Annual Report 2012/13

LAL

LANKA ASHOK LEYLAND PLC

30th Annual Report

Contents

Corporate Information

NAME OF COMPANY	Lanka Ashok Leyland PLC
COMPANY REGISTRATION NO	P Q 168 (Former No N(PBS)21)
LEGAL FORM	A public quoted Company incorporated in Sri Lanka in 1982. Re-registered as a Public Limited Company under the Companies Act No. 07 of 2007.
DIRECTORS	Y L S Hameed - (Appointed as Chairman From 22nd February 2013) N Sundararajan D P Kumarage Vinod K Dasari K Sridharan B M Riyaj
COMPANY SECRETARY	D A Abeyawardene 80/12, Rubberwatte Road Gangodavila Nugegoda. Tel : 0112 801205
CHIEF EXECUTIVE OFFICER	Umesh Gautam
REGISTERED OFFICE	Panagoda, Homagama Tel: 011-2752320 / 011-2751321 / 011-2750232-3 Fax: 011-2752400 E-mail: info@lal.lk Web: www.lal.lk
MARKETING OFFICE	41, Edward Lane R. A. De Mel Mawatha Colombo 03. Tel: 011-2502532 / 011-2590404 / 011-2592163 Fax: 011- 2502286
BANKERS	Seylan Bank PLC Commercial Bank of Ceylon PLC Indian Bank Bank of Ceylon Sampath Bank PLC People's Bank
AUDITORS - STATUTORY	KPMG (Chartered Accountants) P.O. Box 186 Colombo 03. Tel : 0112 426426
AUDITORS - INTERNAL	Ernst & Young (Chartered Accountants) 201, De Seram Place, Colombo 10.
TAX CONSULTANTS	Amarasekera & Company (Chartered Accountants) No. 12, Routunda Gardens, Colombo 03.

Notice of Meeting

Notice is hereby given that the Thirtieth Annual General Meeting of Lanka Ashok Leyland PLC, will be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on Friday, 20th September 2013 at 3.30 p.m. to transact the following business.

1. To consider the report of the Directors' and the audited Financial Statements for the year ended 31st March 2013.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect Directors
   a) To elect Mr. Y.L.S.Hameed as a Director of the Company
   b) To appoint a Director in place of Mr. K. Sridharan who retires by rotation in terms of Article 8.4 of the Articles of Association of the Company and who being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration, M/s. KPMG Chartered Accountants are eligible for re-appointment.

To consider and if thought fit, to pass with or without modification(s), the following as an ordinary Resolution.

"RESOLVED THAT M/s KPMG Chartered Accountants are hereby appointed as Statutory Auditors of the Company, for the Financial Year 2013/14, on a remuneration of Rs. 1,237,500/= (Rupees One Million Two hundred and Thirty Seven Thousand Five hundred only), in addition to reimbursement of out of pocket expenses."

5. To transact any other business of which due notice has been given.

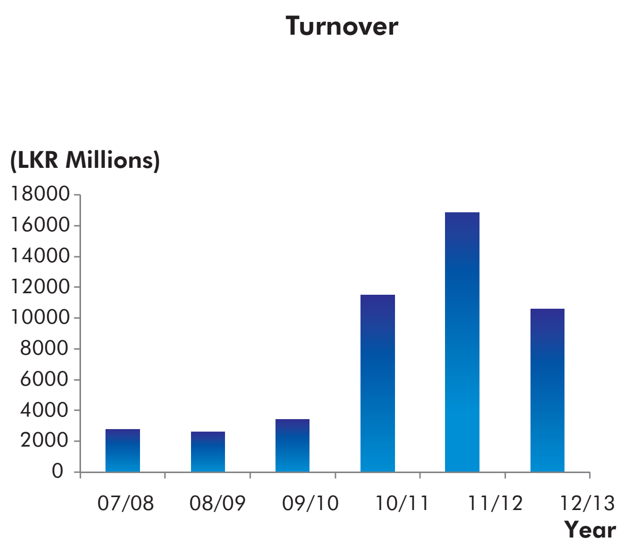
By order of the Board

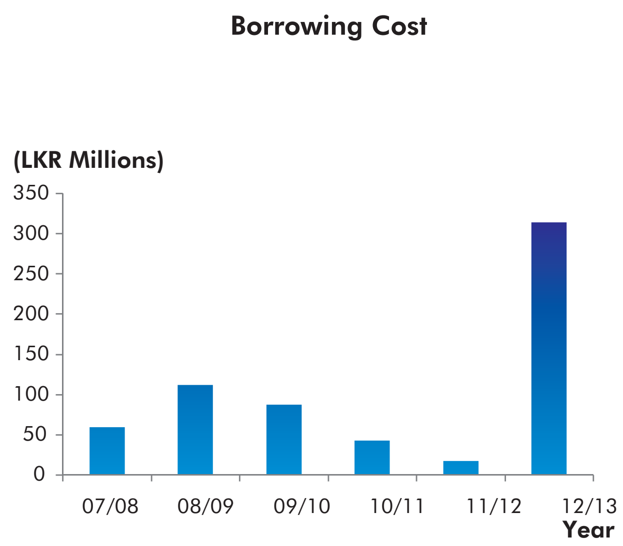
D A Abeyawardene
Secretary

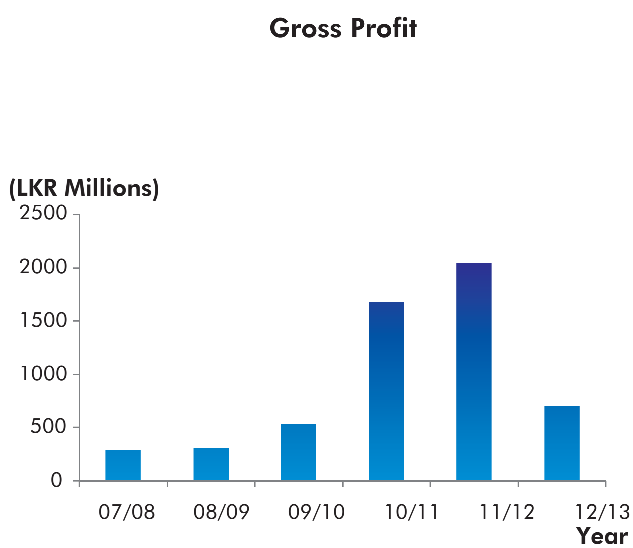
Colombo
Date: 12th August 2013

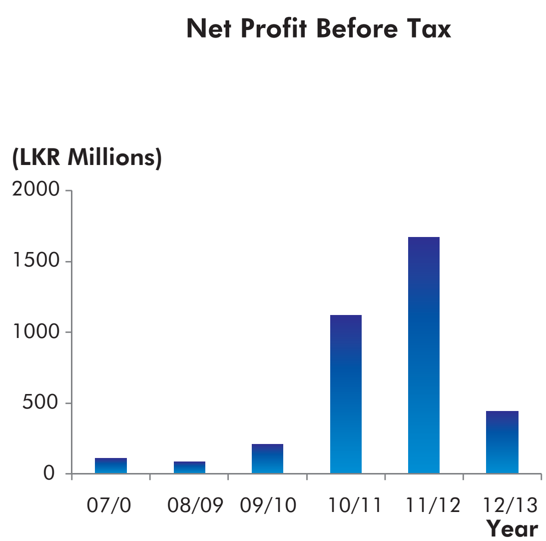
Note: *A member entitled to attend and to vote at the above mentioned meeting is entitled to appoint a proxy who need not also be a member , to attend instead of him. A form of proxy accompanies this notice.*

Financial Highlights



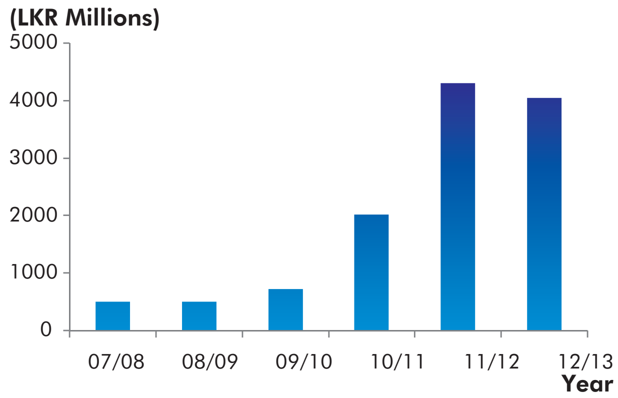




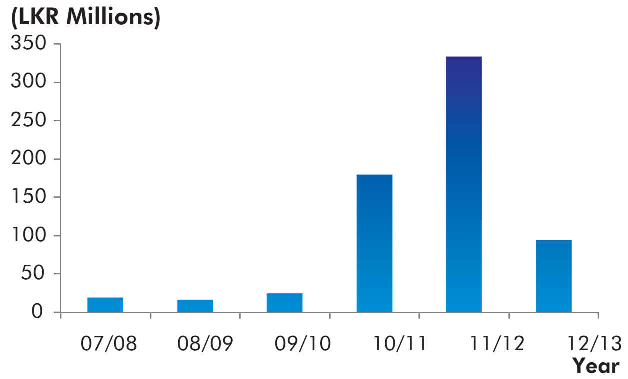


Financial Highlights

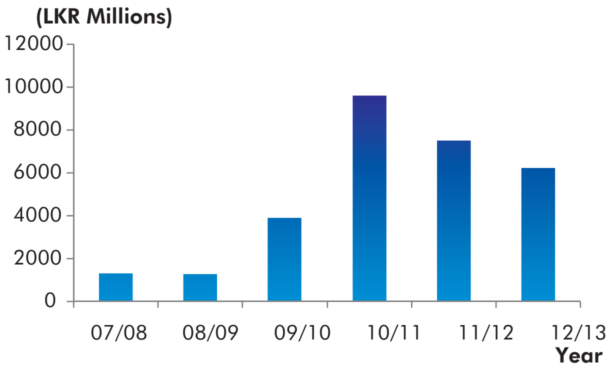
Inventory



Earnings Per Share



Market Capitalization



Directors' Report

TO THE SHAREHOLDERS:

The Directors have pleasure in presenting the 30th Annual Report of the Company, together with the audited Accounts, for the year ended 31st March 2013

REVIEW OF THE YEAR:

The Chief Executive Officer's Report describes in brief of the Company's affairs and the performance during the year.

PRINCIPAL ACTIVITIES OF THE COMPANY:

The Company is in the business of import and marketing of Ashok Leyland fully built buses, trucks, truck chassis, spare parts, power generators and accessories. The Company also carries out repairs and restoration of commercial vehicles including body fabrication on new Ashok Leyland goods and passenger chassis.

PROFIT AND APPROPRIATIONS:

	2012/13 Rs.	2011/12 Rs.
Net profit for the year after providing all expenses, known liabilities and depreciation of Property, Plant and Equipment amounted to:	354,823,003	1,183,131,548
Other Comprehensive Income	(6,492,941)	(4,132,418)
Total Comprehensive Income	348,330,062	1,178,999,130
To which balance of previous year, added	1,330,037,308	592,850,502
Prior year adjustment (IFRS)	-	(33,309,644)
Dividend Paid (Year 11/12 & 10/11)	(217,250,580)	(108,625,290)
Amount available to the Company for appropriation	1,461,116,790	1,629,914,698

APPROPRIATIONS

The amount available has been recommended for appropriations as follows

Transfer to General Reserve	(100,000,000)	(300,000,000)
Leaving balance to be carried forward of	1,361,116,790	1,329,914,698

A final dividend of Rs. 10 per share (100%) amounting to total of Rs. 36,208,430/= is recommended for the financial year 2012/13.

MARKET VALUE OF THE COMPANY'S SHARES:

The last transaction prior to close of business on 31st March 2013, on the trading floor of the Colombo Stock Exchange was a price of LKR 1,717.80 per share. (Corresponding price on 31st March 2012 was LKR 2,069.70 per share)

PROPERTY PLANT & EQUIPMENT:

An analysis of the Company's Property, Plant & Equipment, and Intangible Assets are given in note 12 & 13 to the Financial Statements.

DIRECTORS:

- Mr. Y L S Hameed -Chairman (Non Executive)
- Mr. D P Kumarage -Independent Director (Non Executive)
- Mr. N Sundararajan -Independent Director (Non Executive)
- Mr. Vinod K Dasari -Director (Non Executive)
- Mr. K Sridharan -Director (Non Executive)
- Mr. B M Riyaj -Director (Non Executive)

DIRECTORS' SHAREHOLDING:

None of the Directors held Shares of the Company during the year or during the last financial year.

INTEREST REGISTER

The Company maintains an Interest Register as contemplated by the Companies Act No. 7 of 2007.

DIRECTORS' INTERESTS IN CONTRACTS:

The Directors' interest in contracts and proposed contracts of the company are disclosed in note No. 27 "Related Party Disclosure" to the accounts. The details of Directors' interests in contracts of the company have been disclosed at Board meetings.

BOARD COMMITTEES:

The Board of Directors of the Company has formed the following committees.

- **AUDIT COMMITTEE**

Mr. K Sridharan – Chairman
Mr. D P Kumarage
Mr. N Sundararajan

Directors' Report

- **REMUNERATION COMMITTEE**

Mr. Vinod K Dasari – Chairman
Mr. D P Kumarage
Mr. N Sundararajan

STATUTORY PAYMENTS:

The Directors, to the best of their knowledge are satisfied that all statutory payments due to the Government and in relation to employees have been made up to date.

CORPORATE DONATIONS:

During the year the Company donated six school buses.

EMPLOYEES:

The number of permanent employees as at 31st March 2013 was 130. (Year 2011/12-123).

GOING CONCERN:

The Board of Directors is satisfied that the company has adequate resources to continue its operation. Accordingly, the financial statements are prepared based on the going concern concept.

The Directors also hereby confirm that the company is in a position to pay its debts, as they become due in the normal course of business, as required in Section 57 (1) (a) of Companies Act No. 7 of 2007.

OUTSTANDING LITIGATION:

There is no outstanding litigation that requires disclosures as at the year end or subsequent periods.

INTERNAL CONTROLS:

The Directors have reviewed the internal controls covering financial, operational and compliance controls, and are satisfied that they are adequate.
In keeping with the guidelines for Accounting and Auditing practices M/s. KPMG, Chartered Accountants is responsible for auditing the accounts.

APPOINTMENT OF AUDITORS:

The Accounts for the year have been audited by Messrs KPMG, Chartered Accountants. They offer themselves for reappointment.

NOTICE OF MEETING:

Notice of meeting relating to the Thirtieth Annual General Meeting is given on page 05

ACKNOWLEDGEMENT:

The Directors wish to express their appreciation for the continued co-operation of the Government of Sri Lanka, bankers, financial institutions, shareholders, valued customers, and joint venture partner M/s. Ashok Leyland Ltd. India for the valuable guidance, assistance and continued support.
The Directors also wish to thank all the employees for their contribution, support and co-operation through the year.

Y L S Hameed
Chairman

D P Kumarage
Director

D A Abeyawardene
By order of the Board of Directors.

12th August 2013

The Chief Executive Officer's Report

It is with great pleasure that I present the performance review for Lanka Ashok Leyland as we bid adieu to the year gone by and look forward into the year ahead. Upon riding the wave of the post-war economic renaissance till 2011, the year 2012/13 embraced a very challenging market environment, a stark contrast from a year earlier. Despite these challenges, Lanka Ashok Leyland posted a net profit of LKR 354.82mn for the year under review. The year 2012 can be characterized as a year of structural realignment for the country following the last three successive years of economic prosperity and accelerated growth. While necessary, the market correction did pose a very challenging environment as different industries felt different degrees of impact of the policy shifts that precipitated the slowdown in the economy. The automotive sector bore the full negative impact of most of these changes unfortunately.

The economy in 2012

A nervous global economic environment persisted through 2012 although signs that the worst is behind may be showing. The world GDP grew marginally over 3% driven by progress in emerging economies that grew almost 5% in 2012. Economic data emanating from the United States, still the largest economy in the world has been optimistic while optimism in the EU is far more cautionary as it fell into a recession in 2012 which is expected to last well into 2013 before recovering back in 2014 despite Germany and the UK (Eurozone) recording positive GDP growth for 2012.

While geopolitical tensions have not made significant progress during the year, growth in the Asian giants of China and India fell to 7.8% and 4.5% respectively in 2012. India, our biggest neighbor saw its currency depreciate against the greenback in the period under review.

Against this backdrop, Sri Lanka's economy hit the brakes after achieving a historic GDP growth of over 8% for two successive years. The year under review saw Sri Lanka grow by 6.4% as the government switched focus to address the looming Balance of Payments crisis that was inevitable due to dwindling foreign reserves from the currency peg and the unsustainable trade deficits. A series of macroeconomic policy changes changed the economic climate in the country in 2012, which while necessary brought about a lot of domestic shocks to businesses. Interest rates began to rise and an 18% lending cap was introduced to licensed banks to curb the available money supply and to stop the economy from overheating. New import tariffs were introduced to address the trade deficit while the currency was released from its fixed peg causing a large depreciation and increasing its volatility throughout 2012.

This change posed significant challenges to import businesses including the automobile sector which bore the worst impact of the policy changes. Meanwhile, the silver lining to these policy changes is the robust increase in inward remittances, capital inflows and in tourism. As a result, the business environment in 2012 was a stark contrast to that of 2011 and many firms had to readjust to the new status quo. The automobile sector was hit particularly hard being directly impacted by all key macroeconomic policy changes that took place. With regard to the commercial vehicle sector, the effects were two fold as customers found it increasingly difficult to obtain funding at affordable rates with lower liquidity and higher borrowing costs in the market. Secondly, the depreciation and the import duties caused the price of the products to increase forcing customers to look at other options or hold back purchases.

Globally, the commercial vehicle industry took a hit with the financial crisis but has steadily rebounded with an overall shift in demand coming from Asia. In India, the overall commercial vehicle market dominated by TATA and Ashok Leyland suffered a negative growth of around 2% in 2012 over the previous year.

Transportation infrastructure

Lanka Ashok Leyland has grown to become an integral component of the transport infrastructure in the country and a benefactor to investments in the transport infrastructure in the country. Since the end of the war, the government has committed to making the country a USD 100bn economy by 2016 and has focused a lot of efforts in developing the infrastructure to achieve its target. The government spent LKR 133.7bn on road development in 2012 with many large scale projects due to finish in 2013 and 2014.

The government accelerated its program to dispose of buses that are dilapidated and cannot be refurbished economically, thereby reducing the fleet of the Sri Lanka Transport board to 7,756 in 2012 from 7,821 in 2011. The number of buses owned by private operators increased 3.8% to 20,444 in the same period. There will continue to be a strong requirement for newer economical environmentally friendly buses to bridge the dearth in the public transport system.

Net vehicle registrations took a big hit in 2012 due to higher import duties with overall registrations decreasing 24% in 2012 across all vehicle classes. Bus registrations fell 27% year on year while goods transport vehicle registrations declined 17% over the same period. Prospects for 2013 suggest a further depressed performance from the vehicle industry notwithstanding the unlikely favorable change to the tariff structure on automobiles.

The Chief Executive Officer's Report

Financial performance

Adverse macroeconomic changes in the economic environment in Sri Lanka across all sectors contributed to a sharp decline in earnings and business activity in 2012/13. Following the success in 2011/12 where LAL posted a post-tax profit of LKR 1.2bn, the Company was severely impacted with a series of significant policy changes by the government that were necessary to stabilise and correct imbalances in the countries' trade deficit and balance of payments.

Total revenue for the year fell 37% to LKR 10,533mn where the Company saw sales drop in all four heavy commercial vehicle classes; Buses (-40% YoY), AC buses (-65% YoY) , Tippers (-66% YoY), and Trucks (-44% YoY).

Despite a 65% decrease in gross profit to LKR 701mn, the Operating profit for 2012/13 rose to LKR 806.0mn, buoyed by a net increase of LKR 105mn in other income over expenses. Underlying a favourable operational performance is a two-fold improvement in other income and reduced costs. Operational costs decreased 23% to LKR 351.3mn in 2012/13 compared to LKR 458.3mn in 2011/12. A key driver for this decrease is the absence of an exchange rate loss in 2012/13 whereas the Company absorbed an exchange rate loss of LKR 161.2mn in 2011/12.

Other income increased substantially by 336% to LKR 389mn in 2012/13 from LKR 88.7mn in 2011/12 largely driven by LKR 229.6mn reversal of VAT Accumulation. The year registered an exchange rate gain for Lanka Ashok Leyland of LKR 61mn while lease interest income improved 88.6% over corresponding periods to LKR 133.4mn from LKR 70.7mn. As a recurring income figure, Lease rental income represents a profit of LKR 133.4mn which ranks as the 2nd highest contribution to overall profit for the Company behind the primary sale of buses, trucks and tippers and ahead of the other profit centres such as spare parts sales, generator sales and repairs income and will continue to increase its share of total revenue for the Company going forward.

The single biggest expense affecting profitability was the interest paid on borrowings which directly corresponds to the holding costs associated with maintaining an inventory of over LKR 4bn throughout the year. The finance cost jumped 1658% in 2012/13 to LKR 313.8mn from LKR 17.9mn a year earlier. The last quarter alone had an interest expense of LKR 123.9mn, a 3145% increase over a finance cost of LKR 3.8mn for the last fiscal quarter of 2011/2012. In contrast, the inventory has fallen 5% to LKR 4.1bn as of 31st March 2013 from LKR 4.3bn at 31st March 2012.

A final net profit after tax of LKR 354.8mn indicated a 70.0% drop YoY from LKR 1,183.1mn in 2011/12. Net Profit margins fell from 7% in 2011/12 to 3.4% in 2012/13 while gross profit margins declined from 12% to 6.6% in the same respective periods. The decline in the gross profit margins was largely due to the net difference in imports over lower sales while the finance cost ate into our net profit margin.

Looking ahead

Lanka Ashok Leyland and its Management are committed to maintain its leadership position in the market in the future even as the commercial vehicle market continues to find a new equilibrium. While we are not bullish on our sales rebounding to levels seen over the last two years, we are preparing for a more sustainable and rational growth.

Our initiative to support and help the government and the Sri Lanka Transport Board, successfully started in 2010 continued this year with the supply of another 150 buses on an earn and pay basis without burdening the treasury. We will continue to maintain our supportive business relationship with the Sri Lanka Transport Board in the years to come.

The year 2013/14 will see the launch of our newest product, the Dost, which is our first entrant to the Light commercial vehicle segment. The success of the Dost will provide incremental top line growth while allowing us more flexibility with our working capital. Despite the level of the competition and the slowdown of the market, we are excited by the prospects of gaining market share in the segment.

Sri Lanka's outlook is still positive going forward as the country aims to grow comfortably over 6% and 7% in the years to come. Apart from the continued investment in transport infrastructure development, a gradual improvement in market conditions for our customers will translate into improved opportunities for us. Our projections for 2013/14 remain neutral while we look to 2014/15 with cautious optimism.

Corporate Social Responsibility

Lanka Ashok Leyland takes a very firm stance on its responsibility to grow stakeholder value by contributing to the society that has enabled us to grow and thrive. Despite the downturn in the market, Lanka Ashok Leyland has not cut down on any of its obligations and corporate social responsibility work.

Under the fiscal period under review, Lanka Ashok Leyland has sponsored over 500 cataract operations for those who could not afford the surgery.

The Chief Executive Officer's Report

In continuation of our initiatives to provide better transport facilities to school, the company gifted six school buses to schools across the Western Province and Southern Province. Our investment in education initiated in 2011/12 via a technical institute has grown further in the past year and continues to churn out qualified technicians.

Two buses, with commitment of lifelong maintenance and servicing, were gifted to the Ven. Mahanayake Thero of the Asgiriya Chapter for their use.

Acknowledgements

As always, we are deeply indebted to all the trust and faith placed in us by our customers who we are proud to serve. We continue our promise to deliver on our service and the exceptional quality of our products that has made us the most preferred choice for commercial vehicles in the country.

I would like to share my deepest appreciation towards all the employees at Lanka Ashok Leyland whose enterprise, loyalty and productivity has been the cornerstone of this Company's success.
I would like to thank the board of directors for all their contributions and wisdom bestowed in helping steer the Company through the year. A special mention to our bankers, auditors, suppliers, friends and stakeholders; your support through this year has been warmly forthcoming and always welcome. Finally our thanks to our principal, Ashok Leyland for their guidance, commitment and trust in us as we conclude the chapter on 2012/13 and look forward to the year ahead with fresh impetus.

Umesh Gautam
Chief Executive Officer

12th August 2013

Board of Directors

S.No.	Name Of Director	Whether Non-Executive	Whether Independent	Brief Resume
1.	Mr. Y L S Hameed	Yes	No (Represents GOSL Majority shareholder of the Company)	Chairman of Lanka Leyland Limited
2.	Mr. N Sundararajan	Yes	Yes	Company Secretary and a Business Management professional. Has over 36 years of work experience, in industry. Was formerly Executive Director and Company secretary of Ashok Leyland, India.
3.	Mr. D P Kumarage	Yes	Yes	Banker by Profession. Currently Chief Executive Officer of People's Leasing Company and Director of several other financial institutions.
4.	Mr. Vinod K Dasari	Yes	No (Represents Ashok Leyland India, major share holder and supplier to the Company)	Engineer by profession and the Managing Director of Ashok Leyland, India.
5.	Mr. K Sridharan	Yes	No (Represents Ashok Leyland India, major share holder and supplier to the Company)	Chartered Accountant by profession and the Chief Financial Officer of Ashok Leyland, India.
6.	Mr. B M Riyaj	Yes	No (Represents GOSL Majority shareholder of the Company)	Coordinating Secretary to Ministry of Industries, Commerce and Director of Lanka Leyland Ltd.

The Statement of Directors' Responsibility

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. The responsibility of the auditors, in relation to the Financial Statements prepared in accordance with the provisions of the Companies Act No 7 of 2007, is set out in the Report of the Auditors.

The Financial Statements comprise of:

- A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year; and

- A Statement of Comprehensive Income of the company which presents a true and fair view of the profit and loss of the Company for the financial year; and

- A Statement of changes in equity and cash flow statement for the financial year and note there to.

The Directors are required to confirm that the Financial Statements have

- Prepared using appropriate accounting polices which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

- Presented in accordance with the Sri Lanka Accounting Standards; and that

- Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and

- Provide the information required by and otherwise comply with the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have the responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting frauds and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion. Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act no 7 of 2007, and have obtained a certificate from the auditors, prior to declaring a dividend of Rs. 10 per share for this year, to be paid on 27th September 2013
The directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company, as at the Statment of Financial Position date have been paid, or where relevant provided for, except as specified in Note 30 to the Financial Statements covering contingent liabilities.

By Order of the Board

D A Abeyawardene

12th August 2013

Remuneration Committee Report

The Remuneration Committee consists of the following Non Executive Directors of the Board.

Mr. Vinod K Dasari – Chairman
Mr. D P Kumarage
Mr. N Sundararajan

Chief Executive Officer of the Company assists the remuneration committee by providing market survey data and Key Result Area reports except on the occasions where conflict of interest arises.
The scope of the committee is to give recommendations to the Board in deciding compensations of the Chief Executive Officer and the senior executives of the Company who constitute the Management committee of the Company and propose guidelines and parameters for the compensations of all other employees.

The Committee meets as and when necessary to review and ensure the alignment of the Companies compensation structure and human resource requirements with the strategic decisions taken by the Board.

The committee met twice during the year and the attendance was as follows.

Mr. Vinod K Dasari 2/2
Mr. D P Kumarage 2/2
Mr. N Sundararajan 2/2

Vinod K Dasari
Chairman
Remuneration Committee

12th August 2013.

Audit Committee Report

In accordance with the best Corporate Governance Practices and the requirements of the Listing Rules of the Colombo Stock Exchange (CSE), the Board appointed Audit Committee comprise of following Non Executive Directors.

- Mr. K Sridharan – Chairman
- Mr. D P Kumarage
- Mr. N Sundararajan

The members have a well balanced blend of experience in the Commercial, Financial, Corporate Governance and Audit sectors. The Chairman of the Audit Committee Mr. Sridharan is a Senior Chartered Accountant. He is also the Chief Financial Officer of Ashok Leyland, India.

Role of the Audit Committee

The Audit Committee with its main objective being to assist the Board of Directors in the decision making process, is responsible for ensuring the adequacy of internal control system, sound financial reporting system in compliance with Sri Lanka Accounting Standards, efficient management reporting system and adherence to statutory requirements.

Meetings

The Audit Committee has met five times during the year ended 31st March 2013 and the attendance is as follows.

- Mr. K Sridharan – Chairman 4/5
- Mr. D P Kumarage 5/5
- Mr. N Sundararajan 4/5

The meetings were attended by the Chief Executive Officer and the Deputy General Manager Finance & Systems of the Company by invitation. The proceedings of the Audit Committee are regularly reported to the Board.

Internal Audit

M/s. Ernst & Young Advisory Services (Pvt) Ltd had been engaged to carry out the internal audit functions. The observations of the internal auditors are tabled at the Audit Committee meetings and the representatives of M/s. Ernst & Young attends by invitation to discuss the observations recommendations in their reports. Follow up reports on the previous observations are also reviewed by the Committee. The internal auditor's reports are made available to the statutory auditors as well.

Statutory Audit

The Company has appointed M/s. KPMG, Chartered Accountants as its statutory auditors and the Audit Committee reviewed the observations and recommendations on the Management Letter issued by them.

The statutory auditors have also given a declaration as required by section 163 (3) of the Companies Act No 07 of 2007, that they do not have any interest or relationship with the Company, which may have a bearing on the independence of their role as auditors.

Conclusion

The Audit Committee is of the opinion that adequate internal controls and procedures are in place in the Company to provide reasonable assurance that its assets are safeguarded to ensure that the financial position and the results disclosed in the Audited Financial Statements are free from material misstatements.

K Sridharan
Chairman
Audit Committee

Colombo
12th August 2013

Financial Statements

Auditor's Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Makar
Mawatha,
P.O. Box 186,
Colombo 03,
Sri Lanka.

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Fax :+ 94 - 11 244 5872
+ 94 - 11 244 6058
+ 94 - 11 254 1249
+ 94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF LANKA ASHOK LEYLAND PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Ashok Leyland PLC ("the Company"), which comprise the statement of financial position as at March 31, 2013, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 19 to 47 of the annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

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.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2013 and the Financial Statements give a true and fair view of the Financial Position of the Company as at March 31, 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

Kpmg

CHARTERED ACCOUNTANTS
Colombo, 12th August 2013.

Statement of Comprehensive Income

For the year ended 31 March	Note	2013 Rs.	2012 Rs.
Revenue	**5**	**10,533,065,520**	16,830,583,032
Cost of Sales		**(9,831,958,338)**	(14,802,507,824)
Gross Profit		**701,107,182**	2,028,075,208
Other Income	**6**	**389,321,758**	88,707,688
Administrative Expenses		**(292,495,303)**	(248,853,498)
Selling and Distribution Expenses	**7**	**(70,418,633)**	(43,940,260)
Other Expenses		**(27,441,385)**	(25,968,091)
Profit from Operations		**700,073,619**	1,798,021,047
Net Finance Cost	**8**	**(246,950,293)**	(151,682,862)
Profit before Tax	**9**	**453,123,326**	1,646,338,185
Income Tax Expense	**10**	**(98,300,323)**	(463,206,637)
Profit for the Year		**354,823,003**	1,183,131,548
Other Comprehensive Income			
Defined Benefit plan - Actuarial Loss	**23**	**(6,376,504)**	(4,009,808)
Net change in Fair Value of AFS Financial Assets		**(116,437)**	(122,610)
Total Comprehensive Income for the Year		**348,330,062**	1,178,999,130
Earnings Per Share	**11.1**	**97.99**	326.76

The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As At	Note	31.03.2013 Rs	31.03.2012 Rs	01.04.2011 Rs
Assets				
Non-Current Assets				
Property, Plant & Equipment	12	331,310,121	143,863,445	116,130,077
Intangible Asset	13	177,387	1,550,282	3,353,678
Financial Investments	14	123,219	2,739,657	3,862,267
Deferred Tax Asset	24	18,528,272	660,284	19,025,784
Lease Rental Receivable	15.1	543,061,211	507,376,366	30,062,195
Total Non-Current Assets		893,200,210	656,190,034	172,434,001
Current Assets				
Inventories	16	4,120,574,234	4,298,908,255	2,015,573,232
Trade and Other Receivables	17	582,029,287	705,580,691	557,644,218
Lease Rental Receivable	15.2	284,318,711	215,233,734	9,557,351
Deposits and Prepayments		18,008,118	29,264,494	24,620,074
Related Party Receivables	19	489,309	2,304,175	-
Cash & Cash Equivalents	20.1	26,747,892	403,752,223	166,891,084
Total Current Assets		5,032,167,551	5,655,043,572	2,774,285,959
Total Assets		5,925,367,761	6,311,233,606	2,946,719,960
EQUITY & LIABILITIES				
Equity				
Stated Capital	21	49,375,150	49,375,150	49,375,150
General Reserve	22	887,347,500	787,347,500	487,347,500
Financial Assets - Available for Sale Reserve		115,802	232,239	354,849
Retained Earnings		1,361,233,227	1,330,037,308	559,540,858
Equity attributable to owners of the Company		2,298,071,679	2,166,992,197	1,096,618,357
Non Current Liabilities				
Employee Benefits	23	39,669,698	28,072,909	20,622,511
Total Non Current Liabilities		39,669,698	28,072,909	20,622,511
Current Liabilities				
Trade and Other Payables	25	312,584,975	770,404,281	460,420,796
Current Tax Liabilities	18	2,575,213	53,824,328	377,540,417
Related Party Payables	19	-	-	1,377,796
Short-Term Borrowings	26	3,249,257,061	3,238,635,296	907,301,412
Bank Overdrafts	20.2	23,209,136	53,304,595	82,838,671
Total Current Liabilities		3,587,626,385	4,116,168,500	1,829,479,092
Total Liabilities		3,627,296,082	4,144,241,409	1,850,101,603
Total Equity & Liabilities		5,925,367,761	6,311,233,606	2,946,719,960
Net Assets per Share		634.68	598.48	302.86

The Notes annexed form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared and presented in compliance with the requirements of the Companies Act No 7 of 2007.

A R T Ranasinghe
Deputy General Manager - Finance

U Gautam
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements
Approved and signed for and on behalf of the Board of Directors of Lanka Ashok Leyland PLC;

Y L S Hameed
Chairman

D P Kumarage
Director

Colombo, 12th August 2013.

Statement of Changes In Equity

For The Year Ended 31 March 2013	Stated Capital	General Reserves	Financial Assets - Available for Sale Reserves	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2011	49,375,150	487,347,500	-	592,850,502	**1,129,573,152**
Effect of Transitional provision (Note 28.1.5/6)	-	-	354,849	(33,309,644)	**(32,954,795)**
Adjusted SLFRSs Balance as at 01 April 2011	**49,375,150**	**487,347,500**	**354,849**	**559,540,858**	**1,096,618,357**
Profit for the year	-	-	-	1,183,131,548	**1,183,131,548**
Other Comprehensive Income for the year	-	-	(122,610)	(4,009,808)	**(4,132,418)**
Transferred to General Reserve	-	300,000,000	-	(300,000,000)	-
Dividend Paid 10/11	-	-	-	(108,625,290)	**(108,625,290)**
Balance as at 31 March 2012	**49,375,150**	**787,347,500**	**232,239**	**1,330,037,308**	**2,166,992,197**
Profit for the year	-	-	-	354,823,003	**354,823,003**
Other Comprehensive Income for the year	-	-	(116,437)	(6,376,504)	**(6,492,941)**
Transferred to General Reserve	-	100,000,000	-	(100,000,000)	-
Dividend Paid 11/12	-	-	-	(217,250,580)	**(217,250,580)**
Balance as at 31 March 2013	**49,375,150**	**887,347,500**	**115,802**	**1,361,233,227**	**2,298,071,679**

The Notes annexed form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For The Year Ended 31 March	Note	2013 Rs.	2012 Rs.
Cash flows from Operating Activities			
Profit before Tax		**453,123,326**	1,646,338,185
Adjustment For :			
Depreciation of Property, Plant and Equipment		**37,696,222**	19,831,144
Amortization of Intangible Assets		**1,372,895**	1,803,396
Provision for Employee Benefits		**5,220,285**	3,551,095
Impairment Provision on Trade & Other Receivables		**40,376,365**	18,503,701
Provision for Inventory		**185,069,884**	62,781,237
Interest Expense		**313,780,750**	17,850,612
Interest Income		**(5,162,696)**	(27,379,984)
Lease Interest Income		**(133,448,822)**	(70,763,555)
Gain on Sale of Property, Plant and Equipment		**(2,740,000)**	(1,200,000)
Reversal of provision for Slow Moving and Obsolete Stocks		**-**	(87,654,440)
Reversal of VAT Accumulation		**(229,582,736)**	-
Provision for Warranty receivable from Related Party		**9,343,353**	-
Fixed Assets write-off		**847,851**	768,935
		222,773,350	(61,907,858)
Operating Profit before Working Capital Changes		**675,896,676**	1,584,430,327
Working Capital Changes			
Increase in Inventories		**(389,635,864)**	(3,038,401,819)
Decrease/(Increase) in Trade and Other Receivables		**326,514,151**	(170,084,595)
(Increase)/Decrease in Related Party Receivables		**(7,528,487)**	(2,304,175)
(Decrease)/Increase in Trade and Other Payables		**(457,819,306)**	309,983,485
Increase in Related Party Payables		**-**	(1,377,796)
		(528,496,506)	(2,902,184,900)
Cash generated from/(used in) Operations		**147,427,170**	(1,317,754,573)
Interest Paid		**(313,780,750)**	(17,850,612)
Gratuity Paid		**-**	(110,505)
Payment of Taxes (IT/ESC)		**(167,417,426)**	(768,557,226)
		(481,198,176)	(786,518,343)
Net Cash used in from Operating Activities		**(333,771,006)**	(2,104,272,916)
Cash flows from Investing Activities			
Dividends Paid		**(217,250,580)**	(108,625,290)
Proceeds from Sale of Property, Plant and Equipment		**2,740,000**	1,200,000
Interest received		**5,162,696**	27,379,984
Lease Rental Received during the year		**411,579,000**	161,623,000
Acquisition of Property, Plant & Equipment		**(225,990,749)**	(48,333,447)
Net Cash Flows (Used in)/Generated from Investing Activities		**(23,759,633)**	39,334,247
Cash Flows from Financing Activities			
Net Increase in Short Term Borrowings		**10,621,765**	2,331,333,884
Net Cash Flows Generated from Financing Activities		**10,621,765**	2,331,333,884
Net (Decrease)/ Increase in Cash & Cash Equivalents		**(346,908,872)**	266,395,215
Net Cash & Cash Equivalents at the beginning of the year		**350,447,628**	84,052,413
Net Cash & Cash Equivalents at the end of the year	20	**3,538,756**	350,447,628
Analysis of Cash & Cash Equivalents at the End of the Year			
Cash at Bank and in Hand	20	**26,747,892**	403,752,223
Bank Overdrafts	20	**(23,209,136)**	(53,304,595)
		3,538,756	350,447,628

The Notes annexed form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Significant Accounting Policies

1. CORPORATE INFORMATION

1.1 Reporting Entity

Lanka Ashok Leyland PLC ("the Company") is a Public Limited Liability Company incorporated in Sri Lanka under the provision of Companies Act No. 17 of 1982 and re-registered under the New Companies Act No.07 of 2007. The registered office of the Company is located at Panagoda, Homagama.

1.2 Principal Activities and Nature of Operations

The company is involved in import and selling of commercial vehicles, Diesal Generators and spare parts, provision of after sales services and ancillary services for Ashok Leyland motor vehicles.

1.3 Financial Year

The Company's financial year ends on 31st March.

1.4 Date of Authorization for Issue

The Financial Statements were approved for issue by the directors on 12th August 2013.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

For all periods up to and including the year ended 31st March 2012, the Company prepared its Financial Statements in accordance with SLASs which were effective up to 31st March 2012 (previous SLASs). The Financial Statements for the year ended 31st March 2013 are prepared and presented in accordance with new Sri Lanka Accounting Standards (new SLASs) effective from 1st April 2012.

These annual Financial Statements for the year ended 31st March 2013 are the first Financial Statements of the Company prepared in accordance with new Sri Lanka Accounting Standards including Sri Lanka Accounting Standard - SLFRS 1 on 'First-time Adoption of Sri Lanka Accounting Standards'.

An explanation of as to how the transition to new SLASs has affected the reported financial position and financial performance of the Company is provided in Note 28 to the Financial Statements.

2.2 Basis of measurement

The Company's Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

a) Non-derivative financial instruments at available for sale are measured at fair value;

b) Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

2.3 Functional and presentation currency

The Company's Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency.

2.3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of the functional currency prevailing at the reporting date. Foreign exchange differences arising on translation of foreign exchange transactions are recognized as a profit or a loss in the Income Statement.

2.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements in conformity with LKAS/ SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant uses of judgments and estimates are as follows;

2.4.1 Going Concern

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

2.4.2 Deferred Tax

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

2.4.3 Defined Benefit Obligation

The cost of the defined benefit obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, and mortality rates. Due to the long term nature of this obligation, such estimates are subject to significant uncertainty.

2.4.4 Impairment Losses on Loans and Receivables

Management's judgment is used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made. Trade receivables that are significant are individually assessed for impairment. Remaining trade receivables that are not significant when individually taken, are assessed collectively for impairment. The collective assessment takes account of data from the historical payment patterns and judgment on the effect of concentrations of risks and economic environment.

3. Significant Accounting Policies

3.1 Financial Instruments

a) Non-Derivative Financial Assets

Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the settle date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company has the following non-derivative Financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for- sale and that are not classified in any of the previous categories. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to- maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, demand deposits and short term highly liquid investments (overnight repurchase agreements) with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

b) Non-Derivative Financial Liabilities

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the 'other financial liabilities' category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, refundable rental and other deposits, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

3.2 Assets and their Bases of Valuation

Assets classified as current assets in the Statement of Financial Position are cash and those which are expected to realize in cash, during the normal operating cycle of the Company's business, or within one year from the Statement of Financial Position date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the Statement of Financial Position date.

3.2.1 Stated Capital

Ordinary shares
Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognised as an expense

3.2.2 Property, Plant & Equipment

All items of Property, Plant & Equipment are initially stated at cost less accumulated depreciation and impairment losses if any.

a) Cost

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

b) Subsequent Expenditure

Expenditure incurred to replace a component of an item of Property, Plant and Equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied in the item of Property, Plant and Equipment will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognized in the Income Statement as incurred.

c) Depreciation

The company provide depreciation from the date the assets are available for use whereas depreciation of asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives of the different types of assets. All assets carrying amounts are written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Factory Building	2.5%
Machinery & Equipment	5%
Factory Equipment	5%
Factory Tools	20%
Data processing Equipment	25%
Office Equipment & City office equipment	10%
Furniture & Fittings	10%
Electrical Installation	10%
Motor Vehicles	20%
Computer software (intangible assets)	25%

Freehold land is not depreciated.

All assets carrying amounts are written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d) Impairment

Non-Financial Assets

The carrying amounts of the non-financial assets, if any, other than inventories and deferred tax assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amounts are estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amounts. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

The recoverable amount of an asset or cash generating unit is the greater of its in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or cash-generating unit.

e) Derecognition

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

f) Capital Work-in-progress

Capital expenses incurred during the year which are not completed as at the Statement of Financial Position date are shown as Capital Work-In-Progress, whilst the capital assets which have been completed during the year and put to use have been transferred to property, Plant & Equipment.

g) Software

All computer software costs incurred, which are not integrally related to associate hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

3.2.3 Intangible Assets

a) Development Cost

An Intangible Asset is recognized if it is probable that the future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably. Other development expenditure is recognized in the Income Statement as an expense incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

b) Subsequent Expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

c) Amortization

Intangible assets, except for goodwill are amortized on a straight line basis in the Income Statement from the date when the assets available for use, over the best estimate of its useful economic life. The estimated useful life of software is four years.

3.2.4 Inventories

Inventories are valued at lower of cost and net realizable value, after making due allowances for obsolete and slow-moving items.

Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Cost is determined on the First In First Out (FIFO) basis, and includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.
Work-in-progress refers to jobs remaining incomplete in the workshop and cab & body-building division and stated at cost. Cost includes all expenditure related directly to specific projects.

Goods-in-Transit

Inventory items shipped, but not received by the Company as at the reporting date are treated as goods-in transit. In such situations, estimates are made for unpaid bills in order to value goods-in-transit.

3.2.5 Impairment

Financial Assets (Trade and Other Receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

3.2.6 Liabilities and Provisions
Liabilities classified as current liabilities in the Statement of Financial Position are those obligations payable on demand or within one year from the Statement of Financial Position date. Liabilities classified as non-current liabilities are those obligations, which expire beyond a period of one year from the Statement of Financial Position date.

All known liabilities have been accounted for in preparing these Financial Statements.
3.2.7 Trade and Other Payables
Trade and other payables are stated at their cost.

3.2.8 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.2.9 Employee Benefits

a) Defined Benefit Plan- Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'.

The Company is liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983. Under the said Act, the liability to an employee arises only on completion of 5 years of continued service.

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

b) Defined Benefit Plans- Employees Provident Fund & Employees Trust Fund
A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognized as an expense in the income statement when incurred.

3.2.10 Contingent Liabilities

Contingent liabilities are disclosed in the respective Notes to the Financial Statements. Where appropriate, adjustments are made to the Financial Statements.

3.2.11 Capital Commitments

Capital expenditure commitments if any as at the date of Statement of Financial Position are disclosed in the Notes to the Financial Statements.

3.3 Income Statement

3.3.1 Revenue Recognition

The revenue of the Company is accounted for on an accrual basis and matched with their associated expenses, and recognized when all significant risks and rewards or ownership are transferred to the buyer.

a) Sale of Goods

Revenue from the sale of goods is recognized in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue represents the invoice value of the goods less trade discounts and taxes.

b) Sale of Goods under Finance Lease

The revenue is recognised in line with paragraph 42 of LKAS 17 – Leases. Accordingly the selling profit or loss in the period is recognised in accordance with the policy followed by the Company for outright sales and the costs incurred by the Company in connection with negotiation and arranging the lease is recognised as an expense when the selling profit is recognised.

The finance income over and above the selling profit is recognised over the lease term.

c) Gain or Loss on Disposal of Property, Plant and Equipment

Gains or losses of revenue nature on disposal of Property, Plant and Equipment have been accounted for in the Income Statement.

d) Free Services Income Bundled With Vehicle Sales

Revenue arising from free service are deferred using relative fair value basis and recognised as and when the revenue recognition criteria are fulfilled i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

e) Other Income

All other income is recognized on an accrual basis.

3.3.2 Expenditure Recognition

All expenditure incurred in running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to Income Statement in arriving at the Profit/(Loss) for the year.

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the business or for the purpose of increasing earning capacity of the business has been treated as capital expenditure.

For the purpose of presentation of Income Statement the directors are of the opinion that "function of expenses method" presents fairly the elements of the enterprise's performance, and hence such presentation method is adopted.

3.3.3 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the specific asset.

3.3.4 Warranty Cost

Costs incurred by the Company under the terms of the warranty are reimbursed by Ashok Leyland - India. Any amounts that are not reimbursed under the warranty agreement are charged to the Income Statement.

3.3.5 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income.

a) Current Tax

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements.

The liability for taxation is computed according to the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereon. The relevant details are disclosed in Note 10 to the Financial Statements.

b) Deferred Tax

Deferred Tax is provided using the Liability Method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rate that is expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred Tax assets are recognized to the extent that it is probable that future taxable profits will be available against which such temporary difference can be utilized. Deferred Tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.4 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise Significant Influence over the financial and operating policies/ decisions of the other, irrespective of whether a pricing is being charged.

3.5 Cash Flow Statement

The Cash Flow Statement has been prepared using the 'Indirect method' Interest paid is classified as operating cash flows. Interest received and dividends received are classified as cash flows from investing activities while the dividend paid is classified as financing activities.

3.6 Comparative Information

The accounting policies applied by the company are unless otherwise stated, consistent with those used in the previous year.

The previous year's figures and phrases have been re-arranged wherever necessary to confirm to the current year's presentation.

3.7 Events Occurring after the Statement of Financial Position Date

All material post Statement of Financial Position events are considered and where appropriate, adjustments to or disclosures are made in the respective notes to the Financial Statements.

3.8 Directors Responsibility Statement

The Board of Directors is responsible for the preparation and Presentation of these Financial Statements according to the Sri Lankan Accounting Standards and Companies Act No 7 of 2007.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in Equity and Debt Securities

The fair value of financial assets at fair value through profit or loss and held-to-maturity investments financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(b) Trade and Other Receivables

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(c) Other non-derivative Financial Liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

Notes to the Financial Statements

For The Year Ended 31 March	2013 Rs.	2012 Rs.
5 REVENUE		
New Vehicle Sales	**10,220,243,177**	16,411,362,054
Diesel Generator Set Sales	**74,551,277**	65,956,914
Vehicle Repair Income	**106,215,743**	101,256,285
Spare Parts Sales	**132,055,323**	100,024,173
	10,533,065,520	16,678,599,426
Local Agency Commission	**-**	151,983,606
Total Gross Turnover	**10,533,065,520**	16,830,583,032
6 OTHER INCOME		
Sundry Income	**23,550,200**	16,744,133
Profit on Sale of Property, Plant and Equipment	**2,740,000**	1,200,000
Lease Interest Income	**133,448,822**	70,763,555
Reversal of Provision for VAT Recoverable (6.1)	**229,582,736**	-
	389,321,758	88,707,688

6.1 A Provision was made for VAT recoverable during the financial years 2009/10 and 2010/11 due to restriction imposed over input VAT recoverability by the Government Budget. As a result of relaxation of the restriction imposed over accumulated input VAT recoverability and allowing to recover 100% input VAT by 2012 Government Budget, the Company was able to recover its accumulated input VAT. Hence the provision is reversed.

7 SELLING AND DISTRIBUTION EXPENSES

Distribution Expenses comprise of the following;

	2013 Rs.	2012 Rs.
Commission	**3,216,000**	6,672,312
Discounts	**3,139,566**	5,817,749
Advertising	**3,662,369**	3,528,729
Impairment provision on Trade Receivable	**40,376,365**	18,503,701
Other Selling Expenses	**20,024,333**	9,417,769
	70,418,633	43,940,260

8 NET FINANCE INCOME / (COST)	2013 Rs.	2012 Rs.
Investment Income	**5,162,696**	27,379,984
Exchange rate gain/(loss)	**61,667,761**	(161,212,234)
Interest on Short Term Borrowings	**(311,300,147)**	(15,757,542)
Overdrafts Interest	**(2,480,603)**	(2,093,070)
	(246,950,293)	(151,682,862)

For The Year Ended 31 March		2013 Rs.	2012 Rs.
9	**PROFIT BEFORE TAX**		
	Profit before tax is stated after charging all the expenses including followings;		
	Directors' Emoluments	**876,937**	795,000
	Auditors' Remuneration		
	Audit services	**910,000**	910,000
	Audit related services	**590,000**	-
	Staff Cost	**128,980,469**	134,711,901
	EPF	**8,965,526**	6,472,851
	ETF	**2,241,381**	1,618,213
	Provision for Employee Benefits	**5,220,285**	3,551,095
	Donation	**14,666,187**	3,510,738
	Depreciation of Property, Plant and Equipment	**38,544,073**	19,831,144
	Amortization of Intangible Assets	**1,372,895**	1,803,396
	Impairment Provision on Trade & Other Receivables	**40,376,365**	18,503,701
	Reversal of Provision for Bad and Doubtful debts	**(967,718)**	(11,417,935)
	Reversal of Write off for Bad and Doubtful debts	**-**	(12,177,499)
	Write off of Slow Moving and Obsolete stocks - Specific	**-**	4,713,630
	Provision for Slow Moving and Obsolete stocks -Specific	**185,069,884**	62,781,237
	Reversal for Slow Moving and Obsolete stocks -Specific	**-**	(87,654,440)
	Provision for Warranty Receivable from Related Party	**9,343,353**	-

10 INCOME TAX EXPENSES

The Company is liable to taxation at the rate of 28% on its taxable income in accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to.The composition of income tax expense is as follows ;

10.1 Charge to Taxation

	2013	2012
Income Tax on Profits for the Year (Note 10.2)	**116,168,311**	444,841,137
Deferred Tax (Reversal)/ Charged for the year (Note 24)	**(17,867,988)**	18,365,500
	98,300,323	463,206,637

10.2 Reconciliation of the Accounting Profit and Taxable Profit

	2013	2012
Profit before Taxation	**453,123,326**	1,646,338,185
Income from Other Sources and Exempt Income	**(254,774,608)**	(93,123,857)
Aggregated Expenses Disallowed for Taxation	**289,207,281**	35,619,249
Aggregated Deductible Expenses for Taxation	**(77,831,870)**	(27,495,215)
Total Statutory Income	**409,724,129**	1,561,338,362
Interest Income	**5,162,696**	27,379,984
Taxable Income	**414,886,825**	1,588,718,346
Tax at 28%	**116,168,311**	444,841,137
Current year Tax	**116,168,311**	444,841,137

11 EARNINGS PER SHARE & DIVIDEND PER SHARE

11.1 Earnings Per Share

The calculation of Earnings Per Share is based on the profit for the year attributable to equity holders of Company and the weighted average number of ordinary shares outstanding during the year.

	2013	2012
Profit Attributable to Ordinary Shareholders (Rs.)	**354,823,003**	1,183,131,548
Weighted Average Number of Ordinary Shares	**3,620,843**	3,620,843
Earnings Per Share (Rs.)	**97.99**	326.76

11.2 Dividend Per Share

	2013	2012
Dividend for the Year (Rs)	**36,208,430**	217,250,580
Weighted Average Number of Ordinary Shares	**3,620,843**	3,620,843
Dividend per Share (Rs.)	**10.00**	60.00

12 PROPERTY, PLANT & EQUIPMENT

COST (Rs.)	As at 1st April 2011	As at 1st April 2012	Additions	Disposals / Transfers	As at 31st March 2013
Freehold Land	10,748,007	10,748,007	-	-	**10,748,007**
Freehold Factory & Building	36,561,447	45,498,835	61,149,686	-	**106,648,521**
Data Processing Equipment	17,704,038	20,274,213	933,000	-	**21,207,213**
Machinery & Equipment	9,793,445	10,641,295	2,100,000	-	**12,741,295**
Factory Equipment	10,476,521	12,325,179	880,721	-	**13,205,900**
City Office Equipment & Fittings	3,733,375	1,960,874	-	-	**1,960,874**
Office Equipment	3,012,611	2,566,635	766,526	-	**3,333,161**
Furniture & Fittings	16,232,356	17,641,486	2,254,717	-	**19,896,203**
Motor Vehicles	65,768,350	88,795,203	167,647,793	(6,330,000)	**250,112,996**
Electrical Installation	806,157	-	-	-	**-**
Factory Tools	1,020,428	-	-	-	**-**
Capital Work in Progress - Building	-	6,543,694	-	(6,543,694)	**-**
	175,856,735	**216,995,421**	**235,732,443**	**(12,873,694)**	**439,854,170**

ACCUMULATED DEPRECIATION (Rs.)	As at 1 st April 2011	As at 1 st April 2012	Charge for the year	Depreciation on disposals	As at 31st March 2013
Freehold Factory & Building	13,420,954	14,425,256	1,858,914	-	**16,284,170**
Data Processing Equipment	12,022,443	16,641,873	1,932,643	-	**18,574,516**
Machinery & Equipment	6,058,332	6,589,702	194,534	-	**6,784,236**
Factory Equipment	3,214,694	3,773,519	570,312	-	**4,343,831**
City Office Equipment & Fittings	1,283,662	500,188	65,396	-	**565,584**
Office Equipment	1,584,690	1,115,931	1,004,306	-	**2,120,237**
Furniture & Fittings	3,576,845	5,234,399	1,704,563	-	**6,938,962**
Motor Vehicles	17,544,759	24,851,108	31,213,405	(3,132,000)	**52,932,513**
Electrical Installation	486,256	-	-	-	**-**
Factory Tools	534,023	-	-	-	**-**
	59,726,658	**73,131,976**	**38,544,073**	**(3,132,000)**	**108,544,049**
Net Book Value	**116,130,077**	**143,863,445**			**331,310,121**

Seylan Bank PLC holds the primary mortgage on Factory Land, Building, Machinery and Other Equipments, amounting to Rs. 200 million.

Market Value of the Free Hold Land & Building

Property	Market Value	Valuation Surveyor	Date of Valuation	Land extent
Free hold land & Building at Panagoda, Homagama	Rs 253.3 Mn	Mr. D.N D Baranage	29.02.2012	18 Acre and 32 Perch

13	INTANGIBLE ASSETS COST (Rs.)	As at 1st April 2011	As at 31st March 2012	Additions	Disposals	As at 31st March 2013
	Computer software	7,213,584	7,213,584	-	-	**7,213,584**
		7,213,584	7,213,584	-	-	**7,213,584**

	ACCUMULATED AMORTIZATION (Rs.)	As at 1st April 2011	As at 31st March 2012	Amortization for the year	Disposals	As at 31st March 2013
	Computer software	3,859,906	5,663,302	1,372,895	-	**7,036,197**
		3,859,906	5,663,302	1,372,895	-	**7,036,197**
	NET BOOK VALUE	3,353,678	1,550,282			**177,387**

	As At		01.04.2011		31.03.2012		**31.03.2013**
14	FINANCIAL INVESTMENTS (Rs.)	Cost	Market Value	Cost	Market Value	Cost	Market Value
14.1	**Investment in Shares - Available For sale**	7,417	362,267	7,417	239,657	**7,417**	**123,219**
	Diesel & Motor Engineering PLC (Quoted)						
	(244 Ordinary shares of Rs. 10/- each)		362,267		239,657		**123,219**
14.2	**Investment in Debentures - Held -To- Maturity**						
	Seylan Bank PLC - (Unsecured Subordinated Redeemable 18% Debentures,)		3,500,000		2,500,000		**-**
			3,500,000		2,500,000		**-**
	Total Investments		3,862,267		2,739,657		**123,219**

As At	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
15 LEASE RENTAL RECEIVABLE			
Opening Balance	**884,627,000**	51,480,000	-
Granted during the year	**472,372,000**	994,770,000	53,130,000
Total Rental Receivable	**1,356,999,000**	1,046,250,000	53,130,000
Less : Payment received during the year	**(411,579,000)**	(161,623,000)	(1,650,000)
Total Rental outstanding	**945,420,000**	884,627,000	51,480,000
Less - Interest In Suspense	**(118,040,077)**	(162,016,900)	(11,860,454)
Unearned Rental Income	**827,379,923**	722,610,100	39,619,546
15.1 Receivable after one year			
Total Rental Receivable	**575,318,644**	572,183,000	35,640,000
Less - Interest In Suspense	**(32,257,433)**	(64,806,634)	(5,577,805)
Unearned Rental Income	**543,061,211**	507,376,366	30,062,195
15.2 Receivable with in one year			
Total Rental Receivable	**370,101,355**	312,444,000	15,840,000
Less - Interest In Suspense	**(85,782,644)**	(97,210,266)	(6,282,649)
Unearned Rental Income	**284,318,711**	215,233,734	9,557,351

16 INVENTORIES	31.03. 2013 Rs.	31.03. 2012 Rs.	01.04.2011 Rs.
Vehicle Stock	**3,447,807,921**	3,246,801,325	1,988,343,624
Generators	**100,678,005**	94,473,749	-
Consumables	**21,051,084**	21,969,056	18,219,094
Cab/Bodies	**2,133,515**	1,926,683	5,319,310
Work in Progress (Repairs)	**3,810,129**	1,491,799	3,741,886
Stock of Diesel	**2,093,803**	1,263,974	585,702
Spare Parts	**272,694,638**	215,188,725	145,565,297
	3,850,269,095	3,583,115,311	2,161,774,913
Goods In Transit	**455,375,023**	799,503,946	-
	4,305,644,118	4,382,619,257	2,161,774,913
Write off of Slow Moving and Obsolete Stocks - (specific)	**-**	(20,929,765)	(42,331,158)
Provision for Slow Moving & Obsolete Stocks - (specific)	**(185,069,884)**	(62,781,237)	(103,870,524)
	4,120,574,234	4,298,908,255	2,015,573,232

Stocks have been pledged against the trust loan and revolving import loans obtained from Indian Bank, Seylan Bank PLC,Commercial Bank and Bank of Ceylon PLC.

Notes to the Financial Statements

As At	31.03.2013	31.03.2012	01.04.2011
	Rs.	Rs.	Rs.
17 TRADE AND OTHER RECEIVABLES			
Trade Receivables	**626,216,782**	740,154,779	565,097,662
Less: Impairment provision (Note 17.1)	**(108,245,014)**	(70,190,115)	(63,104,349)
Write off of Bad debts - (Specific)	**-**	-	(28,360,964)
	517,971,768	669,964,664	473,632,349
Advances to Staff	**4,511,080**	712,170	2,656,295
VAT Accumulation (Note 17.2)	**-**	8,183,859	67,200,000
VAT Receivable	**55,915,834**	18,200,336	5,084,907
Other Receivables	**3,630,605**	8,519,662	9,070,667
	582,029,287	705,580,691	557,644,218
17.1 PROVISION FOR BAD AND DOUBTFUL DEBTS			
Balance at the beginning of the year	**70,190,115**	63,104,349	52,802,697
Provision for the Year	**40,376,365**	18,503,701	18,192,195
Reversed due to Payments Received during the year	**(2,321,466)**	(11,417,935)	(7,890,543)
Balance at the end of the year	**108,245,014**	70,190,115	63,104,349
17.2 MOVEMENT OF THE VAT ACCUMULATION			
VAT Accumulation	**41,436,515**	279,203,110	338,219,250
Provision for VAT Accumulation	**(41,436,515)**	(271,019,251)	(271,019,250)
	-	8,183,859	67,200,000
18 CURRENT TAX LIABILITIES			
Balance as at beginning of the year	**53,824,328**	377,540,417	74,230,724
Current Tax Liability for the year (Note 10.1)	**116,168,311**	444,841,137	492,557,114
Prior year adjustment	**-**	-	9,383,556
Paid/set off during the year	**(166,908,289)**	(647,200,087)	(94,464,780)
Economic Service Charge	**-**	(118,691,812)	(102,786,535)
WHT Recoverable	**(102,949)**	(10,435)	(1,379,662)
Notional Tax Credit	**(406,188)**	(2,654,892)	-
Net Income Tax payable	**2,575,213**	53,824,328	377,540,417
19 RELATED PARTY RECEIVABLES/(PAYABLES)			
Ashok Leyland Ltd. India	**9,832,662**	2,304,175	(1,377,796)
Less:-			
Provision for warranty receivables	**(9,343,353)**	-	-
	489,309	2,304,175	(1,377,796)

As At	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
20 CASH & CASH EQUIVALENTS			
20.1 FAVOURABLE BALANCES			
Fixed Deposits	**2,300,000**	2,300,000	2,300,000
Investment in REPO	**-**	30,000,000	-
Cash in Hand	**632,046**	676,451	1,695,175
Cash at Banks	**23,815,846**	370,775,772	162,895,909
	26,747,892	403,752,223	166,891,084
20.2 UNFAVOURABLE BALANCES			
Bank Overdraft (Note 20.3)	**(23,209,136)**	(53,304,595)	(82,838,671)
Cash & cash equivalents for the purpose of Cash Flow Statement	**3,538,756**	350,447,628	84,052,413

20.3 Overdraft Facilities	Limit	Security
Seylan Bank PLC	100,000,000	Land / Building / Inventory
Bank of Ceylon	1,900,000	Fixed Deposit
Commercial Bank	50,000,000	Inventory

21 STATED CAPITAL	No of Shares	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
Issued & Fully Paid				
Ordinary Shares	**3,620,843**	**36,208,430**	36,208,430	36,208,430
Share Premium		**13,166,720**	13,166,720	13,166,720
Stated Capital		**49,375,150**	49,375,150	49,375,150

A premium of Rs. 40/- per share was received for 329,168 ordinary shares issued as rights in 1992.

22 GENERAL RESERVES

	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
Opening Balance	**787,347,500**	487,347,500	337,347,500
Transfer for the year	**100,000,000**	300,000,000	150,000,000
Closing Balance	**887,347,500**	787,347,500	487,347,500

The General Reserve relates to retained earnings set aside by the Company for genaral applications.

As At	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
23 EMPLOYEE BENEFITS			
Balance as at the beginning of the Year	**28,072,909**	20,622,511	16,714,634
Current Service Cost	**2,272,630**	1,959,139	1,240,120
Interest Cost for the Year	**2,947,655**	1,591,956	1,481,073
Net Actuarial (Gain)/Loss	**6,376,504**	4,009,808	2,605,577
Transitional Provision	**-**	-	(1,124,393)
Payments during the Year	**-**	(110,505)	(294,500)
Balance as at the end of the Year	**39,669,698**	28,072,909	20,622,511
23.1 Movement in the Present Value of the Defined Benefit Obligation(PV-DBO)			
Liability PV-DBO as at 01 April	**28,072,909**	20,622,511	15,590,241
Interest Cost for the period	**2,947,655**	1,959,139	1,481,073
Current Service Cost for the period	**2,272,630**	1,591,956	1,240,120
Gratuity paid during the period	**-**	(110,505)	(294,500)
Net Actuarial (Gain)/Loss	**6,376,504**	4,009,808	2,605,577
Liability for PV-DBO as at 31 March	**39,669,698**	28,072,909	20,622,511

Gratuity liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Limited, Actuaries, on 31March 2013. The principal assumptions used in are as follows:

The discount rate	10.50%
Expected annual average salary increment	10.00%
Staff turnover factor	2%
Retiring age	58 years

24 DEFERRED TAX ASSET	**31.03.2013** **Rs.**	31.03.2012 Rs.	01.04.2011 Rs.
24.1 Temporary Difference			
Property, Plant & Equipment	**(26,502,701)**	25,714,751	56,543,805
Employee Benefits	**(39,669,698)**	(28,072,909)	(20,622,511)
Provision for Inventory	**-**	-	(103,870,523)
	(66,172,399)	(2,358,158)	(67,949,229)
Tax effect on Temporary difference	**28%**	28%	28%
	7,420,756	(7,200,130)	(15,832,265)
Property, Plant & Equipment	**11,107,516**	7,860,414	5,774,303
Employee Benefits	**-**	-	29,083,746
Provision for Inventory	**18,528,272**	660,284	19,025,784
Balance as at the beginning of the year	**660,284**	19,025,784	(2,978,213)
(Provision) / Reversal for the year	**17,867,988**	(18,365,500)	22,003,997
Balance as at the end of the year	**18,528,272**	660,284	19,025,784

As At	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
25 TRADE AND OTHER PAYABLES			
Trade Payables	**65,687,557**	80,215,518	38,813,477
Accruals	**108,608,664**	191,039,905	67,504,101
Refundable Deposits	**59,380,374**	399,276,244	255,165,682
Unclaimed Dividend	**2,790,394**	617,048	516,134
Deferred Income (Note 25.1)	**5,588,330**	31,073,787	20,496,654
Other Payables	**70,529,656**	68,181,778	77,924,748
	312,584,975	770,404,281	460,420,796
25.1 MOVEMENT OF DEFERRED INCOME			
Balance at the beginning of the year	**31,073,787**	20,496,654	-
Provision for the year	**5,588,330**	31,073,787	20,496,654
Reversed during the year	**(31,073,787)**	(20,496,654)	-
Balance at the end of the year	**5,588,330**	31,073,787	20,496,654

Deferred Income represent the Free Services provision made as per the IFRS/LKAS 18- Revenue

	31.03.2013 Rs.	31.03.2012 Rs.	01.04.2011 Rs.
26 SHORT TERM BORROWINGS			
Import Loan (Note 26.1)	**2,832,736,955**	1,805,493,530	545,467,000
Payable on Imports	**416,520,106**	1,433,141,766	361,834,412
	3,249,257,061	3,238,635,296	907,301,412

26.1 Movement of Short Term Borrowings

Lender	Purpose	Rate of Interest %	As at 1 st Apr 2011 Rs.	As at 31st Mar 2012 Rs.	Obtained during the year Rs.	Repayments Rs.	As at 31st Mar 2013
Bank of Ceylon	Import/Financing	15.59	-	-	10,425,000	-	10,425,000
Seylan Bank	Import/Financing	14.5	545,467,000	1,205,721,000	6,800,207,000	(6,652,147,000)	1,353,781,000
Indian Bank	Import/Financing	AWPLR	-	-	313,181,300	(12,493,300)	300,688,000
Commercial Bank	Import/Financing	AWPLR+1.5%	-	599,772,530	3,130,554,430	(2,562,484,005)	1,167,842,955
			545,467,000	1,805,493,530	10,254,367,730	(9,227,124,305)	2,832,736,955

Factory Land, Building, Machinery, Other Equipment and Stocks have been pledged against the Import Loans obtained from banks.

27 RELATED PARTY DISCLOSURE

27.1 Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 "Related Party disclosures", the details of which are reported below;

Name of Related Party & Relationship	Name of the Director	Position	Nature of Transaction	Amount Received / (Paid) Rs.
Ashok Leyland Limited -India *Holds 27.8 % of share capital of the Company by virtue of the joint venture agreement with Lanka Leyland Ltd*	Mr.Vinod K Dasari Mr.K.Sridharan	Managing Director of Ashok Leyland Ltd Chief Financial Officer of Ashok Leyland Ltd	Purchase of Motor Vehicle Net of Warranty Adjustment	**7,941,063,782**
			Purchase of Spare Parts/Genarators	**200,784,446**
			Settlement of Motor Vehicles & Spares Purchased	**(7,725,328,122)**
			Dividend Payment to Ashok Leyland	**54,449,928**
Lanka Leyland Ltd Holds 41.8% of the Share Capital of the Company.	Mr.Y.L.S Hammed Mr.B.M.Riyaj	Chairman of Lanka Leyland Ltd Director of Lanka Leyland Ltd	Dividend Payment to Lanka Leyland	**81,675,000**
Sri Lanka Transport Board *Major Customer*			Supply of buses	**1,486,971,680**

27.2 Compensation of Key Management personnel

According to LKAS 24 "Related Party Disclosures", Key Management personnel, are those planning, directing and controlling the activities of the entity.

Key management personnel include members of the Boards of Directors, and the Chief Executive Officer of the Company, total amounts paid as salaries and reimbursement of expenses amounts to Rs, 5,944,704 (2012-Rs.4,905,030)

As at 31 March	**2013**	2012
Key management personnel payments	**Rs.**	Rs.
a. Short term employee benefits	**5,536,104**	4,630,530
b. Post-employment benefits	**408,600**	274,500
c. Termination benefits	**-**	-
d. Share-based payments	**-**	-
	5,944,704	4,905,030

28 Reconciliation of Transition to SLFRS

Explanation of transition to SLFRSs/LKASs

As stated in note 2.1, these are the Company's first Financial Statements prepared in accordance with SLFRSs/LKASs.

The accounting policies set out in note 3 have been applied in preparing the Financial Statements for the year ended 31 March 2013, the comparative information presented in these Financial Statements for the year ended 31 March 2012 and in the preparation of an opening SLFRS statement of Financial Position at 1 April 2011 (the Company's date of transition).

In preparing its opening SLFRS/LKAS statement of Financial Position, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with Srilanka Accounting Standards/SLASs (previous GAAP). An explanation of how the transition from previous GAAP to SLFRS/LKAS has affected the Company's financial Position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

28.1 Explanation of Transition to SLFRS/LKAS (Continued)
Reconciliation of Comprehensive Income for the Year ended 31st March 2012

	Note	As per SLAS	Re-Classification due to transition to SLFRs/LKASs	Re-Measurement due to transition to SLFRs/LKASs	As per SLFRSs/ LKAS
		Rs.	Rs.	Rs.	Rs.
Revenue	28.1.1	16,841,160,165	-	(10,577,133)	16,830,583,032
Cost of Sales	28.1.2	(14,796,417,824)	-	(6,090,000)	(14,802,507,824)
Gross Profit		**2,044,742,341**	**-**	**(16,677,133)**	**2,028,075,208**
Other Income	28.1.2	116,758,386	(27,379,984)	(670,714)	88,707,688
Administrative Expenses		(414,075,541)	165,222,042	-	(248,853,498)
Selling and Distribution Expenses	28.1.3	(34,157,731)	-	(9,782,528)	(43,940,260)
Other Operating Expenses		(25,968,091)	-	-	(25,968,091)
Profit from Operations		1,687,299,365	137,842,058	(27,120,376)	1,798,021,047
Net Finance Income / (Cost)		(17,850,611)	(133,832,250)	-	(151,682,862)
Profit before Tax		1,669,448,754	4,009,808	(27,120,376)	1,646,338,185
Tax Expense		(463,206,637)	-	-	(463,206,637)
Profit after tax		**1,206,242,116**	**4,009,808**	**(27,120,376)**	**1,183,131,548**
Other Comprehensive Income		-	-	-	-
Defined Benefit plan - Actuarial Loss	28.1.4	-	(4,009,808)	-	(4,009,808)
Net change in Fair Value of AFS Financial Assets	28.1.5	-	-	(122,610)	(122,610)
Total Comprehensive Income for the year		**1,206,242,116**	-	**(27,242,986)**	**1,178,999,130**

28.2 Explanation of Transition to SLFRS/LKAS (Continued)
Reconciliation of Financial Position as on 31st March 2012

	Note	As per SLAS	Re-Classification due to transition to SLFRs/LKASs	Effect of Transition to SLFRSs/ LKASs	As per SLFRSs/ LKASs
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non Current Assets					
Property, Plant & Equipment		143,863,445	-	-	143,863,445
Intangible Asset		1,550,282	-	-	1,550,282
Financial Investments	28.1.5	3,507,417	(1,000,000)	232,239	2,739,657
Deferred Tax Asset		660,284	-	-	660,284
Lease Rental Receivable		507,376,366	-	-	507,376,366
Total Non Current Assets		**656,957,794**	**(1,000,000)**	**232,239**	**656,190,034**
Current Assets					
Inventories		4,298,908,255	-	-	4,298,908,255
Trade and Other Receivables	28.1.3	716,265,734	11,559,776	(22,244,819)	705,580,691
Lease Rental Receivable	28.1.2	222,345,146	-	(7,111,412)	215,233,734
Deposits and Prepayments		39,824,271	(10,559,776)	-	29,264,494
Related Party Receivables		2,304,175		-	2,304,175
Cash & Cash Equivalents		403,752,223		-	403,752,223
Total Current Assets		**5,683,399,804**	**1,000,000**	**(29,356,231)**	**5,655,043,572**
Total Assets		**6,340,357,598**	**-**	**(29,123,992)**	**6,311,233,606**
EQUITY & LIABILITIES					
Equity					
Stated Capital		49,375,150	-	-	49,375,150
General Reserve		787,347,500	-	-	787,347,500
Financial Assets - Available for Sale Reserve	28.1.5	-	-	232,239	232,239
Retained Earnings	28.1.6	1,390,467,328	-	(60,430,019)	1,330,037,308
Equity Attributable to owners of the Company		**2,227,189,978**	**-**	**(60,197,780)**	**2,166,992,197**
Non Current Liabilities					
Employee Benefits		28,072,909	-	-	28,072,909
Total Non Current Liabilities		**28,072,909**	**-**	**-**	**28,072,909**
Current Liabilities					
Trade and Other Payables	28.1.1	739,330,491	-	31,073,787	770,404,281
Current Tax Liabilities		53,824,328	-	-	53,824,328
Short-Term Borrowings		3,238,635,296	-	-	3,238,635,296
Bank Overdrafts		53,304,596	-	-	53,304,595
Total Current Liabilities		**4,085,094,711**	**-**	**31,073,787**	**4,116,168,500**
Total Liabilities		**4,113,167,620**	-	**31,073,788**	**4,144,241,409**
Total Equity & Liabilities		**6,340,357,598**	**-**	**(29,123,992)**	**6,311,233,606**

Notes to the Financial Statements

28.3 Explanation of Transition to SLFRS/LKAS (Continued)
Reconciliation of Financial Position as on 01st April 2011

	Note	As per SLAS	Re-Classification due to transition to SLFRs/LKASs	Effect of Transition to SLFRSs/ LKASs	As per SLFRSs/ LKASs
		Rs.	Rs.	Rs.	Rs.
ASSETS					
Non Current Assets					
Property, Plant & Equipment		116,130,077	-	-	116,130,077
Intangible Asset		3,353,678	-	-	3,353,678
Financial Investments	28.1.5	3,507,417	-	354,849	3,862,267
Deferred Tax Asset		19,025,784	-	-	19,025,784
Lease Rental Receivable		30,062,195	-	-	30,062,195
Total Non Current Assets		**172,079,151**	**-**	**354,849**	**172,434,001**
Current Assets					
Inventories		2,015,573,232		-	2,015,573,232
Trade and Other Receivables	28.1.3	561,581,653	8,524,856	(12,462,291)	557,644,218
Lease Rental Receivable	28.1.2	9,908,049	-	(350,698)	9,557,351
Deposits and Prepayments		33,144,933	(8,524,856)	-	24,620,074
Cash & Cash Equivalents		166,891,084	-	-	166,891,084
Total Current Assets		**2,787,098,951**	-	**(12,812,989)**	**2,774,285,959**
Total Assets		**2,959,178,102**	**-**	**(12,458,139)**	**2,946,719,960**
EQUITY & LIABILITIES					
Equity					
Stated Capital		49,375,150	-	-	49,375,150
General Reserve		487,347,500	-	-	487,347,500
Financial Assets - Available for Sale Reserve	28.1.5	-	-	354,849	354,849
Retained Earnings	28.1.6	592,850,502	-	(33,309,644)	559,540,858
Equity Attributable to owners of the Company		**1,129,573,152**	**-**	**(32,954,795)**	**1,096,618,357**
Non Current Liabilities					
Employee Benefits		20,622,511	-	-	20,622,511
Total Non Current Liabilities		**20,622,511**	**-**	**-**	**20,622,511**
Current Liabilities					
Trade and Other Payables	28.1.1	439,924,143	-	20,496,654	460,420,796
Current Tax Liabilities		377,540,417	-	-	377,540,417
Related Party Payables		1,377,796	-	-	1,377,796
Short-Term Borrowings		907,301,412	-	-	907,301,412
Bank Overdrafts		82,838,671	-	-	82,838,671
Total Current Liabilities		**1,808,982,439**	**-**	**20,496,654**	**1,829,479,092**
Total Liabilities		**1,829,604,950**	**-**	**20,496,654**	**1,850,101,603**
Total Equity & Liabilities		**2,959,178,102**	**-**	**(12,458,139)**	**2,946,719,960**

Explanation of Transition to SLFRS/LKAS (Continued)

28.1.1 Free Service

Due to the application of LKAS 18 - Free service income for provision of the services to the cutomers, which were previously recognized as revenue, were remeasured and recognized as a Provision for Free service and recognized as revenue when the revenue recognition criterias are fulfilled.

Statement of comprehensive income	**For the year ended 31 March**	
	2012	**2011**
	Rs.	**Rs.**
	(31,073,787)	20,496,654
Free Services provided	20,496,654	-
Free Service Income recognized as revenue	(10,577,133)	20,496,654

Statement of financial position	**As at 31 March**	**As at 1st April**
	2012	**2011**
	Rs.	**Rs.**
Provision for Free service	31,073,787	20,496,654
	31,073,787	20,496,654

28.1.2 Interest In Suspense - EIR adjustment

Adjustment of transaction cost (dealer lessor) and reworking of lease interest income using Effective interest rate method (EIR) in line with LKAS 17 - Leases instead of simple interest rate.

Statement of comprehensive income	**For the year ended 31 March**	
	2012	**2011**
	Rs.	**Rs.**
Adjustment of Interest In suspense - Based on EIR	(6,760,714)	(350,698)
Lease Interest Income	670,714	-
	(6,090,000)	(350,698)

Statement of financial position	**As at 31 March**	**As at 1st April**
	2012	**2011**
	Rs.	**Rs.**
Impact on interest in suspense in 1 April 2011	(350,698)	-
EIR adjustment for the year	(6,760,714)	(350,698)
	(7,111,412)	(350,698)

28.1.3 Impairment adjustment for Receivables

Adjustments in line with LKAS 39 - Financial Instruments: Recognition & Measurement. Impairment adjustment for receivables.

Statement of comprehensive income	**For the year ended 31 March**	
	2012	**2011**
	Rs.	**Rs.**
Impairment adjustment	9,782,528	12,462,291
	9,782,528	12,462,291

Statement of financial position	**As at 31 March**	**As at 1st April**
	2012	**2011**
	Rs.	**Rs.**
Impairment provision impact in 1 April 2011	(12,462,291)	-
Impairment provision recognition based on LKAS 39	(9,782,528)	(12,462,291)
	(22,244,819)	(12,462,291)

28.1.4 Re-classification of Defined Benefit Plan - Actuarial Loss under Other Comprehensive Income.

28.1.5 Financial Investment - Available for Sale

Company has changed the basis of measurement for its available-for-sale investments portfolio from cost method to fair value method. The difference between the cost and the fair value is accounted for in the Statement of Changes in Equity through 'Other Comprehensive Income'.

Statement of comprehensive income	**For the year ended 31 March**	
	2012	**2011**
	Rs.	**Rs.**
Fair valuation of investments - Available for Sale	122,610	354,849
	122,610	354,849

Statement of financial position	**As at 31 March 2012**	**As at 1st April 2011**
	Rs.	**Rs.**
Net change in Fair Value of AFS Financial Assets - 2010/11	354,849	354,849
Net change in Fair Value of AFS Financial Assets - 2011/12	(122,610)	-
	232,239	354,849

28.1.6 Impact on Earnings / Retained Earnings

The above changes increased / (decreased) the earnings for the periods as follows:

Statement of financial position	**For the year ended 31 March**	
	2012	**2011**
	Rs.	**Rs.**
Effect of SLFRS/LKAS transition adjustment 2010/2011 - Retained Earnings	(33,309,644)	(33,309,644)
Effect of SLFRS/LKAS transition adjustment 2011/2012	(27,120,375)	-
	(60,430,019)	(33,309,644)

Effect of SLFRS/LKAS transition adjustment 2010/2011		
Interest in Suspense	(6,760,714)	(350,698)
Provision for Debtors	(9,782,528)	(12,462,291)
Free Service Provision	(10,577,133)	(20,496,654)
Total effect on earnings for the period	(27,120,375)	(33,309,644)

As At 31 March

29 CAPITAL COMMITMENTS

The Company has no Capital Commitments outstanding at the Statement of Financial Position date.

30 CONTINGENT LIABILITIES

There were no significant contingent liabilities that require disclosure in the financial statements.

31 LITIGATION AND CLAIMS

There were no pending litigation and claims against the Company as at the Statement of Financial Position Date.

32 POST Statement of Financial Position DATE EVENTS

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act, No. 07 of 2007, the Directors have recommend the payment of first and final dividend of Rs.10/= per share (100%) amounting to Rs 36,208,430/= for the year ended 31st March 2013 (2011/12 - Rs 60/= per share (600%) amounting to Rs 217,250,580/=), which will be declared at the Annual General Meeting to be held on 20th September 2013. In accordance with Sri Lanka Accounting Standard (LKAS 10) - "Events after the reporting period" this proposed first and final dividend has not been recognised as a liability as at 31st March 2013.

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements, other than the above.

33 COMPARATIVE FIGURES

To facilitate comparison relevant balances pertaining to the previous year have been re-classified to confirm to current classification and presentation.

34 ULTIMATE HOLDING COMPANY

The company is a joint venture between Lanka Leyland Ltd., holding 41.8% of the share capital, and Ashok Leyland Ltd. India, holding 27.8% of the Share capital of the Company.

35 SEGMENT REPORTING

There are no distinguishable components of the business defined as segments and all operations are treated as one segment.

36 NUMBER OF EMPLOYEES

The number of employees as on 31st March was ;

	2013	2012
Executives	**41**	34
Non Executives	**89**	89
	130	123

37. Financial risk management

Overview

The Company has exposure to the following risks arising from financial instruments;

- Credit risk
- Liquidity risk
- Market risk.
- Operational Risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee monitors the process through which business risks are identified for action by management and monitors the effectiveness of the Company's internal controls. The Audit Committee is assisted in its role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in securities.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximumExposure to credit risk at the reporting date was as follows.

As at 31 March	2013 Rs '000	2012 Rs '000
Trade and other Receivables	582,029	705,581
Lease Rental Receivables	827,379	722,610
Cash and cash equivalents	26,748	403,752
Total	**1,436,156**	**1,831,943**

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry as these factors may have an influence on credit risk. During 2013, approximately LKR. 1,486,971,680 (2012: LKR 899,679,201) of the Company's revenue was attributable to sales transactions with a single customer namely Sri Lanka Transport Board.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Cash and cash equivalents

The Company held cash and cash equivalents of LKR 26,747,892 at 31 March 2013 (2012: LK 403,752,223), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks. Respective credit ratings of banks which Company cash balances held are as follows;

- Seylan Bank PLC – A-(lka)
- Commercial Bank of Ceylon PLC – AA(lka)
- Sampath Bank PLC – AA-(lka)
- Bank Of Ceylon – AA+(lka)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. In addition, the Company maintains LKR 150.1 million overdraft facility that is unsecured. Interest would be payable at the market rate.

The following are the contractual maturities of financial liabilities;

As at 31 March	**2013** **Rs '000**	**2012** **Rs '000**
Secured bank loans (short term loans of 1 Year)	3,249,257	3,238,635
Trade Payable	65,688	80,215
Bank Overdraft	23,209	53,304

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.
Company's management conduct periodic reviews on the company`s pricing & pricing policy in order to mitigate the market risk.
The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk purchases that are denominated in a currency other than Sri Lankan Rupees.

The Company uses forward exchange rate booking contracts to hedge its currency risk, depending on forward market condition.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company`s process, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the company operations.

The company`s objective is to manage operational risk and balance the avoidance of financial losses and damage to the company`s reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

Compliance with internal controls is ensured by periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit committee and senior management of the company.

Decade at a Glance

TRADING RESULTS		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Turnover	Rs 000'	2,236,842	3,539,698	4,315,004	4,153,166	2,800,907	2,595,585	3,408,648	11,524,020	16,830,583	10,533,066
Net Trading Profit /(Loss) Before Interest	Rs 000'	168,454	132,681	294,868	238,555	168,507	189,317	289,748	1,131,770	1,575,480	377,582
Interest Paid	Rs 000'	(39,522)	(38,256)	(42,525)	(38,602)	(59,799)	(112,132)	(87,162)	(42,526)	(17,850)	(313,781)
Net Trading Profit /(Loss) After Interest	Rs 000'	128,932	94,425	252,343	199,953	108,708	77,185	202,586	1,089,244	1,557,630	63,801
Other income	Rs 000'	1,314	43,666	17,766	5,920	3,181	5,272	4,868	30,201	88,708	389,322
Profit/(Loss) before tax	Rs 000'	130,246	138,091	270,109	205,873	111,889	82,457	207,454	1,119,445	1,646,338	453,123
Taxation	Rs 000'	-	(27,195)	(87,469)	(83,738)	(41,536)	(23,921)	(117,624)	(470,553)	(463,207)	(98,300)
Profit/(Loss) after tax	Rs 000'	130,246	110,896	182,640	122,135	70,353	58,536	89,830	648,892	1,183,131	354,823
Other Comprehensive Income	Rs 000'	-	-	-	-	-	-	-	-	(4,010)	(6,376)
Profit B/F	Rs 000'	(113,161)	17,085	41,773	74,503	85,430	92,765	90,092	152,766	592,851	1,330,037
Effect of Transitinoal Provision	Rs 000'									(33,310)	-
Prior year adjustments	Rs 000'	-	-	89	-	(1,810)	-	-	(4,495)		-
Profit Available for Appropriations	Rs 000'	17,085	127,981	224,502	196,638	153,973	151,301	179,922	797,163	1,738,662	1,678,484
Dividend paid	Rs 000'	-	-	(36,208)	(36,208)	(36,208)	(36,208)	(27,156)	(54,312)	(108,625)	(217,250)
Transfers to Reserves	Rs 000'	-	(50,000)	(150,000)	(75,000)	(25,000)	(25,000)	-	(150,000)	(300,000)	(100,000)
Retained earnings	Rs 000'	17,085	41,773	38,294	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233

INVESTORS' FUNDS		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Share capital	Rs 000'	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208
Retained earnings	Rs 000'	17,085	41,773	38,294	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233
Reserves	Rs 000'	25,514	75,514	225,514	300,514	325,514	350,514	350,514	467,560	800,747	900,631
Proposed Dividend	Rs 000'	-	36,208	36,208	-	-	-	-	-	-	-
Shareholders fund	Rs 000'	78,807	189,703	336,225	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072

ASSETS & LIABILITIES		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Property, Plant & Equipment	Rs 000'	39,227	48,158	55,703	73,326	85,694	77,144	67,257	119,484	145,413	331,487
Non Current Assets	Rs 000'	1,007	1,007	1,007	1,007	3,507	3,507	3,507	52,950	510,776	561,712
Current Assets	Rs 000'	506,416	879,425	810,347	777,492	936,639	1,179,235	1,286,732	2,774,286	5,655,044	5,032,168
Current Liabilities	Rs 000'	(424,377)	(732,469)	(520,319)	(409,475)	(547,956)	(764,926)	(798,316)	(1,829,479)	(4,116,168)	(3,587,626)
Working Capital	Rs 000'	82,039	146,956	290,028	368,017	388,683	414,309	488,416	944,807	1,538,876	1,444,542
Non Current Liabilities	Rs 000'	(43,466)	(6,418)	(10,513)	(20,199)	(23,397)	(18,145)	(19,692)	(20,622)	(28,073)	(39,670)
Net worth of Company	Rs 000'	78,807	189,703	336,225	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072

RATIOS & STATISTICS		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Issued Share Capital	Nos.	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843
Net assets per share	Rs.	21.76	52.39	92.86	116.59	125.52	131.69	149.00	302.86	598.48	634.68
Dividend per share	Rs.	-	10.00	10.00	10.00	10.00	7.50	15.00	30.00	60.00	10.00
Market price per share	Rs.	60.00	104.00	290.00	170.00	360.00	355.00	1,075.00	2,650.00	2,069.70	1,717.80
Market Capitalisation	Rs 000'	217,251	376,568	1,050,044	615,543	1,303,503	1,285,399	3,892,406	9,595,233	7,494,059	6,219,884
Earnings per share	Rs.	35.97	30.63	50.44	33.73	19.43	16.17	24.81	179.21	326.76	97.99
Dividend Payout	%	-	0.33	0.20	0.30	0.51	0.46	0.60	0.17	0.18	0.10
Price Earning ratio	Rs.	1.67	3.40	5.75	5.04	18.53	21.96	43.33	14.79	6.33	17.53
Current Ratio	No of Times	1.19	1.20	1.56	1.90	1.71	1.54	1.61	1.52	1.37	1.40
Quick Ratio	No of Times	0.35	0.29	0.50	1.05	0.78	0.89	0.71	0.41	0.33	0.20
Interest Cover	No of Times	4.26	3.47	6.93	6.18	2.82	1.69	3.32	26.61	88.26	1.20
Trading profit before Int. / Net Turnover.	%	7.53	3.75	6.83	5.74	6.01	7.29	8.50	9.82	9.36	3.58
Trading profit after Int. / Net Turnover.	%	5.76	2.67	5.85	4.81	3.88	2.97	5.94	9.45	9.25	0.61
Return on Net Assets	%	165.27	58.46	54.32	28.93	15.40	12.28	16.65	59.17	54.60	15.44

Share Holders Information

There were 563 registered shareholders as at 31st March 2013 distributed as follows.

Category			No. Of Shareholders 2013(Mar)	No. Of Shareholders 2012(Mar)	Shareholding 2013(Mar)	Shareholding 2012(Mar)	% 2013(Mar)	% 2012(Mar)
1	-	1,000	547	508	35,450	37,122	0.98	1.03
1,001	-	5,000	10	8	15,228	13,931	0.42	0.38
5,001	-	10,000	-	-		-	0.00	-
10,001	-	50,000	2	2	49,050	49,050	1.35	1.35
50,001	-	100,000	-	-		-	-	-
100,001	-	500,000	1	1	452,503	452,128	12.50	12.49
500,001	-	1,000,000	1	1	547,780	547,780	15.13	15.13
Over		1,000,000	2	2	2,520,832	2,520,832	69.62	69.62
Total			563	522	3,620,843	3,620,843	100.00	100.00

List of 20 Major Share Holders

Major Shareholders	No. Of Shares Held 2013(Mar)	No. Of Shares Held 2012(Mar)	Shareholding % 2013(Mar)	Shareholding % 2012(Mar)
Lanka Leyland Ltd	1,512,500	1,512,500	41.77	41.77
Ashok Leyland Ltd	1,008,332	1,008,332	27.85	27.85
Seylan Bank PLC/ Waldock Mackenize Ltd /L S I Perera	550,505	550,505	15.20	15.20
Perpetual Capital (Pvt) Ltd	452,503	452,128	12.50	12.49
Sri Lanka Central Transport Board	31,250	31,250	0.86	0.86
N Thirimanne	17,800	17,800	0.49	0.49
R P T Adams	2,700	2,700	0.07	0.07
N J Perera	2,600	2,600	0.07	0.07
B Periyasamy	1,250	1,250	0.03	0.03
L A P Perera	1,200	1,200	0.03	0.03
U I Suriyabandara	1,190	773	0.03	0.02
Commercial Bank of Ceylon PLC/ M A U Gnanathilaka	1,183	500	0.03	0.01
P L Perera	1,100	1,100	0.03	0.03
R A Y T Perera	1,100	1,000	0.03	0.03
J W N R Boteju	1005	1,100	0.03	0.03
P Malalasekara	899	1,031	0.02	0.03
J G De Mel	800	300	0.02	0.01
R R Jayasundara /L J M A Jayasundara	800	800	0.02	0.02
M J V K Jayasuriya	800	800	0.02	0.02
L H L M Chandralal	753	805	0.02	0.02

The percentage of shares held by the public as on 31st March 2013 was 2.75%(31 March 2012 -2.76%)
The highest and lowest market value per share recorded during the year,

	2013 Rs.	2012 Rs.
Highest	2,025	7490.00
Lowest	1,600	1,901.20

Notes

Form of Proxy

I/We………

………

of ………

………

being a member / members* of Lanka Ashok Leyland hereby appoint :

Y L S Hameed	…………………………………………………………………………	of Colombo or failing him
D P Kumarage	…………………………………………………………………………	of Colombo or failing him
N Sundararajan	…………………………………………………………………………	of Chennai or failing him
Vinod K Dasari	…………………………………………………………………………	of Chennai or failing him
K Sridharan	…………………………………………………………………………	of Chennai or failing him
B M Riyaj	…………………………………………………………………………	of Colombo or failing him

as my/ our* proxy to represent me/ us* and on my/ our* behalf at the Annual General Meeting of the Company to be held at Hotel Taj Samudra on 20th September 2013 at 3.30 pm and at any adjournment thereof and at every poll which may be taken consequence thereof.

In witness my/ our hand/ hands this ……………………………day of ………………………… Two Thousand and Thirteen.

…………………………………………

Signature

*** Note :**

1. *Please delete the inappropriate words.
2. Instructions as to completion are noted on the reverse hereof.

Form of Proxy

Instructions

1. Kindly perfect the form of proxy by filling in legibly your full name and address by deleting one or other of the alternative words indicated by an asterisk in the body of the form overleaf in order to indicate clearly your voting instructions by signing in the space provided and filling in the date of signature.

2. If there is any doubt as to which way the proxy should vote by reason of the way in which instructions under (I) above have been carried out, no vote will be recorded by the proxy.

3. A proxy need not be a member of the Company.

4. The completed form of proxy should be deposited at the registered office of the Company, Panagoda, Homagama, before 3.30 pm on 18th September 2013 being forty-eight hours before the time appointed for the holding of the meeting.

5. If the form of proxy is signed by an Attorney, the relative power of Attorney of notarially certified copy of such power should accompany the complete form of proxy for registrations if such power of attorney has not already been registered with the Company

LANKA ASHOK LEYLAND PLC

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