Annual Report 2013/14

LANKA ASHOK LEYLAND PLC

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LANKA ASHOK LEYLAND PLC

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LANKA ASHOK LEYLAND PLC Annual Report 2013-14

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 - Chairman N Sundararajan D P Kumarage Vinod K Dasari K Sridharan - Retired on 20th September 2013 G Mahadevan - Appointed on 28th January 2014 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.
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 Thirty First Annual General Meeting of Lanka Ashok Leyland PLC, will be held at The Golden Pond, Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on Thursday, 14th August 2014 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 2014.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect Directors
   a) To elect Mr. G. Mahadevan as a Director of the Company
   b) To appoint a Director in place of Mr. B. M. Riyaj who retires by rotation in terms of Article 84 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 2014/15, on a remuneration of Rs. 1,392,000/= (Rupees One Million Three Hundred & Ninty Two Thousand 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

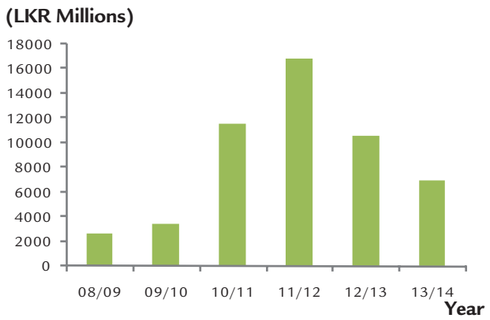
D A Abeyawardene
Secretary

Colombo
17th May 2014

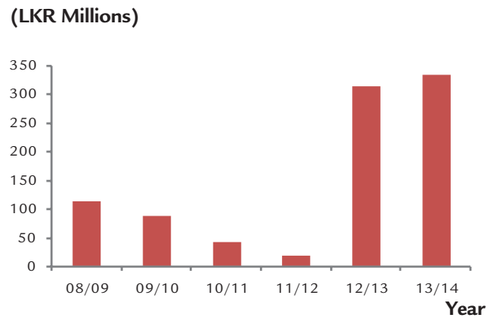
Note: A member entitled to attend and to vote at the above mentioned meeting is entitled to appoint a proxy who need not also be a member, to attend instead of him. A form of proxy accompanies this notice.

Financial Highlights

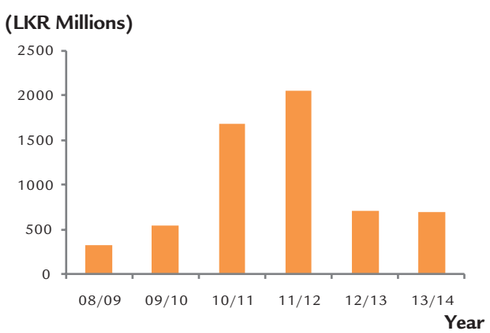
Turnover



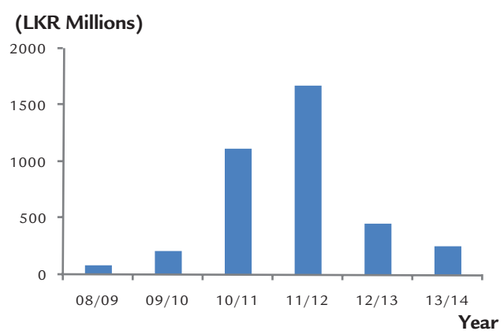
Borrowing Cost



Gross Profit

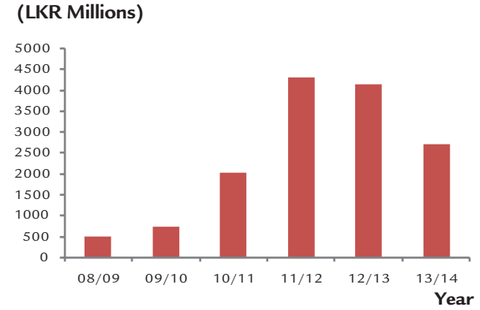


Net Profit Before Tax

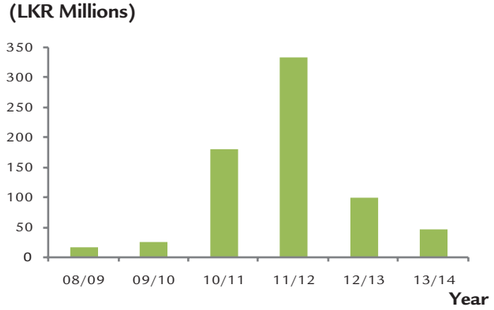


Financial Highlights

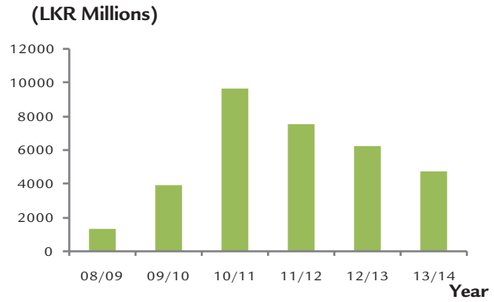
Inventory



Earnings Per Share



Market Capitalization



LANKA ASHOK LEYLAND PLC Annual Report 2013-14

Directors' Report

TO THE SHAREHOLDERS

The Directors have pleasure in presenting the 31st Annual Report of the Company, together with the audited Accounts, for the year ended 31st March 2014.

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:

	2013/14 Rs.	2012/13 Rs.
Net profit for the year after providing all expenses, known liabilities and depreciation of property, plant and equipment amounted to:	164,556,091	354,823,004
Other comprehensive income	(2,091,325)	(6,376,504)
Total comprehensive income	162,464,766	348,446,500
To which balance of previous year, added	1,361,233,228	1,330,037,308
Dividend Paid (Year 12/13 & 11/12)	(36,208,430)	(217,250,580)
Amount available to the Company for appropriation	1,487,489,563	1,461,233,228

APPROPRIATIONS:

The amount available has been recommended For appropriations as follows		
Transfer to General Reserve	-	(100,000,000)
Leaving balance to be carried forward of	1,487,489,563	1,361,233,228

A final dividend of Rs. 5/- per share (50%) amounting to total of Rs. 18,104,215/= is recommended for the financial year 2013/14.

MARKET VALUE OF THE COMPANY'S SHARES:

The last transaction prior to close of business on 31st March 2014, on the trading floor of the Colombo Stock Exchange was a price of LKR 1,292.00 per share. (Corresponding price on 31st March 2013 was LKR 1,717.80 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. B M Riyaj - Director (Non Executive)
- Mr. K Sridharan - Director (Non Executive – Ceased to be a Director from 20th September 2013)
- Mr. G Mahadevan - Director (Non Executive – nominated to Board w.e.f 28th Jan 2014)

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 30 "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. G Mahadevan – Chairman
  Mr. D P Kumarage
  Mr. N Sundararajan
  Mr. Y L S Hameed

- **REMUNERATION COMMITTEE**

  - Mr. Vinod K Dasari – Chairman
  - Mr. D P Kumarage
  - Mr. N Sundararajan
  - Mr. B M Riyaj

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:

To continue with our CSR initiatives this year also despite of difficult times company allocated a sum of amount Rs.16.7 mn on the CSR Projects.

EMPLOYEES:

The number of permanent employees as at 31st March 2014 was 133 (Year 2012/13-130).

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 Thirty first 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.

Mr. K Sridharan, CFO of Ashok Leyland, India has guided LAL's finance operations since beginning and steered the company during difficult times in past. He was nominated to LAL Board during August 2010. Consequent to his retirement from Ashok Leyland, India he resigned from the Board during September 2013. The Directors wish to place on record their appreciation for his commitment, valuable guidance and contribution as Director and Chairman Audit committee. We wish Mr. Sridharan and his family all the very best.

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
17th May 2014

The Chief Executive Officer's Report

It is with great pleasure that I present the performance review for Lanka Ashok Leyland as we draw to a close our fiscal year ending 31st March 2014. Where 2012 was characterized by depressed market conditions driven by policy changes, a global economic slowdown, and shaky investor confidence, 2013 witnessed renewed signs of optimism in the global and domestic economy.

The economy in 2013

Global GDP in 2013 grew 3%, with two thirds of this growth attributable to emerging markets and Asia, advanced economies made significant progress as well. Leading the way is the US economy whose recovery has been a lot clearer cut than its European partners. Progress in the EU continues to be fragmented across the core and periphery nations. These improving economies will buoy exports from the emerging markets further strengthening their GDP growth prospects in 2014 and contribute further to global GDP in the years to come.

Closer to home, India and China grew at 4.4% and 7.7% respectively with China expected to usurp USA as the largest economy in the world as early as this year according to new data. The Chinese economy is starting to face uncertain imbalances with high credit risk, municipal debt, a slump in the housing market and declining growth forecasts as some of the new challenges this year. Meanwhile India is currently hosting the world's largest democratic election and it is most likely that a new leader will emerge to take India forward. After a tumultuous 2013 where it saw investors pull out money and a volatile currency depreciation, it would appear that the election has boosted optimism as the currency has strengthened and FDI continues to pour back into the economy.

Sri Lanka grew at 7.3% in 2013 marking a significant rebound from 2012 as the country gears itself for another period of sustained growth circa 8% in the next few years. The country has made positive strides in controlling the budget deficit, reducing the negative trade balance and improving foreign reserves. Despite high national debt and the anemic improvement in government revenue mobilization, the government was able to raise USD 1bn at 6% for 5 years indicating improved confidence in investor sentiment in Sri Lanka whereby the previous five sovereign bond issues of the government of Sri Lanka have been at over 8% and 7%.

Infrastructure development continued apace in 2013 with many new large scale projects completed to do with power and transportation projects. Focusing on road transport, the last fiscal year saw the completion of the new airport highway along with the extension of the southern highway. The state of road passenger transport in Sri Lanka saw the Sri Lanka transport board (SLTB) marginally increase the average number of buses operated to 4,373 buses in 2013 from 4,314 in 2012 while private buses operated on average reduced marginally to 17,067.

The total passenger kilometreage improved overall in 2013 with the SLTB showing a 2.5% increase over 2012 and private bus operators recording a 2.7% improvement. This indicates an increased demand and/or usage of public road transport in 2013. The government has earmarked significant improvement in this area going forward as a means of improving traffic conditions, and improving the image of public transport as the face of modern transportation for tourism in the country. New developments such as e-ticketing and centralized computer monitoring along with the introduction of newer luxury coaches are some of the steps being taken to give public transportation a facelift in Sri Lanka. While most of these changes have started to take place in the Western province, it is hoped to be implemented in other provinces this year onwards.

The depressed state of the motor vehicle sector persisted in 2013 despite positive developments in terms of lower interest rates and lending limitations as high import duties continue to keep prices high. Bus registrations declined 41.7% in 2013 following a 27.1% reduction in 2012 over the peak of 2011. Goods transport vehicles saw a larger decline of 52.1% in 2013. Across all classes of vehicle registrations (two, three and four wheelers), there was an aggregate drop of 17.8% in registrations in 2013.

Financial performance

Against this backdrop Lanka Ashok Leyland ended 2013/14 with a net profit before tax of LKR 164mn against top line revenue of LKR 6,976.8mn. The 34% reduction in revenue corresponds to a 33% decrease in vehicle sales in 2012/13. Revenues from Workshop repair, accident repair, generator sales, and spare part sales fell marginally. Sales across all our product segments dropped with our newest product offering into the light commercial vehicle segment witnessing a underwhelming first year sales performance. This is despite a good initial reception at launch.

In the face of declining revenue, your company management has made expanding its gross and operating profitability margin a priority and over the last twelve months, the firm has expanded its gross profit margin to 9.9% against 6.7% a year earlier. This has resulted in a gross profit of LKR 691.3mn which is similar to our gross profit in 2012/13 of LKR 701.1mn, a marginal 1% decrease year on year.

The biggest drag on our profitability remains our cost of inventory or our finance cost. While this problem is systemic in the industry, it remains the single biggest expense for our company and management has worked diligently to address this. The interest expense has declined every quarter since its peak in the last quarter of last year ending 31st March 2013, which while aided by the reducing interest rates, have been largely driven by closer monitoring and control of our inventory.

Lanka Ashok Leyland continued to strengthen its balance sheet over the fiscal year bringing down total borrowings a staggering 35% while reducing our inventory by approximately the same. The implications of this will be seen in the following quarters through lower finance expenses and lower costs associated through holding inventory improving overall profitability.

Looking ahead

Management continues to maintain a cautiously optimistic outlook in 2014 as interest rates may decline further and private sector credit improves. While we continue to see high demand for our products, high import duties continue to be the main challenge in improving sales. A slow return of confidence into the market will lead to a lag in sales picking up while we are also witnessing a change in customer patterns moving towards hiring vehicles instead of purchasing.

Our strength has always relied on efficiency and tight fiscal control, which management will continue to focus on as we push to improve our gross profit margin to over 10% and expand our net profit margin over current levels. Lanka Ashok Leyland continues to be #1 in Sri Lanka for commercial vehicles across the private sector and due to the bold and innovative initiatives taken over the last few years to help the Sri Lanka Transport Board (SLTB), we continue to foster and maintain a dominant market position in the public sector. We continue our long standing commitment to the Sri Lanka Transport board to improve public transport by providing buses on earn and pay basis, and this public private partnership with the SLTB has been very successful with over 450 buses supplied by us without any initial payment.

This January, Lanka Ashok Leyland facilitated the largest ever Sri Lankan order for 2,200 buses between the SLTB and Ashok Leyland, India. While this is a direct purchase through our parent via supplier credit, Lanka Ashok Leyland will benefit through increased workshop, maintenance, spare parts and repair income over the years to come.

Furthermore, we are looking to remarket the Dost, light commercial vehicle in 2014 with a new sales and marketing grassroots strategy to improve our sales and make inroads into this segment. Lanka Ashok Leyland will also roll out new product offerings this year to offer a comprehensive and superior product range and performance for our customers.

The Sri Lankan economy is set to grow at just under 8% in 2014 and beyond 8% from then on. This bodes very well for the economic prospects of the country as long as the benefits of the country are equitably spread. It is fortunate that the present government recognizes the importance of a much improved public transport system to this country. As real incomes go up, the quality of public transport must improve to accommodate more passengers and not dissuade them from public transport, reduce traffic congestion and give a facelift to one of the most important institutions representing a nation's standard of living.

Corporate Social Responsibility

Despite a tighter fiscal position, Lanka Ashok Leyland continues to play its part as a responsible stakeholder in Sri Lanka. Now in its 4th year, Lanka Ashok Leyland continues to sponsor crucial cataract eye surgeries for the less fortunate.

Another ongoing project is our commitment to supply specially equipped school buses to schools in the interior of Sri Lanka. The school buses are specially equipped with extra safety features geared for transporting children. Last year we gifted six nos school buses to deserving schools and this year also we have gifted three school buses.

Lanka Ashok Leyland played a large and important role in coming forward to help boost Sri Lanka's image at the Commonwealth Heads of Government conference last year through sponsorship and providing our landmark "Palace on wheels" air conditioned coaches. These buses represents the pinnacle of comfort afforded to such form of transportation featuring a bedroom, and a conference room along with other amenities such as Wi-Fi, several large screen displays, and a large toilet. The vehicle was showcased and utilized by many heads of states in their travels in Sri Lanka.

Interior of CHOGM ULE buses – Conference room

VIP Discussion room

Handing over of CHOGM buses to His Excellency The President of Sri Lanka and Hon Minister of External Affairs

Acknowledgements

The company is as strong and resilient as the people that stand by it and the firm is very fortunate to have such commitment from its stakeholders. Once again I would like to thank our board of directors, management team and everyone at Lanka Ashok Leyland for their relentless and tireless efforts over the past year in steering the company through uncertain waters where others have struggled to stay afloat.

I would like to give a special mention to Mr. K Sridharan, Chief Financial Officer of Ashok Leyland India and director of Lanka Ashok Leyland who retired this year. Mr Sridharan's wealth of experience, knowledge and faith in Lanka Ashok Leyland has been a guiding force in the company for many years and his unparalleled contribution to the success of this company deserves special acknowledgement. On behalf of Lanka Ashok Leyland management, I wish Mr. K Sridharan and his family all the best for the future.

We'd like to thank our principal M/s Ashok Leyland India, auditors, and suppliers for their trusted service, specially our bankers who have supported us through all the uncertainty and who continue to stand beside us going forward.

Last but not least, our customers who continue to be our pillar of strength and core foundation. Regardless of the economic conditions, your support has kept us afloat, your requirements have made us innovate and competitive and your continued trust and patronage has made us Sri Lanka's market leader in commercial vehicles and Lanka Ashok Leyland will always stand by you, eternally grateful.

Umesh Gautam
Chief Executive Officer
17th May 2014

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 Ltd.
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 (Ceased to be a director from 20th September 2013)	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.
7.	MR. G MAHADEVAN (Elected with effect from 28th January 2014)	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.

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 pres ents a true and fair view of the profit and loss of the Company for the financial year; and
- 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 polities 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. 5/- per share for this year, to be paid on 21st August 2014.

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 balance sheet date have been paid, or where relevant provided for, except as specified in Note 32 to the financial statements covering contingent liabilities.

By Order of the Board

D A Abeyawardene
Secretary
17th May 2014

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 time to time; 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 once during the year and the attendance was as follows.

Mr. Vinod K Dasari	1/1
Mr. D P Kumarage	1/1
Mr. N Sundararajan	1/1

Vinod K Dasari
Chairman
Remuneration Committee
17th May 2014

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 (Retired on 20th September 2013)
- Mr. G Mahadevan – Chairman (Appointed on 28th January 2014)
- Mr. D P Kumarage - Member
- Mr. N Sundararajan – Member
- Mr. Y L S Hameed – Member (Appointed on 12th August 2013)

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. Mahadevan 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 2014 and the attendance is as follows.

Mr. K Sridharan	1/2
Mr. G Mahadevan	2/2
Mr. D P Kumarage	5/5
Mr. N Sundararajan	5/5
Mr. Y L S Hameed	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

The internal audit function is outsourced to M/s. Ernst & Young Advisory Services (Pvt.) Ltd. 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 external auditors as well.

Statutory Audit

The Company has appointed M/s. K P M G, Chartered Accountants as its statutory auditors and the Audit Committee reviewed the observations and recommendations on the Discrepancy 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.

G Mahadevan
Chairman
Audit Committee
Colombo
17th May 2014

Financial Statements

Auditor's Report
Statement of Comprehensive Income
Statement of Financial Position
Statement of Changes in Equity
Cash Flow Statement
Significant Accounting Policies
Notes to the Financial Statements

Independent Auditor's Report

KPMG
(Chartered Accountants)
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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, 2014, 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 19-42 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, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014, 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.

CHARTERED ACCOUNTANTS
Colombo, 17th May 2014

KPMG a Sri Lankan Partnership and a member firm of the KPMG network of independend mamber firms affiliated with KPMG intarnational cooperative ("KPMG International"), a Swiss entity.

M.R.Mihular FCA
T.J.S Rajakarier FCA
M.S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
P.Y.S. Perera FCA
W.W.J.C Perera FCA
W.K.D.C. Abeyarathne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayathilake FCA
Ms. S. Joseph FCA
S.T.D.L.. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA

Principals - S. R. I. Perera ACMA, LLB, Attorney- at-law, H. S. Goonewardene ACA

Statement of Comprehensive Income

For the Year Ended 31st March	Note	2014 Rs.	2013 Rs.
Revenue	5	**6,976,828,507**	10,533,065,520
Cost of Sales		**(6,285,564,145)**	(9,831,958,338)
Gross Profit		**691,264,362**	701,107,182
Other Income	6	**234,635,703**	389,321,758
Administrative Expenses		**(297,286,401)**	(292,495,303)
Selling and Distribution Expenses	7	**(38,064,958)**	(70,418,633)
Other Operating Expenses		**(32,733,645)**	(27,441,385)
Profit from Operations		**557,815,061**	700,073,619
Net Finance Cost	8	**(301,698,463)**	(246,950,293)
Profit before Tax	9	**256,116,598**	453,123,326
Income Tax Expenses	10	**(91,560,507)**	(98,300,322)
Profit for the year		**164,556,091**	354,823,004
Other Comprehensive Income			
Defined Benefit plan - Actuarial Losses	25	**(2,091,325)**	(6,376,504)
Net change in Fair Value of AFS Financial Assets		**-**	(116,437)
Total Comprehensive Income for the Year		**162,464,766**	348,330,063
Earnings Per Share	11.1	**45.45**	97.99

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

Statement of Financial Position

As At 31st March	Note	2014 Rs	2013 Rs
ASSETS			
Non Current Assets			
Property, Plant & Equipment	12	407,136,161	331,310,120
Intangible Asset	13	-	177,387
Financial Investments	14	123,219	123,219
Deferred Tax Assets	24	-	18,528,272
Lease Rental Receivable	15.1	173,962,392	543,061,211
Total Non Current Assets		581,221,772	893,200,209
Current Assets			
Inventories	16	2,698,884,891	4,120,574,234
Trade and Other Receivables	17	1,060,573,422	582,029,287
Lease Rental Receivable	15.2	551,006,108	284,318,711
Deposits and Prepayments	18	16,611,538	18,008,118
Related Party Receivables	19	489,309	489,309
Cash & Cash Equivalents	20.1	23,647,480	26,747,892
Total Current Assets		4,351,212,748	5,032,167,551
Total Assets		4,932,434,520	5,925,367,760
EQUITY & LIABILITIES			
Equity			
Stated Capital	21	49,375,150	49,375,150
General Reserve	22	887,347,500	887,347,500
Financial Assets - Available for Sale Reserves	23	115,802	115,802
Retained Earnings		1,487,489,563	1,361,233,228
Equity attributable to owners of the Company		2,424,328,015	2,298,071,680
Non Current Liabilities			
Deferred Tax Liability	24	284,024	-
Employee Benefits	25	42,803,374	39,669,698
Total Non Current Liabilities		43,087,398	39,669,698
Current Liabilities			
Trade and Other Payables	26	273,239,123	312,584,972
Current Tax Liabilities	27	36,212,742	2,575,213
Provision for Warranty	28	2,515,596	-
Short-Term Borrowings	29	2,131,482,635	3,249,257,061
Bank Overdrafts	20.2	21,569,011	23,209,136
Total Current Liabilities		2,465,019,107	3,587,626,382
Total Liabilities		2,508,106,505	3,627,296,080
Total Equity & Liabilities		4,932,434,520	5,925,367,760
Net Assets per Share		669.55	634.68

The Notes annexed form an integral part of these Financial Statements.
I certify 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
Colombo, 17th May 2014

D P Kumarage
Director

Statement of Changes In Equity

For The Year Ended 31st March 2014	Stated Capital	General Reserves	Financial Assets - Available for Sale Reserves	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2012	49,375,150	787,347,500	232,239	1,330,037,307	2,166,992,197
Profit for the year	-	-	-	354,823,004	354,823,004
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	2,298,071,680
Profit for the year	-	-	-	164,556,091	164,556,091
Other Comprehensive Income for the year	-	-	-	(2,091,325)	(2,091,325)
Dividend Paid 12/13	-	-	-	(36,208,430)	(36,208,430)
Balance as at 31 March 2014	49,375,150	887,347,500	115,802	1,487,489,563	2,424,328,015

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

Figures in brackets indicate deductions.

Cash Flow Statement

For The Year Ended 31st March	Note	2014 Rs.	2013 Rs.
Cash flows from Operating Activities			
Profit before Tax		256,116,597	453,123,327
Adjustment For :			
Depreciation of Property, Plant and Equipment	12	61,404,097	37,696,222
Amortization of Intangible Assets	13	177,387	1,372,895
Provision for Employee Benefits	25.1	6,624,814	5,220,285
Impairment Provision / (Reversal) on Trade & Other Receivables	6,7	(31,509,126)	40,376,365
Provision for Inventory	9	58,309,643	185,069,884
Interest Expense	8	332,749,054	313,780,750
Interest Income	8	(908,106)	(5,162,696)
Lease Interest Income	6	(106,499,817)	(133,448,822)
Gain on Sale of Property, Plant and Equipment	6	(12,610,220)	(2,740,000)
Reversal of VAT Accumulation	6	(41,436,515)	(229,582,736)
Provision for Warranty	9	2,515,596	-
Provision for Other Receivables		-	9,343,353
Fixed Asset Write-Off		-	847,851
		268,816,807	222,773,350
Operating Profit before Working Capital Changes		524,933,404	675,896,677
Working Capital Changes			
Decrease / (Increase) in Inventories		1,227,063,294	(389,635,864)
(Increase) / Decrease in Trade and Other Receivables		(614,788,655)	326,005,014
Increase in Related Party Receivables		-	(7,528,487)
Decrease in Trade and Other Payables		(39,345,849)	(457,819,306)
		572,928,790	(528,978,643)
Cash Generated from Operations		1,097,862,194	146,918,034
Interest Paid	8	(332,749,054)	(313,780,750)
Gratuity Paid	25	(5,582,463)	-
Payment of Current Taxes	27	(39,085,687)	(166,908,289)
		(377,417,204)	(480,689,039)
Net Cash Generated from / (Used in) Operating Activities		720,444,990	(333,771,005)
Cash flows from Investing Activities			
Dividends Paid		(36,208,430)	(217,250,580)
Proceeds from Sale of Property, Plant and Equipment		1,700,000	2,740,000
Interest Received	8	908,106	5,162,696
Rental Received during the year	15	443,700,000	411,579,000
Acquisition of Property, Plant & Equipment		(14,230,529)	(225,990,749)
Net Cash Flows Generated from / (Used in) Investing Activities		395,869,147	(23,759,633)
Cash Flows from Financing Activities			
Short Term Loans Obtained during the year	29.1	7,274,259,541	10,254,367,730
Short Term Loans Repaid during the year	29.1	(8,583,144,846)	(9,227,124,305)
Net Movement in Import Loans		191,110,881	(1,016,621,660)
Net Cash Flows (Used in) / Generated from Financing Activities		(1,117,774,424)	10,621,765
Net Decrease in Cash & Cash Equivalents		(1,460,287)	(346,908,873)
Net Cash & Cash Equivalents at the beginning of the year		3,538,756	350,447,629
Net Cash & Cash Equivalents at the end of the year	20	2,078,469	3,538,756
Analysis of Cash & Cash Equivalents at the End of the Year			
Cash at Bank and in Hand	20	23,647,480	26,747,892
Bank Overdrafts	20	(21,569,011)	(23,209,136)
		2,078,469	3,538,756

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 selling of commercial vehicles, Diesal Generators and spare parts, provision of after sales services and ancillary services for Ashok Leyland motor vehicles.

The number of Employees at the end of the year was 133; Executive Employees 41 & Non- Executive 92. (2013- 130; Executive Employees 41 & Non- Executive 89).

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 17th May 2014.

2 Basis of preparation

2.1 Statement of compliance

The financial statements of the Company comprise the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flows together with the notes to the financial statements.

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position;

a) Non-derivative financial instruments classi fied as "Loans and receivables" and "Other financial liabilities" measured at amortized cost.

b) Available for sale financial assets are measured at fair value;

c) Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 25.

These financial statements have been prepared on the basis that the Company would continue as a going concern for the foreseeable future.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes;

a) **Assessment of impairment -** Key assumptions used in discounted cash flow projections.

b) **Deferred taxation -** utilization of tax losses

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.

c) Defined benefit plans

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the level of future taxable profits together with future tax planning strategies.

d) Current taxation

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.

e) Provisions for obsolete and slow-moving items

Current tax liabilities are provided for in the financial statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand taken by the Company on transactions is contested by revenue authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed.

2.5 Materiality and aggregation

Each material class of similar items is presented in aggregate in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.6 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency 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.

3. Significant accounting policies

The Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company unless otherwise indicated.

3.1 Financial instruments

3.1.1 Non-derivative financial assets

The company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes 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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: Held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

a) 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 recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise fixed deposits.

b) Loans and receivables

Management's judgment is used in the estimation of the amount and percentages of slow moving items when determining the provisions for obsolete and slow-moving items. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision made.

Cash and cash equivalents

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized 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 comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

3.1.2 Non-derivative financial liabilities

The initially recognizes subordinated liabilities on the date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company classifies non-derivative financial liabilities into the 'other financial liabilities' category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized 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.

3.1.2.1 Stated capital

Ordinary shares

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

3.2 Property, plant & equipment

All items of property, plant & equipment are initially stated at cost less accumulated depreciation and accumulated 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 forseparately, 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 provides 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.

d) 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 recognized net within other income in profit or loss.

e) Capital work-in-progress

Capital expenses incurred during the year which are not completed as at the Balance Sheet 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 Balance Sheet under the category of intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

3.3 Intangible assets

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.

a) 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.

b) 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.

3.4 Inventories

Inventories are valued at lower of cost and net realizable value, after making due provisions 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.

3.5 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.

3.6 Impairment

3.6.1 Non-derivative financial assets

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.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

3.6.1.1 Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) on specific assets accordingly, all individually significant assets are assessed for specific impairment.

In assessing collective impairment, the Company uses historical trends of the probability of default, the 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 lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.6.1.2 Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

3.6.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value 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 asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 Employee benefits

3.7.1 Defined benefit plan - gratuity

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

3.7.2 Defined contribution 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.

3.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.8.1 Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.9 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.10 Income statement

3.10.1 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 recognized in line with paragraph 42 of LKAS 17 – Leases. Accordingly the selling profit or loss in the period is recognized 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 recognized as an expense when the selling profit is recognized.

The finance income over and above the selling profit is recognized 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 recognized 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.

3.10.2 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.

a) 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.

3.10.3 Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income.
Interest income is recognized as it accrues in profit or loss, using the effective interest method.
Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.
Finance costs comprise interest expense on borrowings, and overdraft interest expenses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.
Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.10.4 Income tax expense

Income Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

a) Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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.

b) Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the resumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, based on the level of future taxable profit forecasts and tax planning strategies.

c) Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.10.5 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.10.6 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 price is charged.

3.10.7 Events after the reporting period

All material and important events which occur after the reporting date have been considered and disclosed in notes to the financial statements.

3.10.8 Cash flow

Interest paid and dividend paid are classified as financing cash flows while interest received and dividend received are classified as investing cash flows, for the purpose of presentation of Cash Flow Statement which has been prepared using the "Indirect Method".

3.10.9 Dividends on ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

3.10.10 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.
Where appropriate, the significant accounting policies are disclosed in the succeeding notes.

Offsetting income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

Offsetting assets and liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- a current enforceable legal right to offset the asset and the liability; and
- an intention to settle the liability simultaneously

3.10.11 Directors' responsibility

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. This is more fully described under the relevant clause in the Directors' Report.

3.10.12 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.

3.11 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) Property, plant and equipment

The fair value of items of property, plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

b) 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.

c) Trade and other receivables

The fair values of trade and other receivablesare 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.

d) 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.

3.12 New accounting standards issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2014/ 2015 Accordingly, these Standards have not been applied in preparing these financial statements.

Sri Lanka Accounting Standards – SLFRS 10 "Consolidated Financial Statements"

Sri Lanka Accounting Standards – SLFRS 11 "Joint Arrangements"

Sri Lanka Accounting Standard - SLFRS 12"Disclosure of Interests in Other Entities"

Sri Lanka Accounting Standard - SLFRS 13, "Fair Value Measurement"

Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments"

For The Year Ended 31st March	2014 Rs.	2013 Rs.
5 REVENUE		
New Vehicle Sales	**6,687,786,524**	10,220,243,177
Diesel Generator Set Sales	**49,389,685**	74,551,277
Vehicle Repair Income	**112,346,658**	106,215,743
Spare Parts Sales	**127,305,640**	132,055,323
Total Gross Turnover	**6,976,828,507**	10,533,065,520
6 OTHER INCOME		
Vehicle Hiring Income	**36,728,782**	13,585,416
Profit on Sale of Property, Plant and Equipment	**12,610,220**	2,740,000
Lease Interest Income	**106,499,817**	133,448,822
Reversal of Impairment Provision for Trade Receivable	**31,509,126**	-
Reversal of VAT Accumulation	**41,436,515**	229,582,736
Sundry Income	**5,851,243**	9,964,784
	234,635,703	389,321,758
7 SELLING AND DISTRIBUTION EXPENSES		
Distribution Expenses comprise of the following;		
Commission	**7,641,545**	3,216,000
Discounts	**6,890,410**	3,139,566
Advertising	**3,606,777**	3,662,369
Impairment Provision for Trade Receivable	**-**	40,376,365
Other Selling Expenses	**19,926,226**	20,024,333
	38,064,958	70,418,633
8 NET FINANCE COST		
Interest Income	**908,106**	5,162,696
Exchange Rate Gain	**30,142,485**	61,667,761
Interest on Short Term Borrowings	**(326,860,698)**	(311,300,147)
Overdrafts Interest	**(5,888,356)**	(2,480,603)
	(301,698,463)	(246,950,293)

For The Year Ended 31st March	2014 Rs.	2013 Rs.
9 PROFIT BEFORE TAX		
Profit before tax is stated after charging all the expenses including followings;		
Directors' Emoluments	**990,000**	876,937
Auditors' Remuneration		
Audit Services	**1,237,500**	1,100,000
Audit Related Services	**-**	590,000
Staff Cost	**121,069,590**	128,980,469
EPF	**10,335,329**	8,965,526
ETF	**2,583,832**	2,241,381
Provision for Employee Benefits	**6,624,814**	5,220,285
Donation	**16,701,573**	14,666,187
Depreciation of Property, Plant and Equipment	**61,404,097**	37,696,222
Amortization of Intangible Assets	**177,387**	1,372,895
Impairment Provision on Trade & Other Receivables	**-**	40,376,365
Provision for Slow Moving and Obsolete Stocks -General	**58,309,643**	185,069,884
Provision for Warranty	**2,515,596**	-

10 INCOME TAX EXPENSE

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 IncomeTax Expense		
Current Tax on Profits for the Year (Note 10.2)	**72,748,211**	116,168,310
Deferred Tax (Note 24)	**18,812,296**	(17,867,988)
	91,560,507	98,300,323
10.2 Reconciliation of the Accounting Profit and Taxable Profit		
Profit before Tax	**256,116,597**	453,123,326
Income from Other Sources and Exempt Income	**(83,055,860)**	(254,774,608)
Aggregated Expenses Disallowed for Taxation	**153,430,856**	289,207,281
Aggregated Deductible Expenses for Taxation	**(66,676,555)**	(77,831,870)
Total Statutory Income	**259,815,038**	409,724,129
Interest Income	**-**	5,162,696
Taxable Income	**259,815,038**	414,886,825
Tax at 28%	**72,748,211**	116,168,311
Current Tax	**72,748,211**	116,168,311

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.

	2014	2013
Profit Attributable to Ordinary Shareholders (Rs.)	**164,556,090**	354,823,004
Weighted Average Number of Ordinary Shares	**3,620,843**	3,620,843
Earnings Per Share (Rs.)	**45.45**	97.99

11.2 Dividend Per Share

Dividend for the Year (Rs.)	**18,104,215**	36,208,430
Weighted Average Number of Ordinary Shares	**3,620,843**	3,620,843
Dividend per Share (Rs.)	**5.00**	10.00

12 PROPERTY, PLANT & EQUIPMENT

COST	As at 1st April 2013	Additions	Disposals / Transfers	As at 31st March 2014
Freehold Factory Land & Building	117,396,528	49,659	-	**117,446,187**
Data Processing Equipment	21,207,213	5,088,178	-	**26,295,391**
Machinery & Equipment	12,741,295	1,200,000	-	**13,941,295**
Factory Equipment	13,205,900	6,975,695	-	**20,181,595**
City Office Equipment & Fittings	1,960,874	-	-	**1,960,874**
Office Equipment	3,333,161	683,125	-	**4,016,286**
Furniture & Fittings	19,896,203	233,872	-	**20,130,075**
Motor Vehicles	250,112,995	136,316,403	(26,282,714)	**360,146,685**
	439,854,169	150,546,932	(26,282,714)	**564,118,387**

ACCUMULATED DEPRECIATION	As at 1st April 2013	Charge for the year	Depreciation on disposals	As at 31st March 2014
Freehold Factory & Building	16,284,170	2,668,588	-	**18,952,758**
Data Processing Equipment	18,574,516	2,440,230	-	**21,014,746**
Machinery & Equipment	6,784,236	41,425	-	**6,825,661**
Factory Equipment	4,343,831	819,277	-	**5,163,108**
City Office Equipment & Fittings	565,584	-	-	**565,584**
Office Equipment	2,120,237	179,459	-	**2,299,696**
Furniture & Fittings	6,938,962	1,853,551	-	**8,792,513**
Motor Vehicles	52,932,513	53,401,567	(12,965,920)	**93,368,160**
	108,544,049	61,404,097	(12,965,920)	**156,982,226**
Net Book Value	331,310,120			**407,136,161**

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
Freehold Land & Building at Panagoda, Homagama	Rs. 380.40 Mn	Mr. D.N D Baranage	31.03.2014	18 Acres and 32 Perches

13 INTANGIBLE ASSETS

COST	As at 1st April 2013	Additions	Disposals	As at 31st March 2014
Computer Software	7,213,584	-	-	**7,213,584**
	7,213,584	-	-	**7,213,584**

ACCUMULATED AMORTIZATION	As at 1st April 2013	Amortization for the year	Disposals	As at 31st March 2014
Computer Software	7,036,197	177,387	-	**7,213,584**
	7,036,197	177,387	-	**7,213,584**
NET BOOK VALUE	177,387	177,387		**-**

14 FINANCIAL INVESTMENTS

	2014 Rs. Cost	2014 Rs. Market Value	2013 Rs. Cost	2013 Rs. Market Value
14.1 Investment in Shares - Available For sale Diesel & Motor Engineering PLC (Quoted) (244 Ordinary shares of Rs. 10/- each)	**7,417**	**123,219**	7,417	123,219
Total Investments		**123,219**		123,219

AS AT 31st MARCH	2014 Rs.	2013 Rs.
15 LEASE RENTAL RECEIVABLE		
Opening Balance	**945,420,000**	884,627,000
Granted during the year	**307,560,000**	472,372,000
Total Rental Receivable	**1,252,980,000**	1,356,999,000
Less - Payment Received during the year	**(443,700,000)**	(411,579,000)
Total Rental Outstanding	**809,280,000**	945,420,000
Less - Interest In Suspense	**(84,311,500)**	(118,040,077)
Unearned Rental Income	**724,968,500**	827,379,923
15.1 Receivable after one year		
Total Rental Receivable	**201,548,196**	575,318,644
Less - Interest In Suspense	**(27,585,804)**	(32,257,433)
Unearned Rental Income	**173,962,392**	543,061,211
15.2 Receivable with in one year		
Total Rental Receivable	**607,731,804**	370,101,355
Less - Interest In Suspense	**(56,725,696)**	(85,782,644)
Unearned Rental Income	**551,006,108**	284,318,711

AS AT 31st MARCH	2014 Rs.	2013 Rs.
16 INVENTORIES		
Vehicle Stock	**1,834,066,743**	3,447,807,921
Generators	**79,378,900**	100,678,005
Cab/Bodies	**6,356,643**	2,133,515
Work in Progress (Repairs)	**6,048,525**	3,810,129
Stock of Diesel	**1,526,418**	2,093,803
Spare Parts	**262,380,024**	293,745,722
	2,189,757,254	3,850,269,095
Goods In Transit	**677,355,901**	455,375,023
	2,867,113,155	4,305,644,118
Provision for Slow Moving & Obsolete Stocks	**(168,228,264)**	(185,069,884)
	2,698,884,891	4,120,574,234

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

	2014 Rs.	2013 Rs.
17 TRADE AND OTHER RECEIVABLES		
Trade Receivables	**1,056,441,938**	626,216,782
Less: Impairment provision (Note 17.1)	**(76,735,888)**	(108,245,014)
	979,706,050	517,971,768
Advances to Staff	**5,638,455**	4,511,080
VAT Accumulation (Note 17.2)	**-**	-
VAT Receivable	**67,192,067**	55,915,834
Other Receivables	**8,036,850**	3,630,605
	1,060,573,422	582,029,287
17.1 PROVISION FOR BAD AND DOUBTFUL DEBTS		
Balance at the beginning of the year	**108,245,014**	70,190,115
Provision for the Year	**-**	40,376,365
Reversal during the year	**(31,509,126)**	(2,321,466)
Balance at the end of the year	**76,735,888**	108,245,014
17.2 MOVEMENT OF THE VAT ACCUMULATION		
VAT Accumulation	**-**	41,436,515
Provision for VAT Accumulation	**-**	(41,436,515)
	-	-
18 DEPOSITS AND PREPAYMENTS		
Deposits and Advances	**8,701,909**	10,697,310
Prepayments	**7,909,629**	7,310,808
	16,611,538	18,008,118
19 RELATED PARTY RECEIVABLES		
Ashok Leyland - India	**489,309**	489,309
	489,309	489,309

AS AT 31st MARCH	2014 Rs.	2013 Rs.
20 CASH & CASH EQUIVALENTS		
20.1 FAVOURABLE BALANCES		
Fixed Deposits	**2,300,000**	2,300,000
Cash in Hand	**6,131,121**	632,046
Cash at Banks	**15,216,359**	23,815,846
	23,647,480	26,747,892
20.2 UNFAVOURABLE BALANCES		
Bank Overdraft	**(21,569,011)**	(23,209,136)
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	**2,078,469**	3,538,756

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

	No of Shares	2014 Rs.	2013 Rs.
21 STATED CAPITAL			
Issued & Fully Paid			
Ordinary Shares	**3,620,843**	**36,208,430**	36,208,430
Share Premium		**13,166,720**	13,166,720
Stated Capital		**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	2014 Rs.	2013 Rs.
Opening Balance	**887,347,500**	787,347,500
Transferred during the year	**-**	100,000,000
Closing Balance	**887,347,500**	887,347,500

The General Reserve relates to retained earnings set aside by the Company for future expansion and to meet any contingencies.

23 FINANCIAL ASSETS - AVAILABLE FOR SALE RESERVE		
Available for Sale Reserve	**115,802**	115,802
	115,802	115,802

Available for sale reserve comprises the net change in the fair value of available for sale financial asset until the investments are derecognized or impaired.

The movement of the above reserves are given in the Statement of Changes in the Equity.

24 DEFERRED TAX ASSET / LIABILITIES	2014 Rs.	2013 Rs.
24.1 Temporary Difference		
Property Plant & Equipment	**43,817,745**	(26,502,701)
Employee Benefits	**(42,803,374)**	(39,669,698)
	1,014,371	(66,172,399)
Tax effect on Temporary Difference	**28%**	28%
Property Plant & Equipment	**(12,268,969)**	7,420,756
Employee Benefits	**11,984,945**	11,107,516
	(284,024)	18,528,272
Balance as at the beginning of the year	**18,528,272**	660,284
(Provision) / Reversal for the year	**(18,812,296)**	17,867,988
Balance as at the end of the year	**(284,024)**	18,528,272

AS AT 31st MARCH	2014 Rs.	2013 Rs.
25 EMPLOYEE BENEFITS		
Balance as at the beginning of the year	**39,669,698**	28,072,909
Current Service Cost	**2,459,496**	2,272,630
Interest Cost for the year	**4,165,318**	2,947,655
Net Actuarial (Gain)/Loss	**2,091,325**	6,376,504
Payments during the year	**(5,582,463)**	-
Balance as at the end of the year	**42,803,374**	39,669,698
25.1 Recognized in ;		
a) Income Statement		
Interest Cost	**4,165,318**	2,947,655
Current Service Cost	**2,459,496**	2,272,630
	6,624,814	5,220,285
b) Other Comprehensive Income		
Actuarial (Gain)/ Loss	**2,091,325**	6,376,504
	8,716,139	11,596,789

Employee Benefit liability is based on the actuarial valuation carried out by Mr. M.Poopalanathan of Messrs. Actuarial and Management Consultants(Pvt) Limited, Actuaries, on 31 March 2014. The principal assumptions used in are as follows:

The Discount Rate	**10.00%**	10.50%
Expected Annual Average Salary Increment	**10.00%**	10.00%
Staff Turnover Factor	**2%**	2%
Retiring Age	**58 years**	58 years

	2014 Rs.	2013 Rs.
26 TRADE AND OTHER PAYABLES		
Trade Payables	**136,681,955**	65,687,557
Accruals	**38,558,206**	108,608,664
Refundable Deposits	**54,487,806**	59,380,374
Unclaimed Dividend	**3,093,847**	2,790,394
Deferred Income (Note 26.1)	**5,460,666**	5,588,330
Other Payables	**34,956,643**	70,529,653
	273,239,123	312,584,972
26.1 MOVEMENT OF DEFERRED INCOME		
Balance at the beginning of the year	**5,588,330**	31,073,787
Provision for the year	**55,682,193**	5,588,329
Reversed during the year	**(55,809,857)**	(31,073,786)
Balance at the end of the year	**5,460,666**	5,588,330

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

AS AT 31st MARCH	2014 Rs.	2013 Rs.
27 CURRENT TAX LIABILITIES		
Balance as at beginning of the year	**2,575,213**	53,824,328
Current Tax Liability for the year (Note 10.1)	**72,748,211**	116,168,311
Paid/set off during the year	**(39,085,687)**	(166,908,289)
WHT Recoverable	**(24,995)**	(102,949)
Notional Tax Credit	**-**	(406,188)
Current Tax Liability	**36,212,742**	2,575,213
28 PROVISION FOR WARRANTY		
Provision for Warranty	**2,515,596**	-
	2,515,596	-

The provision for warranties relates mainly to vehicles sold during the last six months of 2013 and 2014. The provision is based on estimates made from historical warranty data associated with similar products and services. The company expects to settle the majority of the liability over the next year.

29 SHORT TERM BORROWINGS		
Import Loan (Note 29.1)	**1,523,851,650**	2,832,736,955
Payable on Imports	**607,630,985**	416,520,106
	2,131,482,635	3,249,257,061

29.1 Movement of Short Term Borrowings

Lender	Purpose	Rate of Interest %	As at 31st March 2013 Rs.	Obtained during the year Rs.	Repayments Rs.	As at 31st March 2014 Rs.
Bank of Ceylon	Import/Financing	11.50%	10,425,000	-	(10,425,000)	-
Seylan Bank PLC	Import/Financing	AWPLR+0.5%	1,353,781,000	3,950,344,000	(4,579,883,000)	724,242,000
Indian Bank	Import/Financing	AWPLR	300,688,000	875,000,000	(600,688,000)	575,000,000
Commercial Bank	Import/Financing	AWPLR+1.5%	1,167,842,955	2,335,542,779	(3,315,826,707)	187,559,027
Sampath Bank	Import/Financing	AWPLR	-	113,372,762	(76,322,139)	37,050,623
			2,832,736,955	7,274,259,541	(8,583,144,846)	1,523,851,650

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

30 RELATED PARTY DISCLOSURE

30.1 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	Managing Director of Ashok Leyland Ltd	Purchase of Motor Vehicle Net of Warranty Adjustment	3,116,265,302
	Mr.K.Sridharan *(Ceased to be a director from 20th September 2013)*	Chief Financial Officer of Ashok Leyland Ltd	Purchase of Spare Parts/Generators	65,185,609
	Mr.G.Mahadeven *(Appointed as a Director From 20th September 2013)*	Chief Financial Officer of Ashok Leyland Ltd	Settlement of Motor Vehicles & Spares Purchased	(2,573,819,926)
			Dividend Payment to Ashok Leyland	9,074,988
Lanka Leyland Ltd *Holds 41.8% of the Shares Capital of the Company.*	Mr.Y.L.S Hameed	Chairman of Lanka Leyland Ltd	Dividend Payment to Lanka Leyland	13,612,500
	Mr.B.M.Riyaj	Director of Lanka Leyland Ltd		
Sri Lanka Transport Board *(Major Customer/ ShareHolder)*			Supply of buses	1,112,695,800
			Payment Received	210,080,400
			Dividend Payment to Sri Lanka Transport Board	281,250

This note should be read in conjunction with the Note no. 19 to the Financial Statements.

AS AT 31st MARCH

30.2 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. 9,028,887 (2013-Rs.5,944,704)

AS AT 31st MARCH	2014 Rs.	2013 Rs.
Key management personnel payments		
a. Short term employee benefits	**8,530,287**	5,536,104
b. Post-employment benefits	**498,600**	408,600
c. Termination benefits	**-**	-
d. Share-based payments	**-**	-
	9,028,887	5,944,704

31 CAPITAL COMMITMENTS

The Company has no Capital Commitments outstanding at the reporting date.

32 CONTINGENT LIABILITIES

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

33 LITIGATION AND CLAIMS

There were no pending litigation and claims against the Company as at the reporting date.

34 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.5/= per share (50%) amounting to Rs 18,104,215/= for the year ended 31st March 2014 (2012/13 - Rs 10/= per share (100%) amounting to Rs 36,208,430/=), which will be declared at the Annual General Meeting to be held on 14th August 2014. 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 2014.
Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosure in the financial statements, other than the above.

35 COMPARATIVE FIGURES

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

36 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 stated capital of the company.

37 SEGMENT REPORTING

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

38 NUMBER OF EMPLOYEES

The number of employees as on 31st March was ;

	2014	2013
Executives	**41**	41
Non Executives	**92**	89
	133	130

39 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 adhoc 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 maximum exposure to credit risk at the reporting date was as follows.

As at 31st March	2014 Rs '000	2013 Rs '000
Trade and Other receivables	1,060,573	582,029
Lease Rental Receivables	724,969	827,379
Cash and Cash Equivalents	23,647	26,748
Total	**1,809,189**	**1,436,156**

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 2014, approximately 15 % (2013: 14%) 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 main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Company of similar assets in respect of losses that have been incurred but not yet identified. 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 23,647,480 at 31 March 2014 (2013: LKR. 26,747,892), 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 – A-(lka)
- Commercial Bank of Ceylon PLC – AAA-(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 31st March	2014 Rs '000	2013 Rs '000
Secured Bank Loans (short term loans of 1 Year)	2,131,483	3,249,257
Trade Payable	229,728	235,677
Bank Overdraft	21,569	23,209

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 period 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 bookings 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		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue	Rs 000'	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	6,976,829
Net Trading Profit /(Loss) Before Interest	Rs 000'	132,681	294,868	238,555	168,507	189,317	289,748	1,131,770	1,575,480	376,615	354,229
Interest Paid	Rs 000'	(38,256)	(42,525)	(38,602)	(59,799)	(112,132)	(87,162)	(42,526)	(17,850)	(313,781)	(332,748)
Net Trading Profit /(Loss) After Interest	Rs 000'	94,425	252,343	199,953	108,708	77,185	202,586	1,089,244	1,557,630	62,834	21,481
Other Income	Rs 000'	43,666	17,766	5,920	3,181	5,272	4,868	30,201	88,708	390,289	234,636
Profit/(Loss) before tax	Rs 000'	138,091	270,109	205,873	111,889	82,457	207,454	1,119,445	1,646,338	453,123	256,117
Taxation	Rs 000'	(27,195)	(87,469)	(83,738)	(41,536)	(23,921)	(117,624)	(470,553)	(463,207)	(98,300)	(91,561)
Profit/(Loss) after tax	Rs 000'	110,896	182,640	122,135	70,353	58,536	89,830	648,892	1,183,131	354,823	164,556
Other Comprehensive Income	Rs 000'	-	-	-	-	-	-	-	(4,010)	(6,376)	(2,091)
Profit B/F	Rs 000'	17,085	41,773	74,503	85,430	92,765	90,092	152,766	592,851	1,330,037	1,361,233
Effect of Transitinoal Provision	Rs 000'								(33,310)	-	-
Prior year adjustments	Rs 000'	-	89	-	(1,810)	-	-	(4,495)	-	-	-
Profit Available for Appropriations	Rs 000'	127,981	224,502	196,638	153,973	151,301	179,922	797,163	1,738,662	1,678,484	1,523,698
Dividend Paid	Rs 000'	-	(36,208)	(36,208)	(36,208)	(36,208)	(27,156)	(54,312)	(108,625)	(217,250)	(36,208)
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'	41,773	38,294	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489
INVESTORS' FUNDS											
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'	41,773	38,294	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489
Reserves	Rs 000'	75,514	225,514	300,514	325,514	350,514	350,514	467,560	800,747	900,631	900,631
Proposed Dividend	Rs 000'	36,208	36,208	-	-	-	-	-	-	-	-
Shareholders Fund	Rs 000'	189,703	336,225	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072	2,424,328
ASSETS & LIABILITIES											
Property, Plant & Equipment	Rs 000'	48,158	55,703	73,326	85,694	77,144	67,257	119,484	145,413	331,487	407,136
Non Current Assets	Rs 000'	1,007	1,007	1,007	3,507	3,507	3,507	52,950	510,776	561,712	174,085
Current Assets	Rs 000'	879,425	810,347	777,492	936,639	1,179,235	1,286,732	2,774,286	5,655,044	5,032,168	4,351,212
Current Liabilities	Rs 000'	(732,469)	(520,319)	(409,475)	(547,956)	(764,926)	(798,316)	(1,829,479)	(4,116,168)	(3,587,626)	(2,465,019)
Working Capital	Rs 000'	146,956	290,028	368,017	388,683	414,309	488,416	944,807	1,538,876	1,444,542	1,886,193
Non Current Liabilities	Rs 000'	(6,418)	(10,513)	(20,199)	(23,397)	(18,145)	(19,692)	(20,622)	(28,073)	(39,670)	(43,087)
Net worth of Company	Rs 000'	189,703	336,225	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072	2,424,328
RATIOS & STATISTICS											
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.	52.39	92.86	116.59	125.52	131.69	149.00	302.86	598.48	634.68	669.55
Dividend per Share	Rs.	10.00	10.00	10.00	10.00	7.50	15.00	30.00	60.00	10.00	5.00
Market price per Share	Rs.	104.00	290.00	170.00	360.00	355.00	1,075.00	2,650.00	2,069.70	1,717.80	1,292.00
Market Capitalisation	Rs 000'	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	4,678,129
Earnings per Share	Rs.	30.63	50.44	33.73	19.43	16.17	24.81	179.21	326.76	97.99	45.45
Dividend Payout	%	0.33	0.20	0.30	0.51	0.46	0.60	0.17	0.18	0.10	0.11
Price Earning Ratio	Rs.	3.40	5.75	5.04	18.53	21.96	43.33	14.79	6.33	17.53	28.43
Current Ratio	No of Times	1.20	1.56	1.90	1.71	1.54	1.61	1.52	1.37	1.40	1.77
Quick Ratio	No of Times	0.29	0.50	1.05	0.78	0.89	0.71	0.41	0.33	0.20	0.02
Interest Cover	%	3.47	6.93	6.18	2.82	1.69	3.32	26.61	88.26	1.20	1.06
Trading profit before Int. / Net Turnover.	%	3.75	6.83	5.74	6.01	7.29	8.50	9.82	9.36	3.58	5.08
Trading profit after Int. / Net Turnover.	%	2.67	5.85	4.81	3.88	2.97	5.94	9.45	9.25	0.60	0.31
Return on Net Assets	%	58.46	54.32	28.93	15.40	12.28	16.65	59.17	54.60	15.44	6.79

Share Holders Information

There were 566 registered shareholders as at 31st March 2014 distributed as follows

Category	No. Of Shareholders 2014(Mar)	No. Of Shareholders 2013(Mar)	Shareholding 2014(Mar)	Shareholding 2013(Mar)	% 2014(Mar)	% 2013(Mar)
1 - 1000	551	547	33,646	35,450	0.93	0.98
1001-5000	9	10	14,304	15,228	0.40	0.42
5001-10000	-	-	-	-	-	-
10001-50000	2	2	49,050	49,050	1.35	1.35
50001-100000	-	-	-	-	-	-
100001-500000	1	1	452,506	452,503	12.50	12.50
500001-1000000	1	1	550,505	547,780	15.20	15.13
OVER 1000000	2	2	2,520,832	2,520,832	69.62	69.62
Total	566	563	3,620,843	3,620,843	100.00	100.00

List of 20 Major Shareholders

MAJOR SHAREHOLDERS	No. Of Shares Held 2014(Mar)	No. Of Shares Held 2013(Mar)	Shareholding % 2014(Mar)	Shareholding % 2013(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
L S I Perera	550,505	550,505	15.20	15.20
Perpetual Capital (Pvt) Ltd	452,506	452,503	12.50	12.50
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
Commercial Bank of Ceylon PLC/ M A U Gnanathilaka & First Capital Markets Ltd/ M A U Gnanathilaka	2,020	1,183	0.06	0.03
J G De Mel	1,601	800	0.04	0.02
R A Y T Perera	1,300	1,100	0.04	0.03
U I Suriyabandara	1,268	1,190	0.04	0.03
B Periyasamy	1,250	1,250	0.03	0.03
L A P Perera	1,200	1,200	0.03	0.03
P L Perera	1,100	1,100	0.03	0.03
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	753	0.02	0.02
N H Uduwela	725	725	0.02	0.02
J W N R Boteju	646	1,005	0.02	0.03

The percentage of shares held by the public as on 31st March 2014 was 2.68% (31st March 2013 2.75%)
The Highest and lowest Market value per Share recorded during the year,

	2014 Rs.	2013 Rs.
Highest	1,675	2,025
Lowest	1,202	1,600

Form of Proxy

I/We.....
.....
of .....
.....

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

Y L S Hameed .....
D P Kumarage .....
N Sundararajan .....
Vinod K Dasari .....
G Mahadevan .....
B M Riyaj .....

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 the Golden Pond, Hotel Taj Samudra on 14th August 2014 at 3.30 p.m 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 Fourteen.

.....
Signature

*** Note :**

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

LANKA ASHOK LEYLAND PLC Annual Report 2013 14

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 (1) 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 p.m on12th August 2014 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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