PRICEWATERHOUSECOOPERS

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CHAIRMAN'S STATEMENT

It is my pleasure to present the Accounts and Review of our activities for the year ended 31st March 2002.

Our Marketing policy, which has continued to be adopted, has seen an improvement in Sales Turnover from Rs. 269 Million to Rs. 272 Million, in spite of increased competition.

Gross Profit margins declined from 16.4% to 13.4%, due to increased cost of sales, resulting from a 40% surcharge on import duty and the further depreciation of the Sri Lankan Rupee.

However strict credit control resulted in a marked reduction in borrowings with the resultant decrease in financial costs from Rs.12.5 Million to Rs 6.9 Million. We have maintained our position in the overall imports of Tyres, while sales of Batteries, Alloy Wheels and Tyre Accessories have improved as well.

Net Assets have improved from Rs. 100 Million to Rs. 102 Million in the year under review, resulting in a growth in Nett Assets per share increase from Rs. 838 to Rs. 855.

Business Situation
The year under review was one of upheavals both here and abroad, with the attack on the Katunayake Airport in July, the terrorist attacks on the US in September and the General Election here in December. However, the general economic situation has shown a marked improvement after the signing of the memorandum of understanding in early 2002. Sales to the East have resumed after twenty bleak years, and we plan to move into the North in the near future as well.

New Business Premises
We have commenced on the construction of our new Showroom and Office Building at 304 Union Place. It will be ready for occupation by the end of November 2002. This will help to expand our activities. The estimated total cost of the project will be about Rs.30 million. A term loan of Rs.18 million has been approved by the Bank of Ceylon for this purpose, which has not been utilised at the time of writing.

Dividend
An interim dividend of 12.5% was paid on 6th May 2002. The Directors do not propose payment of a final dividend, as any surplus will be appropriated for the Building Fund.

Future Prospects
We have plans for aggressive expansion of our sales with our Marketing representatives visiting Dealers in Colombo and outstations, including new shops in the North and East.
The replacement of the 12.5% Goods and Services Tax (GST) and the 6.5% (effective 8.125%) National Security Levy (NSL) (total 20.625%) by the 20% Value Added Tax (VAT) took effect on 1st August 2002. The surcharge of 40% on Customs Duty was reduced to 20%, so that the total Duty is reduced from 35% to 30% of CIF. These measures will bring relief off-setting any factors that may cause an increase in cost. The effective rate of Corporate Income Tax declined from 42% in the year under review to 35% for the year 2002/3. Interest should further decline through near-zero borrowing levels, as well as all-time low interest rates, in turn resulting in a positive cash flow position, reversing the trend seen in the year under review. The rate of appreciation of the Dollar has dramatically reduced in comparison to previous years. Economic Reforms and improved business confidence at the time of writing, bode well for the future.

Thanks

I would like to place on record my thanks to our valued Dealers, to our principals for Advertising, Sales Promotion & Technical Training support, and to our Bankers, who have given us the facilities we required on reasonable terms.

Last, but not least, I would like to thank the members of our Staff for their loyalty , my colleagues the Executive Directors and all Board members, who have given their fullest co-operation and valuable advice.

I look forward to celebrate the Golden Jubilee of our firm in our new building with a new corporate image in July 2003

Joseph A Aloysius
Chairman

Colombo, August 2002.

Report of the directors for the year ended 31 March 2002

Statement of directors responsibility for financial statements

1 The Board of Directors is responsible for preparing and presenting these financial statements for the year ended 31 March 2002, set out in pages 6 to 23.

2 Results

The results for the year and changes in equity, are set out in the income statement and statement of changes in equity on pages 6 and 8 respectively.

3 State of affairs

The state of affairs of the Company as at 31 March 2002 is set out in the balance sheet on page 7.

4 Principal activities

The main activity of the Company, which remains unchanged since the previous year, is that of being sole distributor of Bridgestone tyres in Sri Lanka.

5 Dividends

At the General Meeting held on 9 April 2002 an interim dividend in respect of 2001/2002 of Rs 12.50 per share (2001 - Rs 10 per share) amounting to a total dividend of Rs 1,500,000 was proposed to be paid on 3 May 2002. However these financial statements do not reflect this dividend proposed.

6 Directors

The directors of the Company at 31 March 2002 were :

Mr Joseph A Aloysius (Chairman and Managing Director)
Mrs Bernadette J Aloysius (Deputy Chairperson and Marketing Director)
Mr Jeremy D Aloysius(Deputy Managing Director)
Mr Rajeev A J Aloysius(Finance Director)
Dr Dennis J Aloysius
Mrs Mangalam St. George
Prof. John A Aloysius
Mrs Julie A Paul
Mr M Lakshman Samarasinghe
Eng David P Dominic
Mr Sarath C Weerasooria

All the above named Directors held office for the whole of the year ended 31 March 2002.

In accordance with the Articles of Association Mr Rajeev A J Aloysius and Eng David P Dominic retire by rotation and, being eligible offer themselves for re-election with the unanimous support of the continuing Directors.

Dr Dennis J Aloysius who is 70 years of age also retires and notice has been received from a shareholder of the intention to propose a resolution that the age limit of 70 years referred to in Section 181 of the Companies Act No. 17 of 1982 shall not apply to him.

7 Directors interest in shares of the Company

The interest of the directors in shares of the Company as at 31 March 2002 were as follows :

Name of directors	Number	2002 Par value Rs	%
Mr Joseph A Aloysius	11,192	1,119,200	9.33
Mrs Bernadette J Aloysius	6,693	669,300	5.58
Mr Joseph A Aloysius and Mrs Bernadette J Aloysius	30,000	3,000,000	25.00
Mr Jeremy D Aloysius	6,385	638,500	5.32
Dr Dennis J Aloysius and Mrs S C R Aloysius	1,209	120,900	1.01
Mrs Mangalam St. George	638	63,800	0.53
Prof. John A Aloysius	6,385	638,500	5.32
Mrs Julie A Paul	6,385	638,500	5.32
Mr M Lakshman Samarasinghe	1	100	Nil
Mr Rajeev A J Aloysius	6,385	638,500	5.32
Mr Sarath C Weerasooriya	136	13,600	0.11
Eng David P Dominic	100	10,000	0.08
	75,509	**7,550,900**	**61.91**

8 Directors' interests in contracts and proposed contracts with the Company

The directors interest in contracts and proposed contracts with the Company, both direct and indirect are set out in **Note 25** to the financial statements.

The directors have disclosed the nature of their interest in contracts and proposed contracts with the Company at meetings of the directors.

9 Substantial shareholdings

According to the share register, the undernoted held more than 5% interest in the issued share capital of the Company at the balance sheet date.

	No. of shares	%
Mr Joseph Aloysius & Mrs Bernadette J Aloysius	30,000	25.00
Mr Sanjeev E C Gardiner	11,795	9.83
Mr Joseph A Aloysius	11,192	9.33
Mercury Limited	8,400	7.00
Mrs Bernadette J Aloysius	6,693	5.58
Mr Jeremy D Aloysius	6,385	5.32
Prof John A Aloysius	6,385	5.32
Mrs Julie A Paul	6,385	5.32
Mr Rajeev A J Aloysius	6,385	5.32
Miss J B Aloysius	6,385	5.32

10 Changes in non - current assets

The movements in non - current assets during the year, are set out in **Notes 10, 11** and **12** to the financial statements.

11 Donations

12 Post balance sheet events

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

13 Auditors

A resolution to re-appoint our present auditors, Messrs PricewaterhouseCoopers, Chartered Accountants, who have expressed their willingness to continue, will be proposed at the Annual General Meeting.

14 Disclosure as per CSE Rule No 3.3

	2002 Rs. cts	2001 Rs. cts
Market price per share as at 31 March		
Highest / lowest share price this year	215.00	195.00
Earnings per share	215.00	195.00
Dividend per share	17.03	44.29
Net asset value per share	Nil	10.00
	855.07	839.25

BY ORDER OF THE BOARD

COLOMBO

SECRETARIES

Report of the auditors to the members of The Autodrome Limited

1

We have audited the balance sheet of The Autodrome Limited as at 31 March 2002, and the related statements of income, changes in equity and cash flows for the year then ended, together with the accounting policies and notes as set out on pages 6 to 23.

2 Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

3 Basis of Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

4 Opinion

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31 March 2002, and to the best of our information and according to the explanations given to us, the said balance sheet and related statement of income, changes in equity and cash flows and the accounting policies and notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with Sri Lanka Accounting Standards, provide the information required by the Companies Act, No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31 March 2002 and of the results of its operations and its changes in equity and cash flows for the year then ended.

5 Directors' interests in contracts with the Company

According to the information made available to us, the directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31 March 2002, except as stated in **Note 25** to these financial statements.

CHARTERED ACCOUNTANTS

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Income statement

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 March	
		2002	2001
Sales	1	272,006,286	269,384,523
Cost of sales		(235,656,698)	(225,119,665)
Gross profit		36,349,588	44,264,858
Other operating income	2	453,546	1,668,764
Distribution costs		(6,830,309)	(4,299,670)
Administrative expenses		(16,835,462)	(18,903,218)
Operating profit	3	13,137,363	22,730,734
Non operating income	5	180,740	180,916
Finance costs	6	(6,939,062)	(12,531,254)
Profit before tax		6,379,041	10,380,396
Tax	7	(4,336,436)	(5,065,726)
Net profit		**2,042,605**	**5,314,670**
Earnings per share - basic	8	17.03	44.29

The accounting policies Notes Auditors' report

Balance sheet

(all amounts in Sri Lanka Rupees)	Notes	31 March 2002	31 March 2001
ASSETS			
Non-current assets			
Property, plant and equipment	10	101,027,651	102,593,741
Capital work in progress	11	6,906,676	361,558
Investments	12	10,162	10,162
		107,944,489	102,965,461
Current assets			
Inventories	13	24,449,933	41,867,997
Receivables and prepayments	14	24,407,384	26,976,216
Cash and cash equivalents	15	334,875	78,221
		49,192,192	68,922,434
Total assets		**157,136,681**	**171,887,895**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	12,000,000	12,000,000
Share premium	22	440,000	440,000
Capital reserves		151,846	151,846
Revaluation reserve	23	85,968,258	85,968,258
Retained profit		4,048,264	2,005,659
		102,608,368	100,565,763
Non-current liabilities			
Borrowings	17	Nil	200,278
Deferred tax liabilities	18	861,927	689,337
Defined benefit obligations	19	1,205,913	1,018,425
		2,067,840	1,908,040
Current liabilities			
Trade and other payables	16	4,296,406	3,616,437
Current tax liabilities		878,953	2,312,656
Borrowings	17	47,285,114	63,484,999
		52,460,473	69,414,092
Total liabilities		**54,528,313**	**71,322,132**
Total equity and liabilities		**157,136,681**	**171,887,895**

These financial statements were approved by the Board on .....

.....)
) Directors
.....)

The accounting policies **Notes** **Auditors' report**

Statement of changes in equity

(all amounts in Sri Lanka Rupees)

	Share capital	Capital reserves	Share premium	Revaluation reserve	(Accumulated losses) / Retained profit	Total
Balance at 1 April 2000	12,000,000	151,846	440,000	63,468,258	(2,109,011)	73,951,093
Revaluation 23	Nil	Nil	Nil	22,500,000	Nil	22,500,000
Net profit	Nil	Nil	Nil	Nil	5,314,670	5,314,670
Dividends 9	Nil	Nil	Nil	Nil	(1,200,000)	(1,200,000)
Balance at 31 March 2001	**12,000,000**	**151,846**	**440,000**	**85,968,258**	**2,005,659**	**100,565,763**
Balance at 1 April 2001	12,000,000	151,846	440,000	85,968,258	2,005,659	100,565,763
Net profit	Nil	Nil	Nil	Nil	2,042,605	2,042,605
Balance at 31 March 2002	**12,000,000**	**151,846**	**440,000**	**85,968,258**	**4,048,264**	**102,608,368**

The accounting policies Notes Auditors' report

Cash flow statement

(all amounts in Sri Lanka Rupees)

(all amounts in Sri Lanka Rupees)	Notes	Year ended 31 March	
		2002	2001
Operating activities			
Cash generated from operations	24	7,506,660	11,162,314
Interest expense	6	(3,271,856)	(831,683)
Interest received		20,027	5,450
Income tax paid		(5,597,547)	(2,865,341)
Terminal benefits paid	19	(50,725)	(71,775)
Net cash (used in) / from operating activities		**(1,393,441)**	**7,398,965**
Investing activities			
Purchase of property, plant and equipment	10	(608,234)	(4,856,969)
Capital work in progress	11	(6,545,118)	(361,558)
Proceeds from disposal of property, plant and equipment		325,000	993,535
Dividends received	5	740	916
Net cash used in investing activities		**(6,827,612)**	**(4,224,076)**
Financing activities			
Finance lease principal payment		(623,360)	(675,418)
Dividend paid		Nil	(1,200,000)
Net cash used in financing activities		**(623,360)**	**(1,875,418)**
(Decrease) / increase in cash and cash equivalents		**(8,844,413)**	**1,299,471**
Movement in cash and cash equivalents			
At start of year		(2,761,378)	(4,060,849)
(Decrease) / increase		(8,844,413)	1,299,471
At end of year	15	**(11,605,791)**	**(2,761,378)**

The accounting policies Notes Auditors' report

Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set our below :

1 Basis of preparation

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

In 2002 The Autodrome Limited adopted SLAS 12 (Revised) - Events After the Balance sheet Date. The effect of adopting this standard is disclosed in **Note 9** to the financial statements.

2 Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

3 Investments

Fixed assets investments including marketable securities are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

4 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the income statement) and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

Depreciation is calculated on the straight line method to write off the cost of each asset, or the revalued amount, to their residual values over their estimated useful life. A full year's depreciation is charged in the year of purchase and no charge is made in the year of disposal.

The principal annual rates used for this purpose are :

	%
Building	2
Other assets	25

Land is not depreciated as it is deemed to have an indefinite life.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in operating profit. On disposal of revalued assets, the revaluation amounts pertaining to the asset in revaluation reserve are transferred to retained earnings.

5 Accounting for leases - where Company is the lessee

Leases of property, plant and equipment where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

6 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is generally determined by the weighted average method. The cost includes all expenses incidental to purchasing. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

7 Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

9 Share capital

Ordinary shares are classified as equity.
Dividends on ordinary shares are recognised in equity in the period in which they are declared.

10 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred.

11 Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for pensions and other post retirement benefits and tax losses carried forward.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

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

12 Defined benefit obligations

Terminal benefits are provided for all employees of the Company at the rate of one half of the basic or consolidated wage or salary, cost of living and all other allowances applicable for the last month of the financial year for each year of completed service. This provision is not externally funded, nor has it been actuarially valued.

13 Defined contribution plans

All employees of the Company are members of either the Executives' Provident Fund or the Employees' Provident Fund and also of the and Employees' Trust Fund, to which their employer contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances, excluding non-recurring cost of living gratuity (NRCLG) which is not liable to such payment according to the collective agreement extended to the Company.

14 Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or on the performance of services. Sales are shown net of sales taxes, rebates and trade discounts.

Other revenues earned by the Company are recognised on the following bases.

Rental income - on an accrual basis.
Interest income - on an accrual basis
Dividend income - when the Company's right to receive payment is established.

15 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Auditors' report

Notes to the financial statements

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

1 Sales

	2002	2001
Sale of tyres, tubes and other automotive accessories	272,006,286.00	269,384,523.00

2 Other operating income

of motor vehicles Rs 301,560 (2001 - 978,536) tyre fitting centre income Rs 107,245 (2001 - Rs 654,278) and insurance claim Rs Nil (2001 - Rs 35,950).

3 Operating profit

	2002	2001
Directors' emoluments	1,624,200	1,467,800
Auditors' remuneration	60,000	60,000
Depreciation on property, plant and equipment (**Note 10**)		
- owned assets	1,636,600	1,663,458
- leased assets under finance leases	514,284	470,000
Profit on disposal of property, plant and equipment	(301,560)	(978,535)
Repairs and maintenance expenditure	1,168,266	816,840
Advertising	4,085,771	1,971,850
Staff costs (**Note 4**)	4,641,496	4,816,764
Stock written off	Nil	985,468
Provision for slow moving stocks	501,502	Nil

4 Staff costs

	2002	2001
Wages and salaries	3,642,038	3,438,158
Social security cost	Nil	417,588
Defined contribution plan	761,245	735,085
Defined benefit obligations (**Note 19**)	238,213	225,933
	4,641,496	**4,816,764**

Average monthly number of persons employed by the Company during the year:

Full time	46	46

5 Non operating income

Non operating income wholly consists of rent received Rs 180,000 (2001 - Rs 180,000) and dividend received Rs 740 (2001 - Rs 916).

6 Finance costs

	2002	2001
Interest expense		
- bank overdrafts	2,882,923	448,450
- other borrowings	202,160	204,753
- finance leases	186,773	178,480
- interest income	(20,027)	(5,450)
Exchange losses	3,687,233	11,705,021
	6,939,062	**12,531,254**

7 Tax

	2002	2001
Current tax	4,163,846	4,788,370
Deferred tax (**Note 18**)	172,590	277,356
	4,336,436	**5,065,726**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2002	2001
Profit before tax	6,379,041	10,380,396
Tax calculated at a tax rate of 42% (2001 - 35%)	2,679,197	3,633,139
Income not subject to tax	(310)	(321)
Expenses not deductible for tax purposes	1,657,549	1,432,908
Tax charge	**4,336,436**	**5,065,726**

Further information about deferred tax is presented in **Note 18.**

8 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.

	2002	2001
Net profit attributable to shareholders	2,042,605	5,314,670
Weighted average number of ordinary shares in issue	120,000	120,000
Basic earnings per share	17.03	44.29

9 Dividend per share

At a Meeting of the Directors held on 9 April 2002 an interim dividend of Rs 12.50 per share amounting to a total dividend of Rs 1,500,000 was proposed to be paid on 3 May 2002. However these financial statements do not reflect this dividend proposed, as the date of declaration was after the period under review.

10 Property, plant and equipment

	Freehold land and buildings	Plant and machinery and equipment	Furniture and fittings	Motor vehicles	Computer	Total
Year ended 31 March 2001						
Cost or valuation	98,287,794	4,214,946	947,518	6,483,480	1,634,335	111,568,073
Accumulated depreciation	(499,550)	(3,796,244)	(734,570)	(2,841,250)	(1,102,718)	(8,974,332)
Closing net book amount	**97,788,244**	**418,702**	**212,948**	**3,642,230**	**531,617**	**102,593,741**
Year ended 31 March 2002						
Opening net book amount	97,788,244	418,702	212,948	3,642,230	531,617	102,593,741
Additions	Nil	451,183	12,738	Nil	144,313	608,234
Disposals	Nil	Nil	Nil	(23,440)	Nil	(23,440)
Depreciation charge - (Note 3)	(60,804)	(274,447)	(104,019)	(1,459,150)	(252,464)	(2,150,884)
Closing net book amount	**97,727,440**	**595,438**	**121,667**	**2,159,640**	**423,466**	**101,027,651**
At 31 March 2002						
Cost or valuation	98,287,794	4,666,129	960,256	5,836,600	1,778,648	111,529,427
Accumulated depreciation	(560,354)	(4,070,691)	(838,589)	(3,676,960)	(1,355,182)	(10,501,776)
Net book amount	**97,727,440**	**595,438**	**121,667**	**2,159,640**	**423,466**	**101,027,651**

a) Leased assets included above, where the Company is the lessee under a finance lease comprise plant and machinery, motor vehicles and office equipment as follows.

	2002	2001
Cost - capitalised finance leases	2,057,135	2,057,135
Accumulated depreciation	(1,755,352)	(1,241,068)
Net book amount	**301,783**	**816,067**

b) The land and buildings at 304/1, Union Place, Colombo 2 were revalued on 30 September 1990 and 13 June 1996 by an independent valuer.

c) A part of the land at 304, Union place, Colombo 2, lot 1 (a) had not been revalued earlier due to it being under a requisition order. The property was derequisitioned during the previous year and this portion of the land was revalued on 31 March 2001 by an independent valuer.

Valuations were made on the basis of the market value for existing use. The book values of the properties were adjusted on the valuations and the resultant surplus was credited to revaluation reserves in shareholders' equity.

If the building were stated on the historical cost basis, the amounts would be as follows ;

	2002	2001
Cost	3,204,911	3,204,911
Accumulated depreciation	(459,379)	(395,281)
Net book amount	**2,745,532**	**2,809,630**

d) Property, plant and equipment include fully depreciated assets, the cost of which at 31 March 2002 amounted to Rs 4,881,317 (2001 - Rs 5,571,728).

e) Bank facilities are secured on the Company's property at No 304/1, Union Place, Colombo 2.

11 Capital work in progress

	2002	2001
At beginning of year	361,558	Nil
Cost incurred during the year	6,545,118	361,558
At end of year	**6,906,676**	**361,558**

12 Investments

	Value	
	2002	2001
Listed shares at cost		
Ceylon Hotels Corporation	3,832	3,832
Unlisted shares at cost		
Gardiners Limited	1,330	1,330
Global Films Limited	5,000	5,000
	6,330	6,330
Aggregate value of listed and unlisted investments	**10,162**	**10,162**
Market value of the listed shares	**30,000**	**22,500**

13 Inventories

	2002	2001
Tyres, tubes and batteries	25,184,250	37,930,099
Goods in transit	Nil	4,170,713
Provision for slow moving stocks	(734,317)	(232,815)
	24,449,933	**41,867,997**

14 Receivables and prepayments

	2002	2001
Trade receivables	23,955,377	24,277,375
Prepayments	64,805	469,809
Other receivables	387,202	2,229,032
	24,407,384	**26,976,216**

Other receivables include Rs Nil (2001 - Rs 1,401,951l) receivable as Goods and Services Tax, from the Commissioner General of Inland Revenue.

15 Cash and cash equivalents

	2002	2001
Cash at bank and in hand	334,875	78,221

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	2002	2001
Cash and bank balances	334,875	78,221
Bank overdrafts (**Note 17**)	(11,940,666)	(2,839,599)
	(11,605,791)	**(2,761,378)**

16 Trade and other payables

	2002	2001
Accrued expenses	1,507,539	929,199
Social security and other taxes	2,132,158	997,957
Other payables	635,952	487,088
Dividend payable	20,757	1,202,193
	4,296,406	**3,616,437**

17 Borrowings

	2002	2001
Current		
Bank overdrafts (**Note 15**)	11,940,666	2,839,599
Bank borrowings	33,939,170	59,312,041
Lease liabilities	200,278	623,359
Loans from directors and their families (**Note 25**)	1,155,000	460,000
Loan from related company (**Note 25**)	50,000	250,000
	47,285,114	63,484,999
Non-current		
Lease liabilities	Nil	200,278
Total borrowings	**47,285,114**	**63,685,277**

The interest rate exposure of the borrowings of the Company are as follows:

	2002	2001
Total borrowings:		
- at fixed rates	47,285,114	63,685,277

Weighted average effective interest rates:

	2002	2001
- bank overdrafts	17.75%	17% - 21%
- loans from directors and their families	14.4%	14.4%
- lease liabilities	16.56%	16.56%

(a) Bank overdrafts are secured :

1) on mortgage over property bearing Assessment No. 304/1, Union Place, Colombo 2 - Rs 21,000,000.
2) against postdated cheques of dealers upto Rs 14,000,000.

(b) Bank borrowings which wholly consist of bank facilities are secured as follows:

1) bills acceptance are secured on mortgage over property bearing Assessment No. 304/1, Union Place, Colombo 2 - Rs 49,000,000

2) term L/Cs on personal guarantee given by the Managing Director, Marketing Director and Deputy Managing Director - Rs 35,000,000 .

(c) All leases have been obtained from the National Development Bank (NDB) and are secured on personal guarantees given by the directors.

(d) Loans from directors and their families are unsecured and have no fixed repayment terms.

(e) Loan from related company is unsecured and have no fixed repayment terms.

Finance lease liabilities - minimum lease payments:

	2002	2001
Not later than 1 year	255,122	810,127
Later than 1 year and not later than 5 years	Nil	255,131
	255,122	1,065,258
Future finance charges on finance leases	(54,844)	(241,621)
Present value of finance lease liabilities	**200,278**	**823,637**
Representing lease liabilities		
- current	200,278	623,359
- non current	Nil	200,278
	200,278	**823,637**

The present value of finance lease liabilities may be analysed as follows:

Not later than 1 year	200,278	623,359
Later than 1 year and not later than 5 years	Nil	200,278
	200,278	**823,637**

18 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 42% (2001 - 35%)

The movement on the deferred income tax account is as follows:

	2002	2001
At beginning of year	689,337	411,981
Income statement charge (Note 7)	172,590	277,356
At end of year	**861,927**	**689,337**

19 Defined benefit obligations

The amounts recognised in the balance sheet are as follows:

	2002	2001
At beginning of year	1,018,425	864,267
Charge for the year (Note 4)	238,213	225,933
Contribution paid	(50,725)	(71,775)
At end of year	**1,205,913**	**1,018,425**

20 Contingent liabilities

There were no material contingent liabilities existing at the balance sheet date.

21 Commitments

Capital commitments

During the year the Company entered into a contract for Rs 30 million with Tudawe Brothers Limited and their sub- contractors for the construction of an extension to the company's business premises at No 334 Union Place, Colombo 2.

Financial commitments

There were no material financial commitments outstanding at the balance sheet date.

22 Ordinary shares and share premium

	Number of shares	Ordinary shares	Share premium	Total
At 1 March 2001	120,000	12,000,000	440,000	12,440,000
At 31 March 2002	**120,000**	**12,000,000**	**440,000**	**12,440,000**

The total authorised number of ordinary shares is 140,000 ordinary shares (2001 - 140,000 ordinary shares)
with a par value of Rs 100 per share (2001 - Rs 100 per share).

All issued shares were fully paid.

23 Revaluation reserve

	2002	2001
At beginning of year	85,968,258	63,468,258
Depreciation transfer	Nil	Nil
Additions during the year (Note 10)	Nil	22,500,000
At end of year	**85,968,258**	**85,968,258**

The revaluation reserve is non distributable.

24 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2002	2001
Profit before tax	6,379,041	10,380,396
Adjustments for:		
Depreciation (Note 10)	2,150,884	2,133,458
Dividend received (Note 5)	(740)	(916)
Profit on disposal of property, plant and equipment (Note 3)	(301,560)	(978,535)
Interest income	(20,027)	(5,450)
Interest expense	3,271,856	831,683
Changes in working capital		
- trade and other receivable	2,568,832	(698,343)
- inventories	17,418,064	(12,199,118)
- payables	(24,197,903)	11,473,206
Defined benefit obligation (Note 19)	238,213	225,933
Cash generated from operations	**7,506,660**	**11,162,314**

25 Directors' interests in contracts with the Company

Name of directors	Name of Company	Nature of transactions
Joseph A Aloysius	Mercury Limited	Agency for Company's Insurance Shrimpex Limited Loan of Rs 50,000 given to the Company @ 14.4% interest p.a.
Mrs Bernadette J Aloysius	Mercury Limited	Agency for Company's Insurance Shrimpex Limited Loan of Rs 50,000 given to the Company @ 14.4% interest p.a.
Sarath C Weerasooria	Finco Limited	Contract of Waterproofing work at new building - Rs 233,525.

The following transactions were carried out with related parties

(I) Loans from directors

Loans from directors of the Company (and their families):

	2002	2001
At beginning of year	460,000	2,110,000
Received during the year	905,000	Nil
Repaid during the year	(210,000)	(1,650,000)
At end of year (Note 17)	1,155,000	460,000

(ii) Loan from related company

Loan from Shrimpex Limited:

	2002	2001
At beginning of year	250,000	250,000
Repaid during the year	(200,000)	Nil
At end of the year	50,000	250,000

(iii) Personal guarantees given by the directors

All leases are secured on personal guarantees given by the directors.

26 Related party transactions

There were no related parties or related party transactions other than those disclosed in **Note 25** to these financial statements.

27 Post balance sheet events

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