Directors:

Mr. D.S. K. Amarasekera – Chairman (Independent Non-Executive Director)

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

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

Meetings

The Committee held three (03) meetings quarterly during the period under review and the attendance of the Directors at the said meetings is given below.

Name of Director	Total Meetings attended
Mr. D.S. K. Amarasekera	3
Mrs. S. S. Jayatilaka	3

The minutes of the meetings were tabled at Board meetings for review.

Charter of the Committee

The Charter of the Related Party Transactions 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 a related party.
- Determine whether the transactions entered into with any related party are fair and transparent to the best interests 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 Transactions Review Committee

The following key responsibilities have been set out in the Charter of RPTRC.

- Ensure that the Company complies with the Rules set out in the Code.
- Subject to the exception given under Rule 27 of the Code, review, in advance, all proposed related party transactions and also examine any previously reviewed transactions, whether the Management has provided required information when seeking approval of the Committee for such proposed material changes, if any, prior to the completion of the transaction.
- Have meetings every fiscal quarter and report to the Board on the Committee's activities.
- The Committee shall take into consideration the facts and circumstances provided by the Senior Management with regard to the related party transactions and examine the Directors' independence with regard to such proposed transactions.
- Whether the related party transaction requires immediate market disclosure, as describe under Section 8 of the CSE Listing Rules.
- Review guidelines and policies annually and recommend amendments to the Board as and when determined to be appropriate by the Committee.

Report of the Related Party Transactions Review Committee (Contd..)

Procedures for Reporting and Review of RPTs

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

The Committee reviewed all related party transactions of the Company for the financial year 2021/22 and it was observed that all related party transactions entered into during the year were of a recurrent nature and necessary for the day-to-day operations of the Company. The Committee has recommended that these transactions were at “arm’s length” not favorable to any related party than generally available to the public.

The Company has engaged during the year under review in the trading business of tyres, batteries and also rented out stores premises with/to related Companies. All transactions were of a recurrent nature and have been done in compliance with the policies and procedures set out by the related party review committee. A brief statement of transactions entered into with related parties are as follows:

(Rs.in millions)						
*Related Party	Relationship	Transaction Type	Terms	Debt period	Value of transaction (Excl. taxes) F/Y 2020-2022 (Rs.in millions)	Outstanding as at 31-3-2022 (Rs.in millions)
WPL Group	Common Directors	Trading	8% Margin on Cost	GP Margin within one month, balance within one year	WPL - 177 (57%) CW - 136 (43%) <i>(% calculated on net turnover)</i>	WPL- 185 (54.09%) PW -156 (45.61%) <i>(% calculated on trade receivables)</i>
WPL Group	Common Directors	Stores Rent	At market rate	Monthly	WPL - 4.80 (79%) <i>(% calculated rent income)</i>	WPL- 1.46 (0.30%) <i>(% calculated on trade receivables)</i>
CKITL	JV Partner	Stores Rent	At market rate	Monthly	CKITL- 1.31 (21%) <i>(% calculated rent income)</i>	Nil

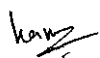
*WPL Group – *(WPL)Wheels (Pvt) Ltd, (PW)Power Wheels (Pvt) Ltd,
CKITL – CEAT-Kelani International Tyres (Pvt) Ltd

Further, the Committee has proposed and recommended to impose penalty charge of 1% per annum will be applicable on the outstanding if the dues are not settled on the due date.

The details of the related party transactions entered into during the year are given in Note 30 to the Financial Statements on pages 61 to 64 of the Annual Report.

Declaration

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 4 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 audit of the financial statements

Our opinion

In our opinion, the financial statements of Kelani Tyres PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiary (“the Group”) give a true and fair view of the financial position of the Company and the Group as at March 31, 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at March 31, 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka Code of Ethics”), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report (Contd..)

The Company:

Key audit matter	How our audit addressed the Key audit matter
Valuation of Investment Property (Refer Accounting Policy Note 3.8 and Note 14 to the financial statements) The Company's investment property comprises land and buildings situated at Nungamugoda, Kelaniya leased out to its related entities as at 31 March 2022. Management engaged the services of an independent professional valuer to estimate the fair value of its investment property at the reporting date. Accordingly, the investment property of the Company had been valued and recorded in the books of account at Rs. 559.5 Million as at 31 March 2022 and the resulting fair value gain for the year then ended of Rs. 71.4 Million credited to the statement of comprehensive income in arriving at the profit for the year. The fair valuation of investment property was dependent on the valuation methodology adopted and key assumptions used in the valuation such as discount rate and fair market rent. The valuation of investment property was considered a key audit matter due to the inherently subjective nature of key assumptions used in the valuation methodology involving significant judgement, and the magnitude of the value of investment property, and the quantum of fair value gain reported in the financial statements.	The procedures we performed in relation to fair valuation of investment property included the following: - Assessed the independence and competence of the external valuer; - Checked the completeness and accuracy of the inputs provided to the valuer; - Inspected the final valuation report of the valuer for appropriateness of the valuation methodologies and reasonableness of the key assumptions used by applying our knowledge on the real estate market. For this purpose, we used independent and publicly available information on real estates of similar nature and location; - Checked the reasonableness of the input data used in the valuation by referring to price ranges at which nearby lands and buildings are transacted, and also considered other factors such as access to main roads, physical state of the land and building, architectural design of the building etc.; and - Checked the adequacy and appropriateness of management disclosures on investment property valuation in the financial statements. Based on the work performed, we found that the significant judgements and assumptions used to determine the fair value of the investment property as at 31 March 2022, to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Contd..)

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/ consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Contd..)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Price Waterhouse Coopers

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number - 1581

COLOMBO

23rd August 2022

Consolidated Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees thousands)

	Note	Group Year ended 31 March		Company Year ended 31 March	
		2022	2021	2022	2021
Revenue from contracts with customers	6	314,062	60,333	313,257	59,438
Cost of sales	8	(292,480)	(54,423)	(291,605)	(53,548)
Gross profit		21,582	5,910	21,652	5,890
Other operating income	7	7,538	8,872	588,037	159,372
Gain from fair value adjustment on investment property	14	71,400	48,276	71,400	48,276
Administrative expenses	8	(116,889)	(92,089)	(116,504)	(91,679)
Depreciation and amortisation	8	(17,452)	(8,278)	(17,452)	(8,278)
Operating (loss) / profit		(33,822)	(37,309)	547,133	113,581
Finance income	9 (a)	24,936	34,545	24,936	34,545
Finance costs	9 (b)	(7,391)	(7,957)	(7,391)	(7,957)
Finance income / (cost) - net		17,544	26,588	17,544	26,588
Share of net profit of joint venture accounted for using the equity method	17	846,419	974,098	Nil	Nil
Profit before income tax		830,141	963,376	564,677	140,169
Income tax credit	10	Nil	1,348	Nil	1,348
Profit for the year		830,141	964,724	564,677	141,517
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligations	24	1,010	697	1,010	697
Revaluation of property plant & equipment		Nil	23,720	Nil	23,720
Share of other comprehensive income of joint venture accounted for using equity method					
Actuarial gain on Retirement Benefit obligation		(11,424)	(2,662)	Nil	Nil
Fair Value Gain on Retirement Benefit Plan Asset		Nil	180	Nil	Nil
Revaluation surplus		Nil	349,435	Nil	Nil
Tax on actuarial gain on Retirement Benefit obligation		2,096	470	Nil	Nil
Tax on Revaluation gain		Nil	(34,943)	Nil	Nil
Income / (expense) for the year - net of tax		(8,319)	336,897	1,010	24,417
Total comprehensive income for the year		821,822	1,301,622	565,687	165,934
Earnings per share - basic / diluted (Rs)	11	10.33	12.00	7.02	1.76

The Notes on pages 28 to 64 form an integral part of these financial statements.

Independent auditor's report - pages 19 to 22.

Statements of Financial Position

(all amounts in Sri Lanka Rupees thousands)

	Note	Group 31 March		Company 31 March	
		2022	2021	2022	2021
ASSETS					
Non-current assets					
Property, plant and equipment	13	38,118	55,987	40,391	57,386
Investment property	14	559,500	488,100	559,500	488,100
Investment in joint venture	17	5,291,205	5,034,615	139,607	139,607
Investment in subsidiary	18	Nil	Nil	10	10
		5,888,822	5,578,702	739,508	685,103
Current assets					
Trade and other receivables	19	430,615	139,833	430,416	139,764
Income tax receivable		4,315	4,315	3,712	3,712
Financial assets at fair value through profit or loss	20	242,875	242,402	242,875	242,402
Cash and cash equivalents	21	101,412	156,973	98,134	153,995
		779,217	543,523	775,137	539,874
Total assets		6,668,038	6,122,225	1,514,645	1,224,976
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	26	402,000	402,000	402,000	402,000
Revaluation reserve	27	825,819	825,819	24,691	24,691
Retained earnings		5,181,907	4,762,085	829,759	666,072
Total equity		6,409,726	5,989,904	1,256,450	1,092,763
Non-current liabilities					
Borrowings	23	833	10,833	833	10,833
Defined benefit obligations	24	7,265	7,208	7,265	7,208
		8,098	18,041	8,098	18,041
Current liabilities					
Trade and other payables	22	152,611	44,122	152,495	44,014
Borrowings	23	97,603	70,158	97,603	70,158
		250,214	114,280	250,098	114,172
Total liabilities		258,312	132,321	258,196	132,213
Total equity and liabilities		6,668,038	6,122,225	1,514,645	1,224,976

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were authorised for issue by the Board of Directors on 23rd August 2022.

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



Director



Director



Finance Officer

The Notes on pages 28 to 64 form an integral part of these financial statements.

Independent auditor's report - pages 19 to 22.

Consolidated Statement of Changes in Equity - Group

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Revaluation reserves	Retained earnings	Total
Balance at 1 April 2020		402,000	487,607	4,200,675	5,090,282
Profit for the year		Nil	Nil	964,724	964,724
Other comprehensive income net of tax		Nil	373,155	(1,785)	371,371
Tax on other comprehensive income		Nil	(34,944)	470	(34,473)
Total comprehensive income for the year		Nil	338,212	963,410	1,301,621
Transactions with owners of the Group, recognised directly in equity					
Dividends paid	28	Nil	Nil	(402,000)	(402,000)
Balance at 31 March 2021		402,000	825,819	4,762,085	5,989,904
Balance at 1 April 2021		402,000	825,819	4,762,085	5,989,904
Profit for the year		Nil	Nil	830,141	830,141
Other comprehensive income		Nil	Nil	(8,319)	(8,319)
Tax on other comprehensive income		Nil	Nil	Nil	Nil
Total comprehensive income for the year		Nil	Nil	821,822	821,822
Transactions with owners of the Group, recognised directly in equity					
Dividends paid	28	Nil	Nil	(402,000)	(402,000)
Balance at 31 March 2022		402,000	825,819	5,181,907	6,409,726

The Notes on pages 28 to 64 form an integral part of these financial statements.

Independent auditor's report - pages 19 to 22.

Statement of Changes in Equity - Company

(all amounts in Sri Lanka Rupees thousands)

	Note	Stated capital	Revaluation reserves	Retained earnings	Total
Balance at 1 April 2020		402,000	971	925,858	1,328,829
Profit for the year		Nil	Nil	141,517	141,517
Other comprehensive income net of tax		Nil	23,720	697	24,417
Total comprehensive income for the year		Nil	23,720	142,214	165,934
Transactions with owners of the Company, recognised directly in equity					
Dividend paid	28	Nil	Nil	(402,000)	(402,000)
Balance at 31 March 2021		402,000	24,691	666,072	1,092,763
Balance at 1 April 2021		402,000	24,691	666,072	1,092,763
Profit for the year		Nil	Nil	564,677	564,677
Other comprehensive income net of tax		Nil	Nil	1,010	1,010
Total comprehensive income for the year		Nil	Nil	565,687	565,687
Transactions with owners of the Company, recognised directly in equity					
Dividend paid	28	Nil	Nil	(402,000)	(402,000)
Balance at 31 March 2022		402,000	24,691	829,759	1,256,450

The Notes on pages 28 to 64 form an integral part of these financial statements.

Independent auditor's report - pages 19 to 22.

Consolidated Statement of Cash Flows

(all amounts in Sri Lanka Rupees thousands)

	Note	Group Year ended 31 March		Company Year ended 31 March	
		2022	2021	2022	2021
Cash flows from operating activities					
Cash generated from operations	29	(268,166)	210,371	(268,466)	209,349
Interest received	9 (a)	24,936	34,545	24,936	34,545
Interest paid	9 (b)	(7,391)	(7,956)	(7,391)	(7,956)
Gratuity paid		(404)	Nil	(404)	Nil
Net cash inflows / (outflows) from operating activities		(251,024)	236,960	(251,324)	235,938
Cash flows from investment activities					
Purchases of property plant and equipment	13	(483)	(210)	(483)	(210)
Dividend received from joint venture	17	580,500	150,500	580,500	150,500
Net cash inflow from investing activities		580,017	150,290	580,018	150,290
Cash flows from financing activities					
Repayment of borrowing		(10,000)	(10,000)	(10,000)	(10,000)
Dividends paid	28	(402,000)	(402,000)	(402,000)	(402,000)
Net cash outflow from financing activities		(412,000)	(412,000)	(412,000)	(412,000)
Decrease in cash and cash equivalents		(83,007)	(24,750)	(83,306)	(25,772)
At start of year		96,815	121,565	93,837	119,609
Decrease in cash and cash equivalents		(83,007)	(24,750)	(83,306)	(25,772)
At end of year	21	13,809	96,815	10,531	93,837

The Notes on pages 28 to 64 form an integral part of these financial statements.

Independent auditor's report - pages 19 to 22.

Notes to the Consolidated 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.

The Group comprises of the Company, subsidiary and the joint venture described in (b) and (c) respectively.

(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 Company's JV comprises of 50% holding of Ceat Kelani Holding (Private) Limited. 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 sells 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 [KTPLC]. 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 was incorporated on 14 November 2012, under Company's Act No. 07 of 2007 as a fully owned subsidiary of CKITL has now been amalgamated with CEAT Kelani Radials (Private) Limited a wholly own subsidiary of CKH with effect from 1st April 2021.

2. Changes in accounting policies and disclosures

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Group's financial statements have been adopted by the Group (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2021 (i.e. year ending 31 March 2022) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2022.

(a) New standards and amendments – applicable 1 January 2021

The group has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2021.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions- Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May

Notes to the Consolidated Financial Statements (Contd..)

2. *Changes in accounting policy and disclosures (Contd..)*

2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.

On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The Group has applied practical expedient for COVID-19 related rent concessions.

Amendments listed above do not expect to have a significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amendments listed above are not expected to significantly affect the financial statements of the Company and the Group.

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

The following standards and interpretations had been issued by IASB (not yet adopted by CA Sri Lanka except for SLFRS 17, Amendments to IAS 16, Amendments to IFRS 3, Amendments to IAS 37, Amendments to IFRS 9, Amendments to IFRS 1 and Amendments to IAS 41) but not mandatory for annual reporting periods ending 31 March 2022

These new accounting standards are not expected to have material impact on the entity in the current or future periods and on foreseeable future transactions.

(i) **Classification of liabilities as current or non-current – amendments to IAS 1**

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023. This amendment is not yet adopted in Sri Lanka.

(ii) **Property, plant and equipment: proceeds before intended use – amendments to IAS 16**

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

Notes to the Consolidated Financial Statements (Contd..)

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

(iii) Reference to the Conceptual Framework – amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(iv) Onerous Contracts – Cost of fulfilling a contract- amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(v) Annual Improvements to IFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

These amendments are effective for the annual periods beginning on or after 1 January 2022 except for the amendment to IFRS 16.

(vi) Disclosure Initiative: Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

(vii) Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

Notes to the Consolidated Financial Statements (Contd..)

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

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

(viii) Definition of Accounting Estimates (amendments to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments are effective for annual periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

(ix) Initial Application of IFRS 17 and IFRS 9- Comparative information (amendment to IFRS 17)

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

The adoption of amendments to published standards are not expected to have a material impact to the financial statements of the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (“SLFRS”s), Sri Lanka Accounting Standards (“LKAS”s), relevant interpretations of the Standing Interpretations Committee (“SIC”) and International Financial Reporting Interpretations Committee (“IFRIC”). Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities & investment property which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s and the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company’s and the Group’s financial statements are disclosed in note 4 to the financial statements.

Impact of COVID-19

In determining the basis of preparing the financial statements for the year ended 31 March 2022, based

Notes to the Consolidated Financial Statements (Contd..)

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

3.1 Basis of preparation (Contd..)

on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the going concern basis.

In March 2021, the Group evaluated the resilience of its businesses considering cost management, profitability, liquidity, recovery of receivables, the ability to defer non essential capital expenditure, debt repayment, cash reserves, availability of sources of financing facilities and the ability to continue providing services to ensure businesses continuity with minimum disruption.

Having presented the outlook of the Group for the Board of Kelani Tyres PLC, the directors are satisfied that the Group have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining the above significant management judgements, estimates and assumptions the impact of the COVID 19 pandemic has been considered as of reporting date.

3.2 Consolidation

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 in Ceat Kelani Holding (Private) Limited.

Subsidiaries are those entities (including structured entities) over which the Group has control. Control exists 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 the control is transferred to the Group, and continued to be

consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SLFRS 09 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements (Contd..)

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

3.2 Consolidation (Contd..)

Inter-company transactions, balances, unrealised gains and unrealised losses on transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3.3 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. The Group has one reportable segment which is the Company.

3.4 Foreign currency translation

(a) Functional and presentation currency

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

(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.

Foreign exchange gains and losses that relate to borrowings is presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and

losses are presented in the statement of comprehensive income within 'other operating income / (expenses)'.

3.5 Investment

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

3.6 Property, plant and equipment

Land and buildings comprise mainly the land and the office premises. Land, buildings and motor vehicles are shown at fair value, based on periodic 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. The Group policy is to revalue all property, plant and equipment every 3 to 5 years. 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 statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land, buildings and motor vehicles are credited to other comprehensive income and shown

Notes to the Consolidated Financial Statements (Contd..)

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

3.6 Property, plant and equipment (Contd..)

as revaluation reserve in shareholders' equity.

Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive.

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:

Freehold building and installation	50 years
Plant, machinery and equipment	8 years
Motor vehicles	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 statement of comprehensive.

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

3.7 Accounting for leases

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Notes to the Consolidated Financial Statements (Contd..)

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

3.7 Accounting for leases (Contd..)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items by value.

As per the management's impact assessment of SLFRS 16, the Group does not have any material leasing arrangements which require the recognition of a right of use asset and a lease liability.

3.8 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 statement of comprehensive income. 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 statement of comprehensive 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 statement of comprehensive 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

Notes to the Consolidated Financial Statements (Contd..)

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

3.8 Investment property (Contd..)

initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive.

3.9 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 asset 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.

Computer software cost recognised as assets are amortised over their estimated useful lives.

3.10 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.

3.11 Financial assets

3.11.1 Classification

The Group classifies its financial assets those to be measured subsequently at fair value, and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial

assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

(a) Financial asset at amortized cost

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 financial assets at amortized cost comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(b) Financial assets at fairvalue through profit or loss

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on A debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3.11.2 Recognition, measurement and derecognition

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction

Notes to the Consolidated Financial Statements (Contd..)

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

3.11.2 Recognition, measurement and derecognition (Contd..)

costs of financial assets carried at FVPL are expensed in 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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3.11.3 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 5(b) for further details.

3.12 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term

receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in 3.10.

3.13 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of 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 loss allowance. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

3.14 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

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

Notes to the Consolidated Financial Statements (Contd..)

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

3.15 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.

3.16 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 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.

3.17 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.

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.

3.18 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

3.19 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or

Notes to the Consolidated Financial Statements (Contd..)

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

3.19 Borrowing cost (Contd..)

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.

3.20 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

3.21 Employee benefits

The Group has both defined benefit and defined contribution plans.

(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 statement of financial position 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 using 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 statement comprehensive income 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 other comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity through 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.

3.22 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.

3.21 Revenue recognition

(a) Sale of goods

Revenue from contracts with customers", establishes a comprehensive framework for determining, how much and when revenue is recognised. The Group recognises revenue when

Notes to the Consolidated Financial Statements (Contd..)

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

3.21 Revenue recognition (Contd..)

a customer obtains control of the goods or services. Judgement is used to determine the timing of transfer of control - at a point in time or over time.

The Group imports and sells a range of tyres, alloy wheels and batteries to its related companies. Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, usually on delivery of the goods. Sales are measured at fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales Taxes) and variable consideration (e.g. discounts and rebates).

(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.

3.24 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary

shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.25 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

4. 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 include the discount rate, staff turnover rate and the future salary increments. 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.

(b) Income and deferred taxes

The Group is subject to income taxes in Sri Lanka. Significant judgment is required in determining the

Notes to the Consolidated Financial Statements (Contd..)

4. Critical accounting estimates and judgments (Contd..)

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.

(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.

(e) Estimated useful lives of intangible assets

Estimated useful lives of intangible assets are disclosed in note 3.9.

(f) Impairment of financial assets

Impairment of financial assets are disclosed in note 3.11.3

(g) Fair value of property, plant and equipment

Fair value of property, plant and equipment is disclosed in note 3.6.

(h) Leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Group's stand-alone credit rating).

5. Financial risks management

5.1 Financial risks factors

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

a) Market risks

(i) Interest rate risk

The Group's interest rate risk arises from the bank borrowings of the Company, subsidiary and the joint venture. The fluctuation in the 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 AWPLR.

The sensitivity of the borrowings to changes in the interest rate as follows:

Notes to the Consolidated Financial Statements (Contd..)

5. Financial risks management (Contd..)

5.1 Financial risks factors (Contd..)

Profit impact from change in assumption (Rs)

	Group Rs'000	Company Rs'000
Increase interest		
rate by 1%	(108)	(108)
Decrease interest		
rate by 1%	108	108

ii) Price risks

The Company's investment property is exposed to market value of land and building and the related rental market. The Company monitors the market value on a dynamic basis.

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.

The Group is exposed to price risk arising from investments held by the Group as the Group's debt investments are traded for capital gain and classified in the financial position as fair value through profit or loss (FVTPL). Please refer note 3.11.3 for the impairment.

The sensitivity of the investment properties to changes in the price of average square feet as follows:

Impact to value of the investment properties in assumption (Rs)

	Group Rs'000	Company Rs'000
Increase price of		
average square		
feet by 10%	55,950	55,950
Decrease price of		
average square		
feet by 10%	(55,950)	(55,950)

The sensitivity of the investment in unit trust to changes in the price of an unit trust as follows:

Impact to value of the investment unit trust in assumption (Rs)

	Group Rs'000	Company Rs'000
Increase price of		
an unit trust		
by 10%	24,287	24,287
Decrease price of		
an unit trust		
by 10%	(24,287)	(24,287)

b) 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' and 'B' 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.

The Group applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 March 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and

Notes to the Consolidated Financial Statements (Contd..)

5. Financial risks management (Contd..)

5.1 Financial risks factors (Contd..)

services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 March 2022 was determined as Nil for trade receivables.

c) Liquidity risks

Cash flow forecasting is performed by the 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.

The table below analyses the Group'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.

(i) Group	Less than 3 months (Rs'000)	Between 3 months and 1 Year (Rs'000)	Between 1 Year and 2 Year (Rs'000)	2 and 5 Years (Rs'000)	Total (Rs'000)
At 31 March 2022					
Borrowings (excluding finance - lease liabilities)	87,603	10,000	833	Nil	98,436
Trade and other payable (excluding statutory liabilities)	152,611	Nil	Nil	Nil	152,611
	240,214	10,000	833	Nil	251,047
At 31 March 2021					
Borrowings (excluding finance - lease liabilities)	60,158	10,000	10,000	833	80,992
Trade and other payable (excluding statutory liabilities)	44,122	Nil	Nil	Nil	44,122
	104,280	10,000	10,000	833	125,113
(ii) Company	Less than 3 months (Rs'000)	Between 3 months and 1 Year (Rs'000)	Between 1 Year and 2 Year (Rs'000)	2 and 5 Years (Rs'000)	Total (Rs'000)
At 31 March 2022					
Borrowings (excluding finance - lease liabilities)	87,603	10,000	833	Nil	98,436
Trade and other payable (excluding statutory liabilities)	152,495	Nil	Nil	Nil	152,495
	240,098	10,000	833	Nil	250,931
At 31 March 2021					
Borrowings (excluding finance - lease liabilities)	60,158	10,000	10,000	833	80,992
Trade and other payable (excluding statutory liabilities)	44,014	Nil	Nil	Nil	44,014
	104,172	10,000	10,000	833	125,005

Notes to the Consolidated Financial Statements (Contd..)

5. Financial risks management (Contd..)

5.2 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 non current 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 2022 and 31 March 2021 were as follows:

		Group		Company	
		As at 31 March		As at 31 March	
		2022	2021	2022	2021
		Rs'000	Rs'000	Rs'000	Rs'000
Total borrowings	23	98,436	80,992	98,436	80,992
Less: Cash and cash equivalent	21	(101,412)	(156,973)	(98,134)	(153,995)
Net (debt) / cash		(2,976)	(75,981)	302	(73,003)
Total equity		6,409,726	5,989,904	1,256,450	1,092,763
Total capital		6,406,750	5,913,923	1,256,751	1,019,760
Gearing ratio		N/A	N/A	N/A	N/A

The Group & the Company is fully equity funded as at 31 March 2022 and as at 31 March 2021

6. Revenue from contracts with customers

		Group		Company	
		Year ended 31 March		Year ended 31 March	
		2022	2021	2022	2021
		Rs'000	Rs'000	Rs'000	Rs'000
Local turnover		339,187	65,160	338,318	64,193
		339,187	65,160	338,318	64,193
Taxes					
- Value Added Tax		(25,125)	(4,827)	(25,061)	(4,755)
		(25,125)	(4,827)	(25,061)	(4,755)
Net turnover		314,062	60,333	313,257	59,438

Local turnover of the group includes hiring income amounting to Rs. 869,913 (2021 - Rs. 967,078) and Taxes of the group includes value added tax amounting to Rs. 25,124,995 (2021 - Rs. 4,826,701).

Revenue from these sales is recognised based on the price specified in the invoice, net of the estimated volume discounts. The revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No significant element of financing is deemed present as the sales are made with a credit term of 365 days.

Notes to the Consolidated Financial Statements (Contd..)

7. Other operating income

	Group Year ended 31 March		Company Year ended 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Rent income	6,108	6,046	6,108	6,046
Profit on disposal of property, plant and equipment	(24)	Nil	(24)	Nil
Administration income	527	969	527	969
Other income	456	455	455	455
Dividend income	Nil	Nil	580,500	150,500
Gain in unit trust investment	472	1,402	472	1,402
	7,538	8,872	588,037	159,372

8. Expenses by nature

The following items have been charged in arriving at operating profit / (loss):

	Group Year ended 31 March		Company Year ended 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Directors' emoluments [Note 8 (a)]	36,585	18,573	36,585	18,573
Auditors' remuneration - Audit	836	890	561	600
Depreciation on property, plant and equipment [Note 13]	17,453	8,278	17,453	8,278
Staff costs (excluding Directors' emoluments) [Note 8 (a)]	20,957	16,142	20,957	16,142
Management related expenses	47,230	41,586	47,230	41,586
Cost of consumption	292,480	54,423	291,605	53,548
Other expenses	11,281	14,898	11,170	14,778
Total of cost sales, administrative expenses and depreciation and amortisation	426,822	154,790	425,561	153,505
Expense by function as per income statement				
Cost of sales	292,480	54,423	291,605	53,548
Administrative expenses	116,889	92,089	116,504	91,679
Depreciation and amortisation	17,452	8,278	17,452	8,278
	426,822	154,790	425,561	153,505
(a) Staff costs				
Wages and salaries	54,584	32,124	54,584	32,124
Defined benefit obligations [Note 24]	1,471	1,175	1,471	1,175
Defined contribution plans	1,488	1,416	1,488	1,416
	57,543	34,716	57,543	34,716
Classified as:				
Directors' emoluments	36,585	18,573	36,585	18,573
Staff costs (excluding Directors' emoluments)	20,957	16,142	20,957	16,142
Total	57,543	34,716	57,543	34,716
Average number of persons employed - Full time	11	11	11	11

Notes to the Consolidated Financial Statements (Contd..)

9. Finance income and costs

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000
(a) Finance income				
- Interest income from fixed deposits	24,936	34,545	24,936	34,545
	24,936	34,545	24,936	34,545
(b) Finance cost				
- Bank borrowings	7,391	7,957	7,391	7,957
	7,391	7,957	7,391	7,957
Net finance (cost) /income - Net	17,544	26,588	17,544	26,588

10. Income tax expense

	Group		Company	
	Year ended 31 March		Year ended 31 March	
	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000
Current tax credit	Nil	1,348	Nil	1,348
Deferred tax charge [Note 16]	Nil	Nil	Nil	Nil
	Nil	1,348	Nil	1,348

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	
	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000
Profit before tax	830,141	963,376	564,677	140,169
Tax calculated at the tax rate of 28%	Nil	Nil	Nil	Nil
Tax calculated at the tax rate of 24%	199,234	231,210	135,522	33,640
Tax on joint venture result reported	(203,140)	(233,783)	Nil	Nil
Tax effects of:				
- Income not subject to tax	(233,169)	(21,665)	(269,289)	(57,785)
- Tax on expenses not deductible for tax purposes	71,864	14,316	71,654	14,106
- Tax on expenses deductible for tax purpose	168	(354)	Nil	(186)
- Tax losses for which no deferred income tax asset was recognised	62,164	11,623	62,113	11,572
Tax charge	(103,215)	1,348	Nil	1,348

Company

Current tax of the Company wholly consists of tax on interest income and rent income at the rate of 28% (2020 - 28%). Unused tax losses of the Company available for carry forward amounted to Rs.261,150,076 (2020 - Rs.259,207,774) as at the reporting date.

Notes to the Consolidated Financial Statements (Contd..)

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. The diluted earnings per share is not differ from basic earnings per share during the financial year.

	Group Year ended 31 March		Company Year ended 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Net profit attributable to shareholders	830,141	964,724	564,677	141,517
Weighted average number of ordinary shares in issue (thousands) [Note 26]	80,400	80,400	80,400	80,400
Earnings per share - (Rs)	10.33	12.00	7.02	1.76

12. (a) Financial instrument by category

	Group As at 31 March		Company As at 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Financial assets at amortized cost				
Assets as per statement of financial position				
Trade and other receivable (excluding pre- payments)	427,414	139,537	427,215	139,469
Cash and cash equivalent [Note 21]	101,412	156,973	98,134	153,995
Total	528,826	296,511	525,350	293,464
Financial liabilities at amortized cost				
Liabilities as per Statement of financial position				
Borrowings (excluding finance lease liabilities)	98,436	80,992	98,436	80,992
Trade and other payables (excluding statutory liabilities)	152,611	44,122	152,495	44,014
Total	251,047	125,113	250,931	125,006

(b) Credit quality of financial assets

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 As at 31 March		Company As at 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Group I	183,632	58,845	183,433	58,776
Group II	159,059	Nil	159,059	Nil
	342,691	58,845	342,492	58,776

Group I Up to 6 months
Group II More than 6 months

		Group As at 31 March		Company As at 31 March	
	Rating	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Cash at bank and short- term bank deposits					
Name of the bank					
Commercial Bank of Ceylon PLC	AA	43,025	18,526	39,747	15,548
Sampath Bank PLC	A+	58,387	138,447	58,387	138,447
		101,412	156,973	98,134	153,994

Notes to the Consolidated Financial Statements (Contd..)

13. Property, plant and equipment - Group

	Freehold land	Freehold building and installation	Plant / machinery and equipment	Motor vehicles	Total
As at 31 March 2020					
Cost / Valuation	14,276	5,200	3,289	34,376	57,141
Accumulated depreciation	Nil	(582)	(1,993)	(13,356)	(15,931)
Net book amount	14,276	4,618	1,296	21,020	41,210
Year ended 31 March 2021					
Opening net book balance	14,276	4,618	1,296	21,020	41,210
Additions	Nil	Nil	210	Nil	210
Revaluation	8,809	(2,098)	Nil	17,009	23,720
Depreciation charge [Note 8]	Nil	(104)	(276)	(8,773)	(9,153)
Closing net book amount	23,085	2,416	1,230	29,256	55,987
As at 31 March 2021					
Cost / Valuation	14,276	5,200	3,499	34,376	57,351
Revaluation	8,809	(2,098)	Nil	17,009	23,720
Accumulated depreciation	Nil	(686)	(2,269)	(22,129)	(25,084)
Net book amount	23,085	2,416	1,230	29,256	55,987
Year ended 31 March 2022					
Opening net book balance	23,085	2,416	1,230	29,256	55,987
Additions	Nil	Nil	483	Nil	483
Disposals-Cost	Nil	Nil	(81)	Nil	(81)
Accumulated depreciation	Nil	Nil	56	Nil	56
Revaluation	Nil	Nil	Nil	Nil	Nil
Depreciation charge [Note 8]	Nil	(56)	(272)	(17,999)	(18,328)
Closing net book amount	23,085	2,360	1,416	11,257	38,118
As at 31 March 2022					
Cost / Valuation	23,085	3,102	3,901	51,385	81,473
Revaluation	Nil	Nil	Nil	Nil	Nil
Accumulated depreciation	Nil	(742)	(2,485)	(40,128)	(43,356)
Net book amount	23,085	2,360	1,416	11,257	38,118

Property, plant and equipment includes fully depreciated assets still in use, the cost of which amounted to Rs. 2,992,769 (2022 - Rs. 1,142,769) as at the date of statement of financial position.

Notes to the Consolidated Financial Statements (Contd..)

13. Property, plant and equipment - Company

	Freehold land	Freehold building and installation	Equipment	Motor vehicles	Total
Year ended 31 March 2021					
Opening net book balance	14,276	4,618	1,296	21,544	41,734
Additions	Nil	Nil	210	Nil	210
Revaluation	8,809	(2,098)	Nil	17,009	23,720
Depreciation charge [Note 8]	Nil	(104)	(276)	(7,898)	(8,278)
Closing net book amount	23,085	2,416	1,230	30,655	57,386
As at 31 March 2021					
Cost / Valuation	14,276	5,200	3,499	33,441	56,416
Revaluation	8,809	(2,098)	Nil	17,009	23,720
Accumulated depreciation	Nil	(686)	(2,269)	(19,795)	(22,750)
Net book amount	23,085	2,416	1,230	30,655	57,386
Year ended 31 March 2022					
Opening net book balance	23,085	2,416	1,230	30,655	57,386
Additions	Nil	Nil	483	Nil	483
Disposals-Cost	Nil	Nil	(81)	Nil	(81)
Accumulated depreciation	Nil	Nil	56	Nil	56
Revaluation	Nil	Nil	Nil	Nil	Nil
Depreciation charge [Note 8]	Nil	(56)	(272)	(17,124)	(17,453)
Closing net book amount	23,085	2,360	1,416	13,531	40,391
As at 31 March 2022					
Cost / Valuation	14,276	5,200	3,901	33,441	56,818
Revaluation	8,809	(2,098)	Nil	17,009	23,720
Accumulated depreciation	Nil	(742)	(2,485)	(36,919)	(40,147)
Net book amount	23,085	2,360	1,416	13,531	40,391

Property, plant and equipment includes fully depreciated assets still in use, the cost of which amounted to Rs. 2,992,769 (2022 - Rs. 1,142,769) as at the date of statement of financial position.

A revaluation was done by the valuer (Arthur Perera & Company), a qualified independent valuer on 31 March 2021 to reflect the market value of land and building. The resultant surplus of Rs. 8,809,125 has been credited to the revaluation reserve and a deficit of Rs. 2,097,844 has been debited to the revaluation reserve respectively.

In March 2021, a revaluation was done by valuers (De Silva Motor Engineers (Pvt) Ltd and CAREDRIIVE Motor Engineers (Pvt) Ltd), qualified independent valuers to reflect the market value of the motor vehicle. The resultant surplus of Rs. 17,008,908, has been credited to the revaluation reserve.

Measurement of fair value of freehold land, freehold building and installation and, motor vehicle have been categorized as level 2 of the fair value hierarchy based on the inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices).

The carrying amount of Rs. 23,085,000 of freehold land, Rs.2,358,837 of freehold building and installation and, Rs. 13,530,964 of motor vehicle that would have been recognized had the assets been carried under the cost model.

Notes to the Consolidated Financial Statements (Contd..)

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

The extent of free hold land and freehold building is as follows:

		Extent	Cost as at 31 March 2022
Land and two storey building situated in No. 203/209, Union Place, Colombo 2.	Land	9.8 perches	14.276 Mn
	Building	3,364 sq.ft	5.2 Mn
Revalued Amount			
Revalued Amount	Land	9.8 perches	23.085 Mn
	Building	3364 sq. ft.	2.4 Mn

14. Investment property (Company / Group)

Non Current Assets at fair value	Freehold land building
Opening balance at 1 April 2020	439,824
Net gain from fair value adjustment	48,276
Closing balance at 31 March 2021	488,100
Opening balance at 1 April 2021	488,100
Net gain from fair value adjustment	71,400
Closing balance at 31 March 2022	559,500

(i) Extent of investment property as follows:

		Extent
Land called "Philmount Estate, together with the factory and administrative buildings, situated at Nungamugoda, Kelaniya.	Land	259 perches
	Building	30,351 sq.ft.

(ii) Amounts recognised in profit or loss in respect of investment property;

	Company / Group As at 31 March	
	2022 Rs'000	2021 Rs'000
Rental income	6,108	6,046
Direct operating expenses from property that generated rental income	Nil	Nil
Direct operating expenses from property that did not generate rental income	94	220
Fair value gain	71,400	48,276

(iii) Fair value of land and building

An independent valuation of the land and building was performed by valuers (Arthur Perera & Company) to determine the fair value as at 31 March 2022.

(iv) Fair value hierarchy

Fair value of financial instruments are based on a fair value hierarchy which is detailed below.

Level 1

Inputs that are quoted market prices (unadjusted) in active market for identical instruments. The Company measures the fair value of an instrument using active quoted prices or dealer price quotations without any deductions for transaction cost. Market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions at arm's length basis.

Notes to the Consolidated Financial Statements (Contd..)

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

Level 2

Inputs other than quoted prices included within level one that are observable either directly or indirectly. This category includes instruments valued using quoted market prices in an active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques in which whole significant inputs are directly or indirectly observable from market data.

Level 3

The input that are unobservable. This category includes all the instruments for which valuation techniques includes input not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Land called “Philmount Estate, together with the factory and administrative buildings, situated at Nungamugoda, Kelaniya.

	Significant other observable inputs (Level II)	Total
	Rs'000	Rs'000
Land and building	559,500	559,500
Fair value measurements at 31 March 2022	559,500	559,500

(iv) Valuation techniques used to derive level II fair values

Fair value of land and building has been derived using investment method. Market rent of comparable lands and buildings in close proximity are adjusted for differences in key attributes such as property size, location and amenities available. The most significant input into this valuation approach is market rent per square feet of lettable floor area.

(v) Leasing arrangements

The investment properties are rented out to CEAT Kelani International Tyres (Private) Limited and Wheels (Private) Limited both of which are related companies under operating leases as per SLFRS 16 with rentals payable monthly. There are no variable lease payments that depend on an index or rate.

Minimum lease payments receivable on leases of investment properties are as follows

	Company / Group As at 31 March	
	2022	2021
	Rs'000	Rs'000
Within 1 year	6,170,398	6,108,108
Between 1 and 2 years	6,238,918	6,108,108
Between 2 and 3 years	6,307,438	6,238,920
Between 3 and 4 years	6,382,810	6,238,920
Between 4 and 5 years	6,458,184	6,382,812

Notes to the Consolidated Financial Statements (Contd..)

15. Intangible assets

	Group As at 31 March		Company As at 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Year ended 31 March				
Opening net book balance	Nil	Nil	Nil	Nil
Amortisation	Nil	Nil	Nil	Nil
Closing net book amount	Nil	Nil	Nil	Nil
At 31 March				
Cost	Nil	201	Nil	134
Accumulated amortisation	Nil	(201)	Nil	(134)
Net book value	Nil	Nil	Nil	Nil

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

16. Deferred income taxes

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

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Deferred tax assets	20,882	9,560	20,882	9,560
Deferred tax liabilities	(20,882)	(9,560)	(20,882)	(9,560)
Net deferred tax asset	Nil	Nil	Nil	Nil

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

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
At 1 April	Nil	Nil	Nil	Nil
(Charged) / credited to the statement of comprehensive income in respective of deferred tax assets	(11,322)	2,227	(11,322)	2,227
Credited / (charged) to the statement of comprehensive income, income in respective of deferred tax assets	11,322	(2,227)	11,322	(2,227)
At 31 March	Nil	Nil	Nil	Nil

Deferred tax assets of the Company and Group

	Notes	Group 31 March		Company 31 March	
		2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Deferred tax assets	16 (i)	63,843	80,431	63,843	64,406
Deferred tax liabilities	16 (ii)	(20,882)	(9,560)	(20,882)	(9,560)
Net deferred tax assets		42,960	73,098	42,960	54,846
Deferred tax assets not recognised due to unpredictability of future taxable profits		(42,960)	(73,098)	(42,960)	(54,846)
Net deferred tax assets		Nil	Nil	Nil	Nil

Notes to the Consolidated Financial Statements (Contd..)

16. Deferred income taxes (Contd..)

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 deferred tax assets are recognised only up to the deferred tax liabilities due to unpredictability of future taxable profits.

(i) Deferred tax assets

The analysis of each type of deductible temporary difference as at 31 March is as follows:

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
The balance comprises temporary differences attributable to:				
Tax losses	62,113	63,637	62,113	62,676
Property, plant and equipment	Nil	56	Nil	Nil
Defined benefit obligation	1,730	1,730	1,730	1,730
Total deferred tax assets	63,843	65,423	63,843	64,406

(ii) Deferred tax liabilities

The analysis of each type of taxable temporary difference as at 31 March is as follows:

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	132	750	132	750
Fair value gain - Investment property revaluation	20,750	8,810	20,750	8,810
Total deferred tax liabilities	20,882	9,560	20,882	9,560

17. Investment in joint venture

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
At 1 April	5,034,615	3,898,538	139,607	139,607
Share of profit net of tax	846,419	974,098	Nil	Nil
Share of other comprehensive income				
- Actuarial gain on Retirement Benefit obligation	(11,424)	(2,662)	Nil	Nil
- Fair Value Gain on Retirement Benefit Plan Asset	Nil	180	Nil	Nil
- Revaluation surplus	Nil	349,435	Nil	Nil
- Tax on actuarial gain on Retirement Benefit obligation	2,096	470	Nil	Nil
- Tax on Revaluation gain	Nil	(34,943)	Nil	Nil
Dividends receivable from Ceat Kelani Holding (Private) Limited	Nil	Nil	Nil	Nil
Dividends received from Ceat Kelani Holding (Private) Limited	(580,500)	(150,500)	Nil	Nil
At 31 March	5,291,205	5,034,615	139,607	139,607

Notes to the Consolidated Financial Statements (Contd..)

17. Investment in joint venture (Contd..)

- (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 in 2022 and 2021.

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.

i) Contingent liabilities

The Company has given corporate guarantees on behalf of Associated Ceat (Pvt) Ltd on the bank facilities obtained from Indian Bank for Rs. 80 Mn & Hatton National Bank for Rs.150 Mn as at 31st March 2022.

The Company has given corporate guarantees on behalf of Ceat Kelani Radials (Pvt) Ltd on the bank facilities obtained from HSBC for Rs. 100 Mn.

The Company has given corporate guarantees on behalf of Ceat Kelani International Tyres (Pvt) Ltd on the bank facilities obtained from NDB for Rs. 25 Mn, DFCC Vardhana Bank for Rs. 65 Mn, Indian Overseas Bank for Rs. 278 Mn, Indian Bank for Rs. 150 Mn and Nations Trust Bank for Rs. 230 Mn as at 31st March 2022.

ii) Financial commitments

Associated Ceat (Pvt) Ltd. and Ceat Kelani International Tyres (Pvt) Ltd, subsidiary companies of Ceat Kelani Holdings (Pvt) Ltd, have an annual commitment to pay royalty at 1% on sales net of taxes, discounts & incentives to Ceat Ltd India. Ceat Kelani Radials (Pvt) Ltd, subsidiary company of Ceat Kelani Holdings (Pvt) Ltd, and Asian Tyres (Pvt) Ltd, subsidiary of Ceat Kelani International Tyres (Pvt) Ltd, have an annual commitment to pay royalty at 2% on radial tyres and 1% on bias tyre sales net of taxes, discounts and incentives to Ceat Ltd. - India.

iii) Capital commitments

The approximate capital expenditure contracted by Ceat Kelani International Tyres (Pvt) Ltd and Ceat Kelani Radial (Pvt) Ltd, for which no provision is made in the financial statements as at 31 March 2022 amounts to Rs. 160,473,545 and Rs. 343,479,340 respectively.

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.

Notes to the Consolidated Financial Statements (Contd..)

17. Investment in joint venture (Contd..)

Summarised statement of financial position

	Joint venture As at 31 March	
	2022 Rs'000	2021 Rs'000
Current		
Cash and cash equivalents	3,873,936	3,451,485
Other current assets (excluding cash)	7,743,101	5,007,918
Total current assets	11,617,038	8,459,404
Financial liabilities (excluding trade payables)	(2,344,992)	(1,359,808)
Other current liabilities (including trade payables)	(4,965,573)	(2,859,792)
Total current liabilities	(7,310,565)	(4,219,600)
Non current assets	7,286,938	6,991,985
Non-current liabilities	(1,011,001)	(1,162,559)
Net assets	10,582,410	10,069,230

Summarised statement of comprehensive income.

	Joint venture Year ended 31 March	
	2022 Rs'000	2021 Rs'000
Domestic revenue	15,938,632	10,819,128
Export revenue	747,685	996,144
Total revenue	16,686,317	11,815,272
Cost of sales	(12,744,603)	(8,280,762)
Distribution / administrative cost	(2,070,002)	(1,444,010)
Other operating income	42,708	26,700
Finance income	204,662	149,542
Finance cost	(87,668)	(55,776)
Pre-tax profit from continuing operations	2,031,416	2,210,966
Income tax expense	(338,578)	(262,770)
Post-tax profit from continuing operations	1,692,837	1,948,196
Other comprehensive income		
Remeasurement of defined benefit obligations	(22,848)	(4,963)
Fair value Gain on defined benefit plan asset	Nil	Nil
Tax on remeasurement of defined benefit obligation	4,191	940
Gain on revaluation of land	Nil	698,870
Tax on revaluation gain/(loss)	Nil	(69,887)
Other comprehensive (loss) / income for the year - net of tax	(18,657)	624,959
Total comprehensive income	1,674,180	2,573,155

Notes to the Consolidated Financial Statements (Contd..)

17. Investment in joint venture (Contd..)

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	
	2022	2021
	Rs'000	Rs'000
Summarised financial information		
Opening net assets 1 April	10,069,230	7,797,076
Profit for the year	1,692,837	1,948,195
Other comprehensive (loss) / income net of tax	(18,657)	624,959
Dividend distributed for the year	(1,161,000)	(301,000)
Closing net assets	10,582,410	10,069,230
Interest in Joint Venture @ 50%	5,291,205	5,034,615
Carrying value	5,291,205	5,034,615

18. Investment in subsidiary

	Company As at 31 March	
	2022	2021
	Rs'000	Rs'000
Investment in subsidiary	10	10

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

19. Trade and other receivables

	Group 31 March		Company 31 March	
	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000
Trade receivables				
- Related companies	342,691	58,845	342,492	58,776
[See (a) below and Note 30 (iii)]				
Prepayments	3,201	295	3,201	295
Receivable from related parties - Non trade	32,212	31,534	32,212	31,534
Other receivables and deposits [See (b) below]	52,511	49,159	52,511	49,159
	430,615	139,833	430,416	139,764

- (a) Trade receivables of the Company consist of receivables from Wheels (Private) Limited and Power Wheels (Private) Limited which are related parties.
- (b) Other receivables and deposit of the Company includes VAT receivable amounting to Rs. 228,810 (2021 - Rs. Nil), other advances amounting to Rs. 4,249,145 (2021 - Rs. 3,855,389), Economic Service Charge receivable amounting to Rs. 3,303,324 (2020 - Rs. 3,303,324) and fixed deposit mature within six months from date of financial position amounting to Rs. 44,729,996.76 (Rs. 42,000,000).

Notes to the Consolidated Financial Statements (Contd..)

20 Financial assets at fair value through profit or loss (FVPL)

	2022 Rs'000	2021 Rs'000
Beginning of financial year	242,402	Nil
Addition	Nil	241,000
Fair value gains recognised in other operating income - Net of WHT (Note 6)	473	1,402
End of financial year	242,875	242,402
Less: Current portion	(242,875)	(242,402)
Non-current portion	Nil	Nil

Financial assets at fair value through profit or loss are analysed as follows:

	No. of units	
Investment in unit trust		
NB Wealth Fund	5,743,583	137,135
CAL Investment Grade Fund	4,898,119	105,740
Total		242,875

Measurement of fair value of investment in unit trust has been categorised as level 1 of the fair value hierarchy based on the market approach used.

21. Cash and cash equivalents

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Cash at bank and in hand	97,498	153,186	94,220	150,208
Fixed deposits mature within 3 months	3,914	3,787	3,914	3,787
	101,412	156,973	98,134	153,995

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

Cash and bank balances	101,412	156,973	98,134	153,995
Bank overdrafts [Note 23]	(87,603)	(60,158)	(87,603)	(60,158)
	13,809	96,815	10,531	93,837

22. Trade and other payables

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Accrued expenses	152,611	44,122	152,495	44,014
Other payables	Nil	Nil	Nil	Nil
	152,611	44,122	152,495	44,014

Accrued expenses of the Company includes unclaimed dividend payable and VAT payable amounting to Rs 52,566,837 (2021 - Rs 42,960,428) and VAT payable Rs. Nil (2021 - 9,758) respectively.

Notes to the Consolidated Financial Statements (Contd..)

23. Borrowings

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Current				
Bank overdrafts [Note 21]	87,603	60,158	87,603	60,158
Bank borrowings	10,000	10,000	10,000	10,000
	97,603	70,158	97,603	70,158
Non-current				
Bank borrowings	833	10,833	833	10,833
	833	10,833	833	10,833
Total borrowings	98,436	80,991	98,436	80,991

i) Kelani Tyres PLC

Lender	Rate of Interest	Balance as at 31 March 2022 (Rs '000)	Terms of repayment per month (Rs '000)	Security
Commercial Bank of Ceylon PLC	AWPLR + 1.25%	10,833	833	Mortgage has executed over the investment properties
		10,833		

* AWPLR - Average Weighted Prime Lending Rate

The bank overdrafts and term loan of the Company are secured by investment properties and bear interest at AWPLR+1.25%.

24. Define benefit obligations

The amounts recognised in the statement of financial position are determined as follows:

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Present value of unfunded obligation	7,265	7,208	7,265	7,208
Liability in the statement of financial position	7,265	7,208	7,265	7,208

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

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
At 1 April	7,208	6,730	7,208	6,730
Current service costs	641	699	641	699
Interest costs	830	476	830	476
Actuarial (gain) / loss recognised in other comprehensive income	(1,010)	(697)	(1,010)	(697)
Benefits paid during the year	(404)	Nil	(404)	Nil
At 31 March	7,265	7,208	7,265	7,208

Notes to the Consolidated Financial Statements (Contd..)

24. Define benefit obligations (Contd..)

The amounts recognised in the statement of comprehensive income are as follows:

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Current service cost	641	699	641	699
Interest cost	830	476	830	476
Cost included in the staff costs [Note 8 (a)]	1,471	1,175	1,471	1,175
Actuarial (gains) / loss recognised in other comprehensive income	(1,010)	(697)	(1,010)	(697)
	(1,010)	(697)	(1,010)	(697)
Total cost	461	478	461	478

The principal actuarial assumptions used were as follows:

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Discount rate	11.92%	7.08%	11.92%	7.08%
Future salary increases	10.00%	7.00%	10.00%	7.00%
Retiring age	72 years	72 years	72 years	72 years

The next valuation is due to be completed as at 31 March 2023. The company considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and those regular contributions, which are based on service costs, will not increase significantly. Expected contributions to post-employment benefit plans for the year ending 31 March 2023 are Rs. 1,466,622. The weighted average duration of the defined benefit obligation is 11 years (2021 – 13.25 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 Rs'000	Company Rs'000	Group Rs'000	Company Rs'000
Discount rate per annum	1%	(1,598)	(1,598)	1,929	1,929
Annual salary increment rate	1%	1,584	1,584	(1,572)	(1,572)
Retiring age	1	297	297	(289)	(289)

25. Commitments and contingent liabilities.

There were no any commitments and contingent liabilities relating to the Company as at 31 March 2022. 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 Consolidated Financial Statements (Contd..)

27. Revaluation reserves

	Group 31 March		Company 31 March	
	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000
Revaluation reserves of the Company	24,691	24,691	24,691	24,691
Revaluation reserves of the Joint venture	801,128	801,128	Nil	Nil
At end of year	825,819	825,819	24,691	24,691

Group

Revaluation increments are recognised in other comprehensive income and accumulated as a separate component of equity in respect of property, plant and equipment.

28. Dividend per share

	Group 31 March		Company 31 March	
	2022	2021	2022	2021
	Rs'000	Rs'000	Rs'000	Rs'000
Dividend declared to shareholders ('Rs'000)	402,000	402,000	402,000	402,000
Number of shares in issue (thousands)	80,400	80,400	80,400	80,400
Dividends per share (Rs)	5.00	5.00	5.00	5.00
Total dividend declared to shareholders	402,000	402,000	402,000	402,000
Dividend pay out ratio	48%	45%	71%	37%

The Company pays dividends to its shareholders out of the dividends received from its joint venture, Ceat Kelani Holdings. During the financial year 2021/22, the Company has paid dividends amounting to Rs 402,000,000 out of the dividends received from its joint venture.

Notes to the Consolidated Financial Statements (Contd..)

29. Cash Generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group 31 March		Company 31 March	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Profit before tax	830,141	963,376	564,677	140,169
Adjustments for:				
Depreciation on property plant and equipment [Note 13]	18,328	9,153	17,453	8,278
Amortisation of intangible assets [Note 15]	Nil	Nil	Nil	Nil
Profit on disposal of property, plant and equipment	24	Nil	24	Nil
Gain from fair value adjustment on investment property [Note 14]	(71,400)	(48,276)	(71,400)	(48,276)
Net interest costs / (income) [Note 9]	(17,544)	(26,588)	(17,544)	(26,588)
Share of profit from joint venture [Note 17]	(846,419)	(974,098)	Nil	Nil
Dividend income	Nil	Nil	(580,500)	(150,500)
Changes in working capital :				
- decrease / (increase) in trade and other receivables	(290,782)	534,480	(290,655)	533,968
- (increase) / decrease in Financial assets at FVTPL	(473)	(242,402)	(473)	(242,402)
- increase in trade and other payables	108,490	(6,449)	108,481	(6,475)
Defined benefit obligations [Note 24]	1,471	1,175	1,471	1,175
Cash generated from operations	(268,166)	210,371	(268,466)	209,349

30. Related party transactions

Details of significant related party disclosures are as follows:

Name of the company	Relationship type	Holding %	
		2022	2021
Silverstock Limited	Immediate parent	45.99%	45.99%
Ceat Kelani Holdings (Private) Limited	Joint venture	50%	50%
Executive Cars (Private) Limited	Fully owned subsidiary	100%	100%

* Silverstock Limited ownership % of KTPLC has not been changed.

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.

Notes to the Consolidated Financial Statements (Contd..)

30. Related party transactions (Contd..)

	Hercules Motor Company (Private) Limited	Ceat Kelani Holdings (Private) Limited	Wheels (Private) Limited	Silver Stock Limited	Executive Cars (Private) Limited	Smart Wheels (Private) Limited	Power Wheels (Private) Limited	Ceat Kelani International Tyres (Private) Limited	Associated CEAT (Private) Limited
Mr. Chanaka De Silva - Chairman	X	X	X	X	X	X	X	X	X
Mr. Rohan T. Fernando - Managing Director	X	X	X	X	X	X	X	X	X
Mr. T. B. Perera - Director	-	-	-	-	X	-	-	X	-
Mr. D. S. K. Amarasekara - Director	-	-	-	-	-	-	-	-	X
Mrs. S. S. Jayatilaka - Director	X	-	-	-	X	-	-	-	-
Mr. Eraj T. Fernando - Director	-	X	-	-	-	-	-	X	X
Mr. R. P. Weerasooriya - Director	-	-	-	-	-	-	-	X	X

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

Notes to the Consolidated Financial Statements (Contd..)

30. Related party transactions (Contd..)

(a) Transaction and balances with related parties

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

		Group		Company		
		31 March		31 March		
		2022	2021	2022	2021	
		Rs'000	Rs'000	Rs'000	Rs'000	
(i)	Sale of goods and services					
	Wheels (Private) Limited	Common Key Management Personnel	183,290	6,150	182,484	5,255
	Ceat Kelani International Tyres (Private) Limited	Common Key Management Personnel	1,308	1,246	1,308	1,246
	Hercules Motor (Private) Limited	Common Key Management Personnel	Nil	Nil	Nil	Nil
	Smart Wheels (Private) Limited	Common Key Management Personnel	Nil	Nil	Nil	Nil
	Power Wheels (Private) Limited	Common Key Management Personnel	136,028	59,438	136,028	59,438
			320,625	66,834	319,820	65,939
	Outstanding balance arising from transactions with related companies.					
	(ii) Receivable from related parties (non trade)					
	Non trade					
Wheels (Private) Limited	Common Key Management Personnel	1,337	580	1,337	580	
Silver Stock Limited	Parent	875	954	875	954	
Directors	Key Management Personnel	30,000	30,000	30,000	30,000	
		32,212	31,534	32,212	31,534	
Dividend						
Ceat Kelani Holding (Private) Limited	Joint Venture	Nil	Nil	Nil	Nil	
		32,212	31,534	32,212	31,534	
(iii) Trade receivable from related parties						
Power Wheels (Private) Limited	Common Key Management Personnel	155,545	58,303	155,545	58,303	
Wheels (Private) Limited	Common Key Management Personnel	187,145	542	186,947	473	
Hercules Motor Company	Common Key Management Personnel	Nil	Nil	Nil	Nil	
		342,691	58,845	342,492	58,776	

Notes to the Consolidated Financial Statements (Contd..)

30. Related party transactions (Contd..)

(b) Terms and conditions

Goods were sold to Wheels (Private) Limited and Power Wheels (Private) Limited during the year on credit terms based on prices approved by the related party transactions committee.

(c) 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	
	2022 Rs'000	2021 Rs'000	2022 Rs'000	2021 Rs'000
Salaries and other short term employee benefits	41,979	22,092	41,979	22,092
Management related expense - Directors	47,230	41,586	47,230	41,586
	89,208	63,678	89,208	63,678

31. Comparatives

Reclassification of comparatives

Where necessary, comparative figures have been re-classified since management believes such re-classification gives a fairer presentation and conforms with the current years presentation.

32. Events occurred after the reporting date

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

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

Note: Common Directors - Mr. Chanaka de Silva (Chairman), Mr. Rohan T. Fernando (Managing Director), are the Directors of the above 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 2022

			2021/2022			2020/2021		
			No. of Holders	No. of Shares	%	No. of Holders	No. of Shares	%
FROM	1	1,000	7,372	2,086,447	2.60	7,142	2,046,968	2.55
	1,001	10,000	1,884	5,332,187	6.63	1,912	5,507,873	6.85
	10,001	100,000	211	6,031,890	7.50	244	7,125,982	8.86
	100,001	1,000,000	50	12,149,939	15.11	49	12,418,779	15.45
OVER	1,000,001		7	54,799,537	68.16	7	53,300,398	66.29
			9,524	80,400,000	100.00	9,354	80,400,000	100.00

3. CATEGORIES OF SHAREHOLDERS AS AT 31ST MARCH 2022

			2021/2022			2020/2021		
			No of Holders	No. of Shares	%	No of Holders	No. of Shares	%
Local Individuals			9,162	23,317,100	29.00	9,017	24,312,720	30.24
Local Institutions			294	56,188,580	69.89	267	55,132,151	68.58
Foreign Individuals			65	842,400	1.05	67	903,209	1.12
Foreign Institutions			3	51,920	0.06	3	51,920	0.06
			9,524	80,400,000	100	9,354	80,400,000	100

4. PUBLIC SHARE HOLDING AS AT 31ST MARCH 2022 - 51.74% comprising of 9,515 shareholders(as at 31.03.2021 - 51.76% - 9,346 shareholders)

5. FLOAT ADJUSTED MARKET CAPITALIZATION - Rs. 2,408,665,070/70

The Float adjusted market capitalization of the Company falls Under Option 5 of Rule 7.14.1 (I) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum Public Holding requirement applicable under the said Option.

6. SHARE VALUATION

	2021/2022	(Rs.)	2020/2021	(Rs.)
Market value of Ordinary Shares	31st Mar 2022	57.90	31st Mar 2021	78.00
Highest value recorded	7th Jan. 2022	110.25	22nd Jan. 2021	112.00
Lowest value recorded	31st Mar. 2022	50.10	11th May. 2020	32.00

Major hareholders as at 31 March 2022

	2021/2022		2020/2021	
	No of Shares	% Holding	No of Shares	% Holding
Silverstock Limited	36,975,523	45.989	36,975,523	45.989
Bank of Ceylon A/C Ceybank Unit Trust	6,123,886	7.617	6,473,917	8.052
Mr. H M Udeshi	4,500,000	5.597	4,182,857	5.203
Employees Trust Fund Board	2,833,639	3.524	895,823	1.114
Mr. R. C. D. DE Silva	1,801,104	2.240	1,801,104	2.24
Employee Provident Fund	1,553,800	1.933	1,553,800	1.933
Bank of Ceylon A/C Ceybank Century Growth Fund	1,011,585	1.258	1,307,516	1.626
Seylan Bank PLC / Janashakthi Capital Ltd	728,285	0.906	Nil	Nil
Mrs T. T. A. De Silva Weerasooria	622,612	0.774	Nil	Nil
Mr. S. Vasudevan	611,368	0.760	700,000	0.871
Mouldex (Pvt) Ltd	600,000	0.746	Nil	Nil
Mr. N Pusparaj and Mrs. K. Pusparaja	550,000	0.684	550,000	0.684
Aruna Enterprises (Pvt) Ltd	437,600	0.544	437,600	0.544
DFCC Bank PLC / Fazlur Rahman Muzammil	423,617	0.527	Nil	Nil
DFCC Bank PLC / G. L. I. B. N. Perera	416,270	0.518	Nil	Nil
Mr. H. S. Gunasekera	386,387	0.481	Nil	Nil
Dr. T. Senthilvel	379,212	0.472	237,120	0.295
Mr. B Pobran	350,240	0.436	350,240	0.436
Ransiri Enterprises Private Limited	310,000	0.386	310,000	0.386
Mr. D. K. A. K. Weerathunga	299,050	0.372	254,752	0.317
Mrs. N. Mulji	290,694	0.362	290,694	0.362
Sanasa Life Insurance Company Ltd (Life)	260,000	0.323	Nil	Nil
Mr. T. T. T. Al-Nakib (Deceased)	250,000	0.311	250,000	0.311
Mr. A. M. Weerasinghe	250,000	0.311	250,000	0.311
Mr. Z G Carimjee	234,533	0.292	234,533	0.292
Mr. J. M. S. Brito & Mrs. B. S. Brito	224,890	0.280	Nil	Nil
Mr. J. M. S. Brito	Nil	Nil	169,890	0.211
People's Leasing & Finance PLC / Mr. M. Z. M. Wafik	224,481	0.279	185,715	0.231
Mrs. A. R. N. Perera	200,800	0.250	Nil	Nil
Asia Securities (Pvt) Ltd (Trading Account)	200,000	0.249	Nil	Nil
Hatton National Bank PLC / Ravith Fracis Thejasri Perera	200,000	0.249	Nil	Nil

Performance Highlights

	GROUP (Investment in JV Accounted for on Equity Method)					COMPANY				
	2021/22	2020/21	2019/20	2018/19	2017/18	2021/22	2020/21	2019/20	2018/19	2017/18
(amounts in Sri Lanka Rupees thousands)										
Gross Sales (after discounts)										
Local	339,187	65,160	320,214	495,907	623,192	338,318	64,193	317,490	491,534	619,136
Trading Profitability										
Net Sales	314,062	60,333	280,778	426,874	536,452	313,257	59,438	278,413	423,147	532,996
Cost of Sales	(292,480)	(54,423)	(253,761)	(390,706)	(488,523)	(291,605)	(53,548)	(252,698)	(388,142)	(485,027)
Gross Profit	21,582	5,910	27,017	36,168	47,929	21,652	5,890	25,715	35,005	47,969
Other Operating Income										
Rent Income	6,108	6,046	6,046	5,987	5,932	6,108	6,046	6,046	5,987	5,932
Hire Income	-	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-	-
Dividend Income	-	-	-	-	-	580,500	150,500	573,800	159,320	-
Others	1,431	2,826	2,505	5,231	1,261	1,430	2,826	1,390	5,206	1,249
Net gain from fair value adjustment on Investment Property	71,400	48,276	39,824	24,000	24,000	71,400	48,276	39,824	24,000	24,000
Expenditure										
Distribution cost	-	-	-	-	-	-	-	-	-	-
Administrative Expenditure	(134,341)	(100,367)	(97,333)	(90,355)	(78,571)	(133,956)	(99,957)	(96,677)	(89,971)	(78,227)
Other Operating Expenses	-	-	-	-	-	-	-	-	-	-
Finance (Cost)/Income	17,545	26,588	(2,171)	8,808	27,014	17,545	26,588	(2,134)	9,069	27,518
Minority Interest	-	-	-	-	-	-	-	-	-	-
Share of results of joint venture	846,419	974,098	466,900	494,624	555,829	-	-	-	-	-
Income tax credit	-	1,348	-	-	-	-	1,348	-	-	-
Net Profit (after tax)	830,141	964,724	442,788	484,202	576,380	564,677	141,517	547,964	148,616	22,617
Financial Position (Rs.'000)										
Market value per share as at 31 March Rs.	57.90	78.00	33.10	30.90	49.20	57.90	78.00	33.10	30.90	49.20

Financial Review of the Group

	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sales	314,062	60,333	280,778	426,874	536,452
Gross Profit	21,582	5,910	27,017	36,168	47,929
Operating Profit Before Tax & interest (with share of results of joint venture)	812,596	936,788	444,959	475,655	556,380
Profit After Taxation & Minority interest	830,141	964,724	442,788	484,202	576,380
Share Capital & Reserves					
Stated Capital	402,000	402,000	402,000	402,000	402,000
Revaluation & other reserve	825,819	825,819	487,607	487,607	487,607
Accumulated Profit/ (losses)	5,181,907	4,762,085	4,200,675	3,961,449	3,878,079
Shareholders' Funds	6,409,726	5,989,904	5,090,282	4,851,056	4,767,686
Assets & (Liabilities)					
Current Assets	779,217	543,523	862,688	508,613	758,175
Current Liabilities	(250,214)	(114,280)	(124,415)	(110,667)	(63,249)
Net Current Assets	529,003	429,243	738,273	397,946	694,926
Non Current Assets	5,888,822	5,578,702	4,379,572	4,457,936	4,078,048
Non Current Liabilities	(8,098)	(18,041)	(27,563)	(4,826)	(5,288)
	6,409,726	5,989,904	5,090,282	4,851,056	4,767,686
Ratio Analysis					
Gross Profit Margine	7%	10%	10%	8%	9%
Earnings per Share(Rs)	10.33	12.00	5.51	6.02	7.17
Net Assets per Share(Rs)	79.72	74.50	63.31	60.34	59.30
Assets Utilization -(Times)	0.05	0.01	0.06	0.10	0.13
Current Ratio (Times)	3.11	4.76	6.93	4.60	11.99
Bank Borrowings (Excl. OD) as a % of Total Assets	0.16%	0.34%	0.59%	0%	0%
Gearing Ratio	0	0	0	0	0

Consolidation Analysis

Statement of Comprehensive Income

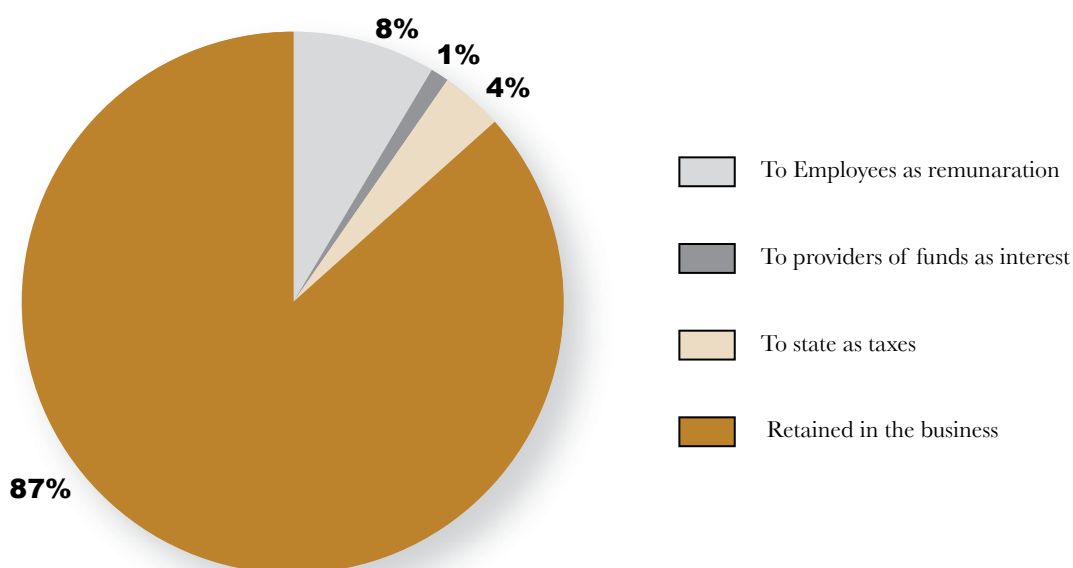
	Company Twelve Months ended 31st Mar. 2022	EC Twelve Months ended 31st Mar. 2022	Group Twelve Months ended 31st Mar. 2022
Sales	313,256,966	805,475	314,062,441
Cost of Sales	(291,605,185)	(875,120)	(292,480,305)
Gross Profit	21,651,781	(69,645)	21,582,137
Other Operating Income/(expense)	588,037,853	-	7,537,739
Net gain from fair value adjustment on Investment Property	71,400,000	-	71,400,000
Administrative Expenses	(116,503,748)	(376,695)	(116,889,358)
Depreciation	(17,452,470)	-	(17,452,470)
Operating Profit	547,133,416	(446,340)	(33,821,952)
Finance Income/(Costs)	17,544,413	53	17,544,466
Share of results of joint venture	Nil	Nil	846,418,595
Profit before tax	564,677,829	(446,287)	830,141,108
Income Tax credit	-	-	-
Profit from Ordinary activities	564,677,829	(446,287)	830,141,108
Other Comprehensive Income			
Remeasurement of defined benefit obligation	1,009,520	-	1,009,520
Share of other comprehensive income from joint venture	Nil	Nil	(9,328,378)
Total Comprehensive Income for the year	565,687,350	(446,287)	821,822,251
Basic earnings per share - Rs.	7.02	(446.28)	10.33

Consolidation Analysis

Statement of financial position

	Company Twelve Months ended 31st Mar. 2022	EC Twelve Months ended 31st Mar. 2022	Group Twelve Months ended 31st Mar. 2022
ASSETS			
Non - Current Assets			
Property, Plant & Equipment	40,391,404	291,705	38,118,021
Investment Property	559,500,000	-	559,500,000
Investment in Joint Venture	139,606,988	-	5,291,205,165
Investment in Subsidiary	10,000	-	Nil
	739,508,392	291,705	5,888,823,186
Current Assets			
Trade and Other Receivables	430,416,394	198,652	430,615,046
Income Tax Receivables	3,711,953	602,989	4,314,942
Financial assets at fair value through profit or loss	242,874,707	-	242,874,707
Cash and Cash Equivalent	98,134,400	3,277,381	101,411,781
	775,137,454	4,079,023	779,216,477
Total Assets	1,514,645,846	4,370,728	6,668,039,663
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	402,000,000	10,000	402,000,000
Revaluation and Other Reserves	24,691,017	-	825,818,307
Retained Earnings/(Accumulated Losses)	829,758,851	4,085,728	5,181,908,964
	1,256,449,868	4,095,728	6,409,727,271
Non - Current Liabilities			
Borrowings	833,344	Nil	833,344
Defined Benefit Obligations	7,265,110	Nil	7,265,110
	8,098,454	-	8,098,454
Current Liabilities			
Trade and Other Payables	152,494,950	275,000	152,611,364
Borrowings	10,000,000	Nil	10,000,000
Bank Overdraft	87,602,575	Nil	87,602,575
	250,097,524	275,000	250,213,939
Total Liabilities	258,195,978	275,000	258,312,392
Total Equity and Liabilities	1,514,645,846	4,370,728	6,668,039,663
Net Asset value per Share -Rs.	15.63	4,095.73	79.72

Statement of Value Added



	2021/2022	%	2020/2021	%
Turnover	338,318	50.34%	64,193	32.77%
Other Income	684,373	101.82%	242,193	123.65%
Cost of Material & Services Purchased	(350,566)	-52.16%	(110,511)	-56.42%
	672,125	100%	195,875	100%
Distributed as follows				
To Employees as remuneration	57,543	8.56%	34,716	17.72%
To providers of funds as interest	7,391	1.10%	7,957	4.06%
To State as taxes	25,061	3.73%	3,407	1.74%
To Transactions with Owners of the Group	402,000	59.81%	402,000	205.23%
Retained in the business				
Depreciation	17,452	2.60%	8,278	4.23%
Reserves	564,677	84.01%	141,517	72.25%
Dividend paid (out of dividends received)	(402,000)	-59.81%	(402,000)	-205.23%
	672,125	100%	195,875	100%

JOINT VENTURE

PERFORMANCE HIGHLIGHTS

Summarised Comprehensive Income Statement

Ceat Kelani Holdings (Pvt) Ltd - Consolidated

(amounts in Sri Lanka Rupees thousands)

	2021/22	2020/21	2019/20	2018/19	2017/18
Production (MT)	19,454	17,612	14,680	16,074	17,122
Total Sales (MT)	19,414	17,339	14,443	16,481	16,563
Domestic Sales	15,938,632	10,819,128	8,132,525	7,700,342	7,587,732
Export Sales	747,685	996,144	1,324,057	2,252,940	2,049,307
Total Sales	16,686,317	11,815,272	9,456,582	9,953,282	9,637,039
Cost of Sales	(12,744,603)	(8,280,762)	(7,078,022)	(7,603,842)	(7,248,667)
Contribution	3,941,714	3,534,510	2,378,560	2,349,440	2,388,371
Distribution/Administrative Cost	(2,070,002)	(1,444,010)	(1,315,926)	(1,243,608)	(1,128,672)
Finance Income / Cost (net)	116,995	93,766	109,482	107,959	112,636
Other Operating Income	42,708	26,700	40,962	76,441	31,993
PBT	2,031,416	2,210,966	1,213,078	1,290,232	1,404,329
Taxation	(338,578)	(262,770)	(279,279)	(300,985)	(292,670)
PAT	1,692,837	1,948,196	933,799	989,247	1,111,658
PBDT	2,538,663	2,686,777	1,642,781	1,643,764	1,721,653

Summarised Financial Position

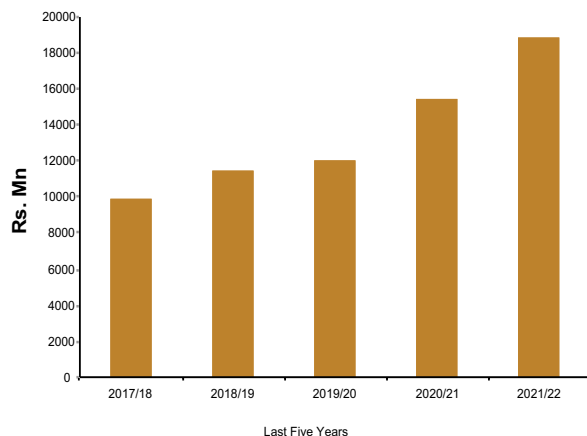
Ceat Kelani Holdings (Pvt) Ltd - Consolidated

(amounts in Sri Lanka Rupees thousands)

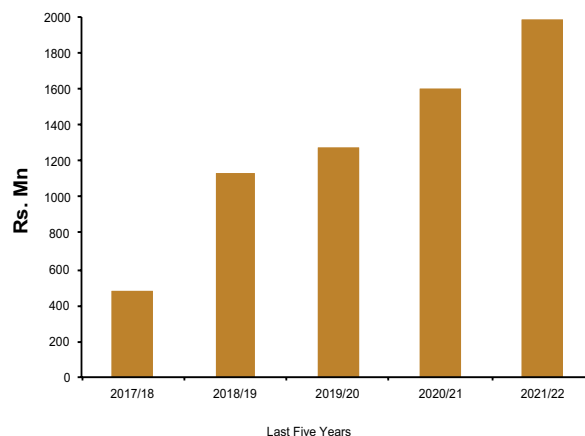
	31-03-2022	31-03-2021	31-03-2020	31-03-2019	31-03-2018
Non-Current Assets	7,286,938	6,991,985	5,697,671	5,558,833	4,793,586
Current Assets	11,617,038	8,459,404	6,374,498	5,933,716	5,170,803
Total Assets	18,903,976	15,451,389	12,072,169	11,492,549	9,964,389
Capital and Reserves	10,582,410	10,069,230	7,797,075	8,014,466	7,342,110
Non-Current Liabilities	1,011,001	1,162,559	1,117,212	1,198,173	963,135
Current Liabilities	7,310,565	4,219,600	3,157,881	2,279,910	1,659,144
Total Assets Equity & Liabilities	18,903,976	15,451,389	12,072,169	11,492,549	9,964,389

Performance Highlights - Joint Venture

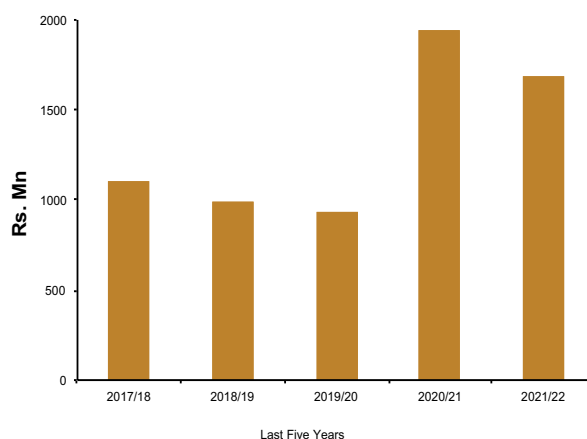
Total Assets Employed



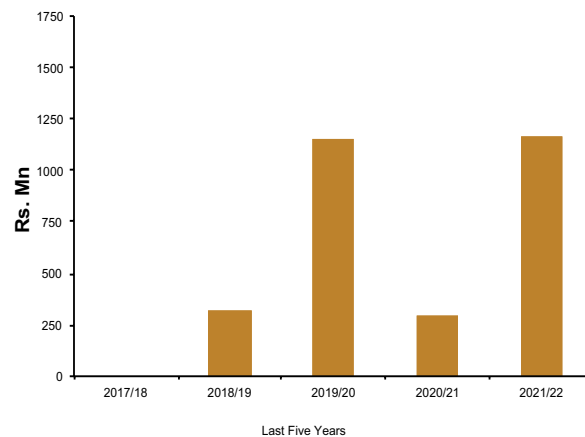
Total Borrowings



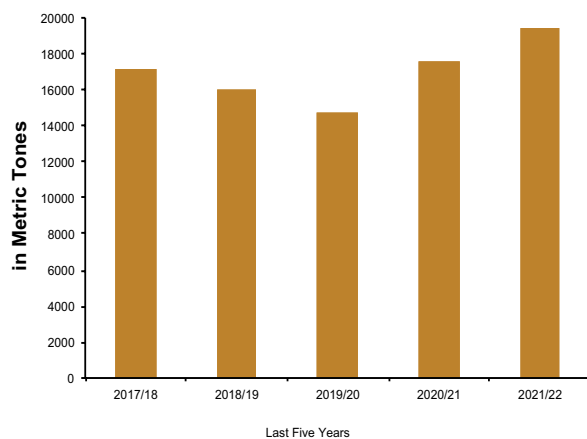
Profit After Tax



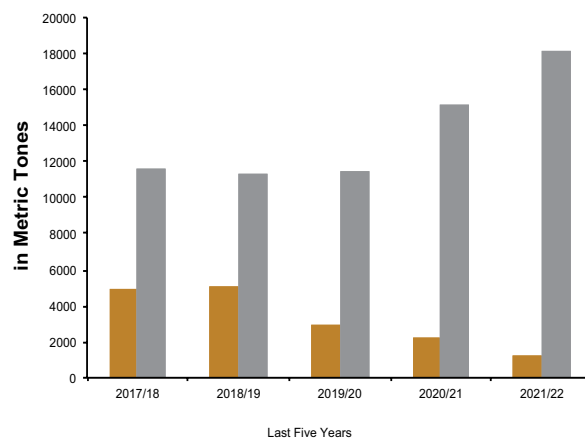
Ordinary Dividends



Production



Exports/Local



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth (28th) Annual General Meeting of Kelani Tyres PLC will be held at the Capri Club, No. 62, Dharmapala Mawatha, Colombo 3, on Wednesday, 28th September 2022 at 10.00 a.m. 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 2022 and the Report of the Auditors thereon.
2. To re-elect Mr. R. P. Weerasooria who retires by rotation in terms of Articles 84 and 85 of the Articles of Association, as a Director of the Company.
3. To pass the Ordinary Resolution set out below to re-appoint Mr R C D De Silva who is 80 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 80 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 appoint Auditors in place of those retiring:

To pass the Ordinary Resolution set out below for the appointment of Messrs KPMG, Chartered Accountants, as the Auditors of the Company in place of the retiring Auditors PricewaterhouseCoopers, Chartered Accountants from the conclusion of this Annual General Meeting and authorizing the Directors to determine their remuneration.

“IT IS HEREBY RESOLVED THAT Messrs KPMG, Chartered Accountants be appointed the Auditors of the Company, in place of the retiring auditors, to hold office from the conclusion of this Annual General Meeting and that their remuneration be fixed by the Directors.”

5. To authorize the Directors to determine donations for the year ending 31st March 2023 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

26th August 2022
Colombo

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.

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 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	of Colombo or failing him*
Mr Rajinda Priyanjit Weerasooriya	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 Eighth (28th) Annual General Meeting of the Company to be held on 28th September 2022 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. R. P. Weerasooria, who retires by rotation in terms of Articles 84 and 85 of the Articles of Association, as a Director.	☐	☐
2. To pass the Ordinary Resolution set out under item 3 of the Notice of Meeting to re-appoint Mr. R C D De Silva who is 80 years of age, as a Director of the Company.	☐	☐
3. To pass the Ordinary Resolution set out under item 4 of the Notice of Meeting for the appointment of Messrs KPMG, Chartered Accountants as Auditors of the Company in place of the retiring auditors Messrs PricewaterhouseCoopers, Chartered Accountants and to authorize the Directors to determine their remuneration.	☐	☐
4. To authorize the Directors to determine donations for the year ending 31st March 2023 and up to the date of the next Annual General Meeting.	☐	☐

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

.....
Signature of Shareholder/s

* Please delete what is inapplicable.

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

Instructions as to Completion

1. 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. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)
3. 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.
4. 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.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company through the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 (email – tyre.pwcs@gmail.com) by 10.00 a.m. on 26th September 2022.



