



LANKA ASHOK LEYLAND PLC

Annual Report
2015/16



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LANKA ASHOK LEYLAND PLC

33rd Annual Report

COMMITTED FOR A



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GREENER WORLD



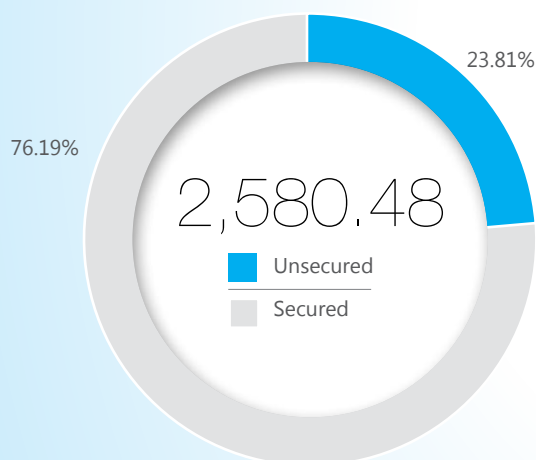
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FINANCIAL HIGHLIGHTS

NET WORTH SUMMARY

2,802.04
NET WORTH (MN)

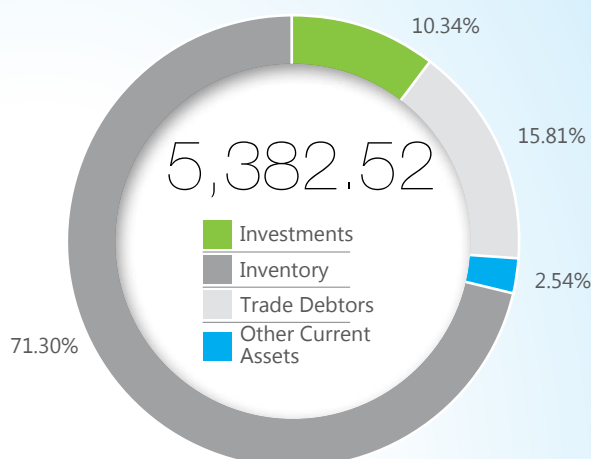
TOTAL LIABILITIES (MN)



UNSECURED	VALUE (RS.)
Employee Benefits	58,037,628
Deferred Tax Liability	23,786,465
Trade Payables	320,159,125
Accrued Expenses	96,989,159
Current Tax Liability	15,178,651
Other Payables & Warranty Provision	100,259,904
SUBTOTAL	614,410,932

SECURED	VALUE (RS.)
Import Loans	1,948,188,630
Bank Overdraft	17,878,433
SUBTOTAL	1,966,067,063

TOTAL ASSETS (MN)



INVESTMENTS	VALUE (RS.)
Fixed Assets	554,459,358
Intangible Assets	2,048,583
Financial Investments	136,326
SUBTOTAL	556,644,267

INVENTORY	VALUE (RS.)
Vehicles	3,374,290,232
Spare Parts & Consumables	323,259,933
Generators	30,720,604
Cab/Bodies & Work in Progress	17,917,635
Goods in Transit	412,943,936
Less; Provision for Slow moving inventory	(321,408,220)
SUBTOTAL	3,837,724,120

TRADE DEBTORS	VALUE (RS.)
Lease Customers	392,557,431
Other Customers	604,460,260
Impairment Provision - Lease	(8,686,751)
Impairment Provision- Other	(137,152,452)
SUBTOTAL	851,178,488

OTHER CURRENT ASSETS	VALUE (RS.)
VAT/Tax Recoverable	61,856,816
Advances/Deposit/Margin/Pre-payment	20,700,010
Other Receivables	2,402,613
Cash and Cash Equivalent	52,011,927
SUBTOTAL	136,971,366

FINANCIAL HIGHLIGHTS (Contd.)

TURNOVER

9,073,386,289

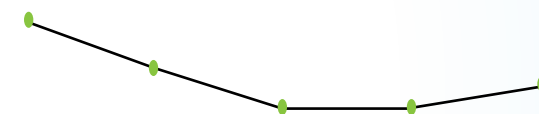
10%



MARKET CAPITALIZATION

5,479,783,796

16%



SHAREHOLDERS' FUNDS (NET ASSETS)

2,802,040,245

3%




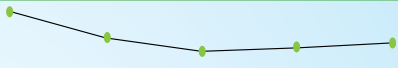











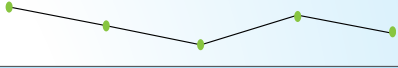











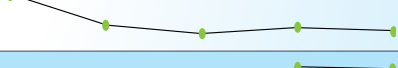





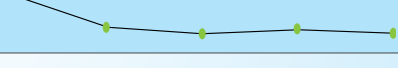

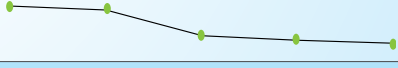


SHORT-TERM BORROWINGS

1,966,067,063

-12%



FINANCIAL HIGHLIGHTS (Contd.)

	CURRENT YEAR 2015/16	PREVIOUS YEAR 2014/15	% CHANGE	5 YEAR TREND
TURNOVER	9,073,386,289	8,217,864,344	 10%	
GROSS PROFIT	760,389,236	924,356,739	 -18%	
PROFIT BEFORE TAX	313,994,885	533,421,511	 -41%	
PROFIT FOR THE YEAR	209,537,794	329,974,278	 -36%	
SHAREHOLDERS' FUNDS (NET ASSETS)	2,802,040,245	2,731,793,267	 3%	
TOTAL NON CURRENT ASSETS	620,385,479	403,393,764	 54%	
TOTAL CURRENT ASSETS	4,762,132,762	5,363,668,238	 -11%	
TOTAL CURRENT LIABILITIES	2,498,653,903	2,977,665,023	 -16%	
INVENTORY	3,837,724,120	3,384,952,829	 13%	
SHORT-TERM BORROWINGS	1,966,067,063	2,227,769,721	 -12%	
MARKET CAPITALIZATION	5,479,783,796	4,707,095,900	 16%	
NET ASSETS PER SHARE	774	754	 3%	
EPS	57.87	91.13	 -36%	
DIVIDEND PAYOUT RATIO	43%	44%	 -1%	
PE RATIO	26.15	14.27	 83%	
ROE	7%	12%	 -39%	
GEARING RATIO	70%	82%	 -14%	
CURRENT RATIO	1.91	1.80	 6%	

THE CHIEF EXECUTIVE OFFICER'S REVIEW

“Lanka Ashok Leyland performed well by maintaining market leadership position in heavy commercial vehicle segment and improved market share further, top line grew 10.4% to LKR 9.07 Bn compared to LKR 8.22 Bn during 2014/15. Vehicle sales grew 20% year on year owing to strong performances in the first half of the year”

As we bid farewell to 2015, it is with great pleasure I present to you the performance review for Lanka Ashok Leyland during the year. The world economy stuttered along for another year, the hopes of an economic rebound seem to dim, instead replaced by the belief that multi-year low growth is the new normal. Fortunately, Sri Lanka does not share the same fate with plenty of opportunity and potential at hand. That said, Sri Lanka has its own set of challenges to overcome making 2016 a very important year for policy makers and those who hold the reigns of our economy.

The economy in 2015

The global economy grew at 3.1% in 2015 according to the IMF. Growth was driven by emerging market and developing economies despite many of the challenges posed during the year. The advanced economies managed to grow 1.9% in 2015 led by a robust American economy that grew 2.4% outperforming the majority of its peers. The Euro area struggles continued with a growth of 1.6% in 2015 as interest rates moved into negative territory

while Japan's quantitative easing has shown mixed results for the economy that grew 0.5%.

Low commodity prices have negatively affected those countries dependent on them, whilst three of the four BRIC emerging economies face geopolitical and economic strife. Brazil saw their economy contract 3.8% while Russia's economy contracted 3.7%. Concerns over the state of China's economy persist as the economy as the pace of GDP growth fell to 6.9% from 7.2% in 2014.

Closer to home, the Indian economy is on the move and this should bode well for us. India's economy has shown to be a little more robust and competitive. A beneficiary of low commodity prices, India's rate of growth has increased over the last three years and stands at 7.3%, beating China after more than a decade in its shadow. Like the rest of the developing world, India has had to contend with capital outflows and a volatile exchange rate but domestically faces a looming problem about the actual amount of Non-Performing Loans in its banking sector which may be as high as 18%.

Sri Lanka grew at 4.8% in 2015, slightly lower than 4.9% recorded in 2014. Economic activity across the Agriculture, Industrial and Service sectors grew except for the construction sector which recorded a negative contribution owing to the new government halting many projects for review.

The first year of the new unity government marked a change in economic priorities shifting to consolidation and governance over growth. A series of frequent policy changes that were tinkered, amended and/or reversed created a lack of clarity and consistency in policy making that dampened business sentiment and confidence.

In order to address the ballooning trade deficit, devaluation of the currency and to curb vehicle imports, import levies on vehicles were repeatedly increased and restrictions of loan-to-value ratio to 70% were brought into the financing. To address the challenge of inadequate government revenue collection an increase to the Value Added Tax was proposed. The Sri Lankan rupee,



THE CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

like many other Asian currencies experienced a high degree of volatility during the year falling around 9% against the US Dollar. Inflation as measured by the CCPI stayed low and subdued throughout the year registering 2% in March.

First half of 2015 saw motor vehicle registrations increase over 55% from 2014 to reach its highest since 2011. The increase was driven mainly by strong growth in the passenger segment of cars, two and three wheelers which account for 90% of all registrations. Given the registration data from the first few months, 2016 see much lower registrations due to increased duty structures, import restrictions and a weaker currency. The reaction will be similar to 2011 when the government intervened to stem vehicle imports in the face of a Balance of Payments crisis, the effect then was a 37% decrease in vehicle registrations over two years before rebounding again.

Financial performance in 2015/16

Considering the operating environment, Lanka Ashok Leyland performed well by maintaining market leadership position in heavy commercial vehicle segment and improved market share further, top line grew 10.4% to LKR 9.07 Bn compared to LKR 8.22 Bn during 2014/15. Vehicle sales grew 20% year on year owing to strong performances in the first half of the year. Sales of our smaller light commercial vehicle (LCV) continued to pick up speed in 2015 with an encouraging 62% growth validating the success borne by our efforts to penetrate the LCV segment.

Owing to higher import costs and exchange rate volatility, gross profit for the year fell 17.7% to LKR 760.4 Mn. The gross profit margin averaged 8.4% for the year. The fourth quarter gross

profit margin stood at 11.2% as prices were able to rationalize.

Prudent fiscal control helped lower operating costs by 4% to LKR 435.7 Mn compared to LKR 454 Mn in 2014/15. Exchange rate volatility, higher rates and delay in getting outstanding payment from Government Sector pushed net finance cost to LKR 54.8 Mn, an 88.8% increase from LKR 29 Mn recorded last period. Total borrowing decreased 11.7% while inventories increased 13.4% year on year improving the strength of our balance sheet.

Net profit after tax was LKR 209.5 Mn, a 36% decrease over 2014/15.

Our Commitment to our Stakeholders

Beyond the bottom line, Lanka Ashok Leyland takes great pride in being one of the most iconic brands in Sri Lanka, an honour and privilege that we have worked hard for. Our employees remain the engine behind the company and we have taken great strides to reward them qualitatively.

One of our key strengths we have cultivated is to develop employees who can be deployed in multiple tasks depending where the work load and requirement lies. For instance, this has enabled us to better utilize our workforce by shifting them to marketing functions when the assembly line work load is low.

Back in 2010, we ventured into the field of employable skill education with the ambition to provide an institute to train and give students the technical competencies required to further themselves and their prospects. The institute features on the job training as well as theoretical classes and provides the students with a monthly stipend while they undertake the two year course. Every year 40 school leavers with O level and A level qualifications

get enrolled and the institute offers NVQ level 4 equipped with self-employable skills. Most of the students from our institute gained employment at Lanka Ashok Leyland or were provided alternative placements.

We initiated a large scale projects such as landscaping, tree planting at our factory and in all the new outlets designed to add substantial greenery, improve efficiency, and cut waste by installing water treatment plants to recycle water as well as investments into our power generation capabilities. A notable investment and expansion this year was the construction of pre-fabricated steel sheds to cover over 185,000 sq. ft. at our factory to open up a larger space for safe parking of the vehicles and to protect from the heat and rain, while expanding up new areas within the factory for further utilization.

In August 2015, Lanka Ashok Leyland paid a dividend of LKR 40 per share to our equity holders for the financial year 2014/2015.

Looking Ahead

Sri Lanka has considerable challenges to overcome and we hope 2016 will be defined by an earnest effort by policy makers to consolidate and enact clear policies that will set the foundation for higher sustainable growth going forward. Interest rates have risen and may have to rise further in defense of the currency and to soften credit growth. The country has large foreign currency outflows due and how these obligations are met will be critical in assessing the strength of the rupee.

On a positive note, the construction sector will get a boost with the resumption of many of the halted projects and in February 2016, a very ambitious plan to transform Colombo and the suburbs into a megapolis over the next few years will feature large scale infrastructure development

THE CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

including a revamp and revitalization of public transport. We look forward to becoming an important stakeholder with regard to transportation.

Furthermore, Lanka Ashok Leyland will forge ahead expanding its dealer network around the country. Despite the challenges, we are buoyed by the demand shown by the private sector this year and will continue to reach out to new areas and new customers.

Acknowledgements

I'm extremely proud to share another successful year with a gifted and committed team consisting of our board of directors, management, dealers and all the staff at Lanka Ashok Leyland. Their diligence and effort has steered this company prudently and continues to give me confidence in our ability to take this company forward.

In this journey, I am extremely fortunate to have the support, guidance and trust of our principal and partner Ashok Leyland India, Lanka Leyland Limited - GOSL, our auditors, bankers, suppliers and shareholders.

Finally, I would like to thank our customers for placing their faith in Lanka Ashok Leyland. Your support is the bedrock of this company for which we will continue to improve and go from strength to strength to serve you better. Through the many challenges in the industry, it is the resilience of our customers that have ultimately kept us going and we are forever grateful and humbled by that fact.



Umesh Gautam

Chief Executive Officer

Colombo

02nd May 2016

BOARD OF DIRECTORS



MR. Y L S HAMEED

Chairman

Mr. Hameed was appointed as the Non-Executive Chairman to the Board of Lanka Ashok Leyland in February 2013. He is also the Chairman of Lanka Leyland Ltd.

Mr. Hameed is the former Chairman of Ceylon Shipping Corporation and Resettlement Authority. He is also the former Director General of the Sri Lanka Institute of Textile and Apparel and was the Adviser to the Ministry of Rehabilitation and Batticaloa Development.

Mr. Hameed is a LLB graduate from the Open University of Sri Lanka.

MR. D P KUMARAGE

Independent Director

Mr. Kumarage was appointed as a non-executive independent director to the Board of Lanka Ashok Leyland in July 2009. He is functioning as the CEO of People's Leasing & Finance PLC since 1997. He is also the Managing Director of other subsidiary companies of People's Leasing and Finance PLC. Mr. Kumarage is the Vice President of the Asian Leasing and Finance Association.

Mr. Kumarage has over 37 years' experience in Banking and Finance and was also the former Chairman of the Leasing Association of Sri Lanka. Prior to joining PLC he served Peoples Bank as the Deputy General Manager. He holds a Postgraduate Diploma in Modern Banking and is a passed Finalist of the Chartered Institute of Management Accountants, UK.



MR. N SUNDARARAJAN

Independent Director

Mr. N. Sundararajan was appointed in July 2009, as a non-executive Independent Director on the Board of Lanka Ashok Leyland.

Mr. Sundararajan was formerly the Executive Director and Company Secretary of Ashok Leyland, India.

He is currently also Independent Director of CMIFPE Ltd, India, (manufacturers of cold rolling mills, etc. for steel plants) and of Global TVS Bus Body Builders Ltd., India, (manufacturers of specialised bus bodies).

He is a Commerce Graduate, Cost Accountant, and a Management Professional, with background in Law also. He has over 38 years of fulltime industrial experience in varied industries such as iron & steel, textiles, rubber, batteries, and transport, and has handled several international acquisitions, joint ventures, etc. He has also been a Senior Assessor of Business Excellence, and has been a member of several all-India Committees on General Insurance.



BOARD OF DIRECTORS (Contd.)



MR. VINOD K DASARI

Non-Executive Director

Mr. Dasari was appointed as a non-executive director to the Board of Lanka Ashok Leyland in September 2009. Mr. Dasari is the Managing Director of Ashok Leyland Ltd, India.

He commenced his career with the General Electric Company in 1986. Mr. Dasari joined the Timken Company, USA in 1996, and moved to Timken's Indian operations as Director of Manufacturing and Technology. In 1998, he was appointed Managing Director of Timken India and in 2000, he moved back to US, with Timken, as President of the Global Railroad business. In 2002, he joined Cummins India Limited as President, and then became its Joint Managing Director.

Mr. Dasari joined Ashok Leyland in 2005 as Chief Operating Officer and was appointed whole time Director in 2008, followed by the current position of Managing Director in 2011.

He is currently the President of the Society of Indian Automobile Manufacturers (SIAM) and President of Automotive Skill Development Council (ASDC). He serves on the Board of several subsidiaries of Ashok Leyland and is a Director of Pidilite Industries Limited.

Mr. Dasari completed his MBA from Kellogg School of Management and a Masters in Engineering Management from McCormick School of Engineering, both from Northwestern University. He earned a Bachelor's Degree in Engineering from University of Louisville.

MR. B M RIYAJ

Non-Executive Director

Mr. Riyaj was appointed as a non-executive director to the Board of Lanka Ashok Leyland in August 2010. Mr. Riyaj also serves as a Director of Lanka Leyland Ltd. and the Managing Director of Mega Construction (Pvt) Ltd.

He has served as the Working Director of Rehabilitation Authority during 2007-2008, Media Secretary of Ministry of Commerce & Industry during 2009-2011 and as the Coordinating Secretary of Ministry of Commerce & Industry during 2010-2014.

Mr. Riyaj has over 15 years of experience in construction industry and other disciplines and holds a Bachelor of Arts in Business Management Degree from the University of Peradeniya and an Advanced Diploma in Management from the National Institute of Business Management.



MR. GOPAL MAHADEVAN

Non-Executive Director

Mr. Gopal Mahadevan was appointed as a non-executive director to the Board of Lanka Ashok Leyland in September 2013. He is the President - Finance & CFO of Ashok Leyland Ltd, India.

Prior to Ashok Leyland, Mr. Gopal was working with Thermax Ltd, Pune, as Group CFO, where he had a 7 year stint. Prior to Thermax, he was Group CFO of Amara Raja Batteries Ltd, an equal Joint Venture with Johnson Controls Inc, USA, for over 5 years. During his career Gopal has worked in Sify, Sanmar Group as well as in TTK Pharma.

Mr. Gopal Mahadevan is a Chartered Accountant and a Company Secretary with over 27 years' experience in Finance function across a variety of industries. He was awarded The Best CFO (Capital Goods & Engineering Industry) by the Institute of Chartered Accountants of India in 2011. He was also awarded the best CFO in the year 2010 by YES Bank Business Today and in 2012 by CNBC TV18 respectively.



ANNUAL REPORT OF THE BOARD OF DIRECTORS

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors are pleased to present the 33rd Annual Report of Lanka Ashok Leyland PLC to the shareholders together with the audited Financial Statements for the financial year ended 31st March 2016.

The details set out herein provide information required by Section 168 of the Companies Act No. 07 of 2007 and Section 7.6 of the Listing Rules of Colombo Stock Exchange.

PRINCIPAL ACTIVITIES & STATE OF AFFAIRS OF THE COMPANY

The principle activities of the Company includes import and marketing of Ashok Leyland 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 goods and passenger chassis.

There were no significant change in the state of affairs of the Company during the year under review.

REVIEW OF THE YEAR

A review of the financial and operational performance during the year under review and the future affairs of the Company is contained in the Chief Executive Officer's Review.

AUDITORS' REPORT & FINANCIAL STATEMENTS

Auditor's Report on the Financial Statements is given on page 24.

The statements of Profit or Loss and Comprehensive Income, Financial Position, Cash Flow, Accounting Policies and Notes to the Accounts are given on pages 25 to 49.

PROFIT AND APPROPRIATIONS

	2015/16 Rs.	2014/15 Rs.
Profit after taxation	209,537,794	329,974,278
Other Comprehensive Income	5,180,278	(4,437,832)
Comprehensive Income for the year	214,718,072	325,536,446
Profit brought forward from previous year	1,794,921,794	1,487,489,563
Profit available for appropriation	2,009,639,866	1,813,026,009
Appropriations		
Unclaimed Dividend Reversed	382,541	-
Dividend paid for previous year	(144,833,720)	(18,104,215)
Un-appropriated profit carried forward	1,865,188,687	1,794,921,794

DIVIDENDS

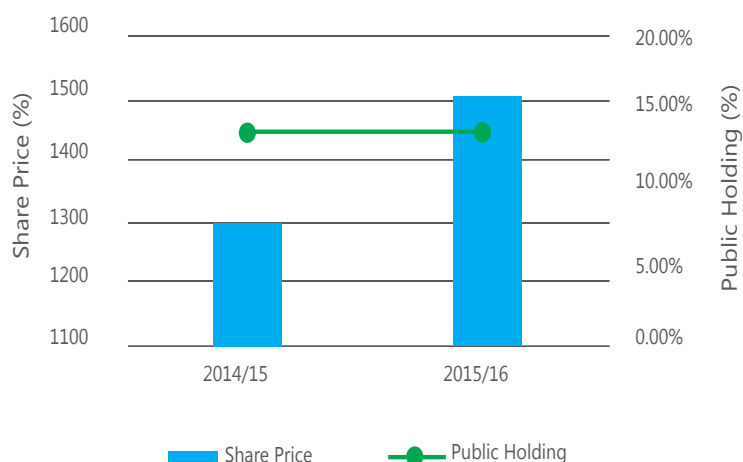
The Board of Directors recommended payment of a final dividend of Rs 25 per share (250 %) (2014/15- Rs. 40 per share 400%) for the year ended 31st March 2016.

PUBLIC HOLDING & THE MARKET VALUE OF SHARES

The last transaction prior to close of business on 31st March 2016, on the

trading floor of the Colombo Stock Exchange was a price of LKR 1,513.40 per share. (Corresponding price on 31st March 2015 was LKR 1,300.00 per share)

The number of ordinary shares held by the public as at 31st March 2016 was 531,706 (2014/15 - 531,706) which amounted to 14.68% (2014/15 - 14.68%) of the Issued Capital of the Company.



ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)

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.

CAPITAL EXPENDITURE

The total Capital Expenditure incurred on the acquisition of Fixed Assets during the year amounted to Rs. 57.6 Mn (2014/15 - Rs. 7.3 Mn), details of which are given in Note 12 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. Gopal Mahadevan - Director
(Non- Executive)

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

None of the Directors or Chief Executive Officer held Shares of the Company during the year under review or during the last financial year.

INTEREST REGISTER

The Company maintains an Interest Register in compliance with 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 Financial Statements. The details of Directors' interests in contracts of the Company have been disclosed at Board meetings.

DIRECTORS' REMUNERATION AND FEES

Details of Directors remuneration and fees are set out in Note 09 to the Financial Statements. All fees and remuneration have been duly approved by the Board of Directors of the Company.

BOARD COMMITTEES

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

- **AUDIT COMMITTEE**
Mr. Gopal 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
- **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**
Mr. N Sundararajan - Chairman
Mr. D P Kumarage
Mr. Y L S Hameed
Mr. Gopal Mahadevan

RELATED PARTY TRANSACTIONS

Related party transactions of the Company have been reviewed by the Related Party Transactions Review Committee and during the year there were no related party transactions which exceed the lower of 10% of equity or 5% of the total assets of the Company. However, the Directors have disclosed the transactions that could be classified as related party transactions in terms of the Sri Lanka Accounting Standard (LKAS) 24, in note 30 on pages 45 to 46 to the Financial Statements.

RISK MANAGEMENT

The Board has established an adequate risk management and internal control system. The categories of risks faced by the Company are identified and a detailed overview is given in the Risk Management Report on pages 19 to 21.

CORPORATE GOVERNANCE

The Board of Directors is committed to maintain an effective corporate governance culture within the Company. A fuller report on corporate governance is provided on pages 12 to 15.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board has received assurance from the Audit Committee, and confirms that the Company has complied with all applicable laws, rules and regulations in its operations.

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.

DONATION

No donations were granted during the year.

EMPLOYEES

The number of permanent employees as at 31st March 2016 was 193. (31st March 2015-180).

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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS (Contd.)

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.

CONTINGENT LIABILITIES & OUTSTANDING LITIGATION

Details of contingent liabilities & pending litigations are listed in Note 32 & 33 in notes to Financial Statements. These will not have any material impact on the financial results of the Company or its future operations.

STATUTORY AUDITORS

Financial Statements for the year ending 31st March 2016 have been audited by Messrs KPMG (Chartered Accountants). A sum of Rs. 1,530,000/= in addition to reimbursement of out of pocket expenses was payable at the year-end as audit fees for the year under review. M/s. KPMG offer themselves for reappointment.

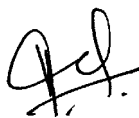
NOTICE OF MEETING

Notice of thirty third Annual General Meeting is given on page 53.

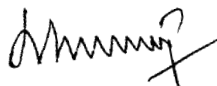
ACKNOWLEDGEMENT

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

The Directors also wish to thank all the employees for their contribution, support and co-operation through the year.



Y L S Hameed
Chairman



D P Kumarage
Director



D A Abeyawardene
Secretary

By order of the Board of Directors
Colombo

02nd May 2016

CORPORATE GOVERNANCE

The Board of Directors and the management of Lanka Ashok Leyland PLC are committed to maintaining the highest standards of corporate governance. This statement describes Lanka Ashok Leyland's governance principles and practices.

This statement also describes how Lanka Ashok Leyland has applied the principles set out in the corporate governance best practice guidelines jointly issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka (SEC) in July 2008 (including amendments to date) and Listing rules (Section 7.10) issued by Colombo Stock Exchange (CSE) in April 2009 (including amendments to date).

Board of Directors

The Board of Directors of Lanka Ashok Leyland PLC is collectively

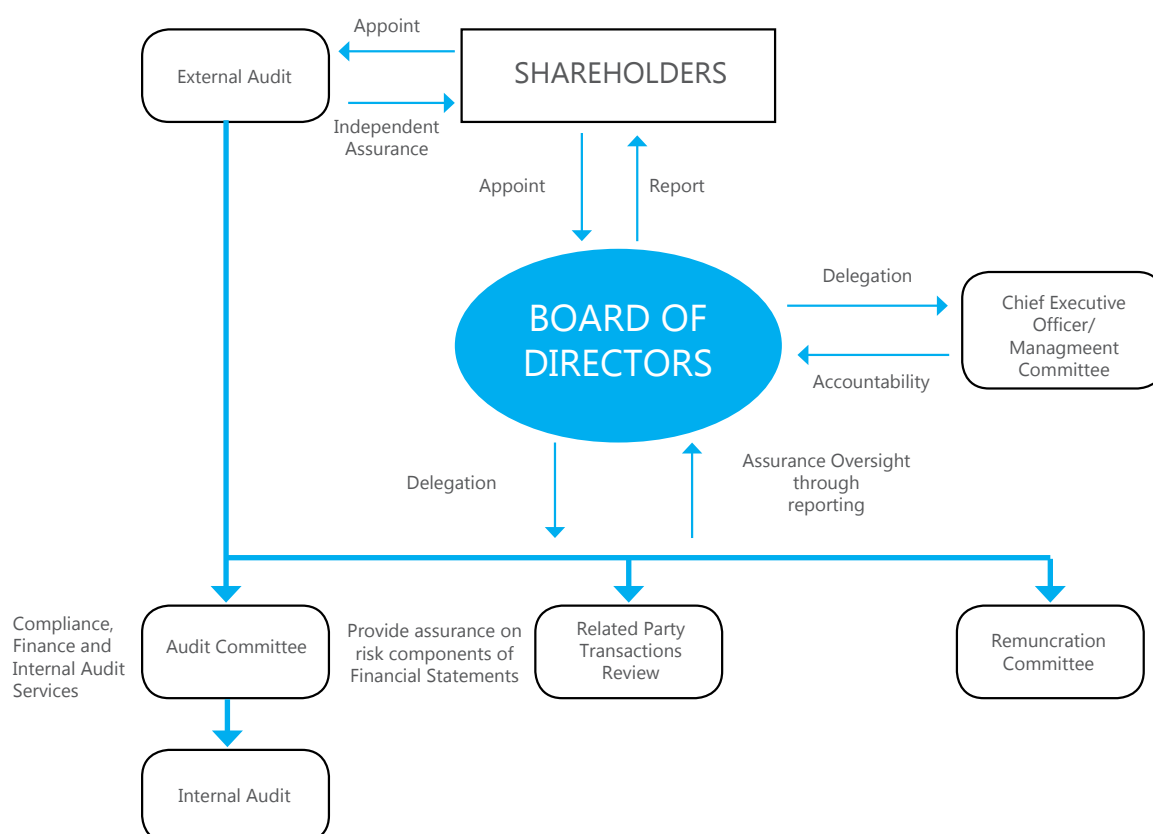
responsible for the long term success of the Company. Its role is essentially threefold - to provide leadership, to oversee management and to ensure that the Company provides its stakeholders with a balanced and understandable assessment of the Company's current position and prospects.

The Board has delegated appropriate responsibility to the Chief Executive Officer and the team of management of the Company. The main areas where decisions remain with the Board include approval of the annual strategy statement, the Financial Statements, annual budgets (including capital expenditure), acquisitions and dividends. The Board is also responsible for setting and monitoring the Company's risk management policy.

On a broader level the Board has delegated some of its responsibilities to its Committees. The composition and activities of these Committees are detailed in their individual reports on pages 16 to 18. At the Board meetings, the Board reviews periodic updates presented by the respective Chairman of each of the Committees on their findings.

The Board currently consists of six Directors including the Chairman. All the Directors are Non-executive Directors and two of them are independent Directors. The composition of the Board and brief profile of the Directors capturing the range of experience they bring to the Board are set out on page 13 and 07 to 08.

Corporate Governance Framework



CORPORATE GOVERNANCE (Contd.)

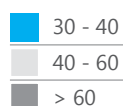
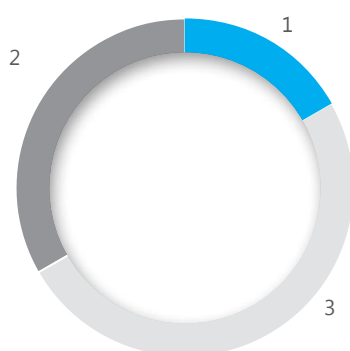
The current members of the Board and their membership on the Board Committees of the Company are as follows;

Name of the Director	Category				Board Committees as Chairman or Member		
	Executive	Non - Executive	Independent	Non - Independent	Audit Committee	Remuneration Committee	Related - Party Transaction Review Committee
Mr. YLS Hameed (Chairman)	-	✓	-	✓	Member	-	Member
Mr. DP Kumarage	-	✓	✓	-	Member	Member	Member
Mr. N Sundararajan	-	✓	✓	-	Member	Member	Chairman
Mr. Vinod K Dasari	-	✓	-	✓	-	Chairman	-
Mr. BM Riyaj	-	✓	-	✓	-	Member	-
Mr. G Mahadevan	-	✓	-	✓	Chairman	-	Member

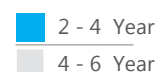
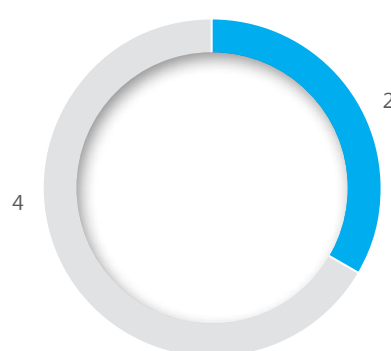
The details of the number of Board meetings and Board Committee meetings held in the year as well as the attendance of each board/committee member at those meetings are furnished below;

Name of the Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Related Party Transactions Review Committee Meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Mr. YLS Hameed (Chairman)	4	4	4	4	-	-	2	2
Mr. DP Kumarage	4	2	4	2	1	-	2	2
Mr. N Sundararajan	4	4	4	4	1	1	2	2
Mr. Vinod K Dasari	4	3	-	-	1	1	-	-
Mr. BM Riyaj	4	2	-	-	1	1	-	-
Mr. G Mahadevan	4	3	4	3	-	-	2	-

Directors' Age Diversity



Directorship Tenure Diversity



Directors' Independence Review

The Board carried out its annual evaluation of the independence of Directors and accordingly Mr. DP Kumarage and Mr. N Sundararajan were considered to be independent as per the provisions of the Listing Rules of the Colombo Stock Exchange. Each of the independent Directors complied with the independence requirements under the rules and has submitted signed declarations in this regard.

Further the following Directors were considered as non-independent Directors of the Company;

Name	Reason for non-independence
Mr. YLS Hameed	Chairman of Lanka Leyland Ltd, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC
Mr. Vinod K Dasari	Managing Director of Ashok Leyland, India which holds 27.85% of the total share capital of and is also the main supplier to Lanka Ashok Leyland PLC
Mr. BM Riyaj	Director of Lanka Leyland Ltd, which holds 41.77% of the total share capital of Lanka Ashok Leyland PLC
Mr. Gopal Mahadevan	Chief Financial Officer of Ashok Leyland, India which holds 27.85% of the total share capital of and is also the main supplier to Lanka Ashok Leyland PLC

Audit Committee

The Audit Committee is comprised of four non-executive Directors, of whom two are independent Directors. (refer page no 13 for Committee composition and attendance details)

The Chairman of the Audit Committee Mr. Gopal Mahadevan, is a Chartered Accountant by profession and has many years of accounting, auditing and risk management expertise and experience. The other members of the Audit Committee have a blend of experience in business management, banking and finance. The Board is of the view that the members of the Audit Committee have recent and relevant accounting and related financial management expertise and also adequate experience to discharge the Committee's functions.

A separate report from the Chairman of the Audit committee is given on page 16 of the Annual Report.

Remuneration Committee

The Remuneration Committee is comprised of four non-executive Directors, two of whom are independent Directors. (refer page no

13 for Committee composition and attendance details)

Remuneration Committee is responsible for developing policies on executive remuneration, for ensuring a formal and transparent procedure for performance evaluation, and for fixing the remuneration packages of and key management personnel.

Payments made to Directors and key management personnel of the Company are disclosed in Note 30.2 to the Financial Statements.

A separate Report from the Chairman of the Remuneration Committee is given on page 17 of the Annual Report.

Related Party Transactions Review Committee

The Related Part Transactions Review Committee is comprised of four non-executive Directors, two of whom are independent Directors. (refer page no 13 for Committee composition and attendance details).

Related Party Transactions Review Committee is responsible for reviewing the ongoing and proposed transactions with related parties and assist the

Board of Directors in laying down, reviewing and overseeing policies and procedures relating to related party transactions of the Company, and their implementation by the Management, and also to identify and avoid conflicts of interests, if any.

A separate report from the Chairman of the Related Party Transactions Review Committee is given on page 18 of the Annual Report.

Internal Audit

The Internal Audit focuses on providing an independent risk based oversight to the Audit Committee on the processes and controls within the Company. M/s. Ernst and Young, Chartered Accountants have been functioning as the internal auditors to monitor and report on the adequacy of the Financial and Operational Controls, and identifying areas for improvement. They present their findings to the Management, and the highlights are presented by E & Y to the Audit Committee. Actions are decided based on the Committee's advice and regular follow-up is done to close/resolve the identified issues.



CORPORATE GOVERNANCE (Contd.)

External Audit

M/s. KPMG, Chartered Accountants have been appointed by the shareholders as the external auditors, to review and express their opinion on the true and fairness of the annual Financial Statements of the Company. They also submit their report to the shareholders, for consideration at the Annual General Meeting. Further they issue an annual management letter to the Board, highlighting priority areas for attention and improvement, and other significant observations, if any. These are discussed with the Audit Committee, and also considered by the Board.

Going concern

Board of Directors, after reviewing the financial position and the cash flow of the Company are of the belief that the Company has adequate resources to continue operations well into the foreseeable future. Therefore, the Board adopts the going concern basis in preparing Financial Statements.

Ethical Standards

The Board is committed to maintain high ethical standards in conducting its business and to communicate its values to its employees and dealers, and always strive to ensure their conduct is based on such values.

By Order of the Board
Lanka Ashok Leyland PLC

D A Abeyawardene
Secretary

Colombo
02nd May 2016

AUDIT COMMITTEE REPORT

The Audit committee was constituted by the Board of Directors in accordance with the best Corporate Governance Practices and the requirements of the Colombo Stock Exchange. The membership of the Audit Committee during the financial year 2015/16 comprised of the following Non-Executive Directors.

- Mr. Gopal Mahadevan - Chairman
- Mr. D P Kumarage - Member
- Mr. N Sundararajan - Member
- Mr. Y L S Hameed - Member

The members have a well balanced blend of experience in the Legal, Commercial, Financial, Corporate Governance and Audit sectors. Chairman of the Audit Committee Mr. Gopal 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 carrying out their responsibilities, is responsible for

- Ensuring that the internal control system in place is adequate and properly implemented.
- Ensuring that a sound financial reporting system is in place in compliance with Sri Lanka Accounting Standards,
- Ensuring that the Company complies with the applicable laws and regulations and
- Ensuring that the Company's management reporting system is efficient enough to give accurate, appropriate and timely information regarding the present and foreseeable governance, risks and compliance requirements.

Meetings

The Audit Committee met four times during the year ended 31st March 2016 and the attendance details are given in page no 13 to the Corporate Governance report.

The meetings were attended by the Chief Executive Officer and the Chief Financial Officer of the Company by invitation. The proceedings of the Audit Committee are regularly reported to the Board.

Internal Audit

The internal audit is outsourced to M/s. Ernst & Young Advisory Services (Pvt.) Ltd. The Audit Committee meets the internal auditors on a quarterly basis and reviews their findings in order to identify the effectiveness of the internal controls and risks attached to different areas of operation. Follow up reports on the previous observations are also reviewed by the Committee. The key risks associated with the business are given in the Risk Management Report in page 19 to 21. The internal auditor's reports are made available to the external auditors as well.

Statutory Audit

The Company appointed M/s. KPMG, 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.

Financial Reports

By giving due consideration to audit findings, Financial reports are reviewed quarterly by the audit committee with the objective of ensuring the accuracy, compliance with the standards and other regulatory requirements and the ability to continue as a going concern.

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.



Gopal Mahadevan
Chairman Audit Committee

Colombo
02nd May 2016



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 - Member
Mr. N Sundararajan - Member
Mr. B M Riyaj - Member

The Company Secretary acts as the secretary to the committee. 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 compensation of the Chief Executive Officer and the senior executives of the Company who constitute the Management committee. The Committee also reviews the policy pertaining to the perquisites of the employees and propose guidelines and parameters for the compensations of all other employees.

The Remuneration Policy of the Company comprises of compensation packages which includes Basic Salary,

travelling allowance or transport facility, fixed monthly allowances, performance based monthly incentives, healthcare insurance and attendance based allowances depending on the category of the employees.

The Committee meets from time to time to review and assure alignment of the Company's compensation structure and human resource requirements with the strategic decisions taken by the Board and compensation offered by competitors.

The Committee met once during the year and the attendance details are given on page no 13 to the Corporate Governance Report.

Vinod K Dasari

Chairman Remuneration Committee

Colombo
02nd May 2016

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

Constitution of the Committee

Pursuant to the Code of best practices issued by the SEC and also to comply with the requirements under the LKAS 24, On 23rd October 2015, the Board of Directors constituted a Related Party Transaction Review Committee (RPTRC) comprised of four Directors, to assist the Board in establishing and reviewing policies and procedures related to related party transactions, to ensure avoidance of conflict of interest, and to identify and make appropriate disclosures.

Composition of the Committee

The Committee consists of four (4) Non-Executive Directors of whom two are Independent Directors.

Mr. N Sundararajan - Chairman - Non-Executive Independent Director

Mr. Y L S Hameed
Non-Executive Director

Mr. D P Kumarage
Non-Executive Independent Director

Mr. Gopal Mahadevan
Non-Executive Director

The Company Secretary functions as the Secretary to the Committee.

Scope of the Committee

The Related Party Transactions Review Committee has been mandated, to ensure compliance with the code of best practices on Related Party Transactions issued by the Securities Exchange Commission of Sri Lanka, and to facilitate the disclosures as required under LKAS 24.

- The Committee reviews the ongoing and proposed related party transactions, (other than those transactions explicitly exempted in conformity with the Listing Rules), which are not of an on-going or recurrent nature; and in cases where the related party transactions are of an on-going or recurrent nature, the Committee is to establish guidelines for the senior management to follow.
- The Committee also reports and updates the Board of Directors about its review and findings on the Related Party Transactions.
- Where applicable, the Committee has laid down guidelines for the Management to make immediate market disclosure on applicable Related Party Transactions as required

by Section 9 of the continuing Listing requirements of Colombo Stock Exchange.

- The Committee is responsible for making appropriate disclosure on Related Party Transactions in the Annual Report to the shareholders, as required by Section 9 of the continuing Listing requirements of Colombo Stock Exchange.

Policies and procedures adopted by the Committee

The Committee engaged the services of the reputed professional firm M/s KPMG, Chartered Accountants, to study and evaluate all the Related Party Transactions of the Company, to advise and assist the Committee to fulfil the obligations under the Listing Rules, and also to identify any conflicts of interest in such transactions. KPMG were also requested to provide templates for the Internal Management Control Systems, and for the Board processes relating to the above.

M/s KPMG completed their assignment and presented their findings and recommendations to the Committee on Nov 5, 2015. The Committee, after detailed discussions and interactions, were satisfied to note there were no areas of conflict of interests; the areas needing disclosure were identified, and the Committee accepted KPMG's recommendations for improvements/ additions to the internal control processes, and adopted the formats for periodic review by the Committee, etc.

Subsequently, the Company had also requested M/s Ernst & Young, the Internal Auditors, to examine/ review the actual implementation of the Committee's guidelines, and the establishment and adherence/ by the Management to the various internal systems, procedures and documentation necessary for meetings these requirements. M/s Ernst & Young have reviewed and advised that they are satisfied about the systems and implementation and have also suggested some further detailing/ tracking in the internal accounting and control systems, as further improvements. The Management have been advised to give effect to these recommendations.

These external professional support has helped the Committee considerably in the discharge of its duties.

The internal coding/tagging of the transactions have been strengthened, a system of regular reporting at every meeting of the Committee of all Related Party Transactions have been put in place, a system for seeking prior approval for the proposed transactions in the future to the extent known at the beginning of the period, etc., have been established, and updates for all the above are reported at the following meeting of the Committee.

Meetings of the Committee

The Committee held two meetings during the year under review on Nov 5, 2015, and on January 26, 2016.

Findings and recommendations of the Committee meetings were reported to the Board of Directors. The Board reviewed the findings and accepted the recommendations for implementation by the Management and also for disclosures.

Related Party Transactions during the year 2015/16

There were no non- recurrent related party transactions that exceeded the thresholds that required the immediate market disclosure or shareholder approval as required under Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange.

Recurrent related party transactions that require disclosure in the Annual Report are given in Note 30 to the Financial Statements.

Provision for Impairment in Receivables from Related Parties

Some provisions have been made for impairment on Receivables due from some Related Parties. This has been done to comply with the Accounting Standards. However, during the review by the Board, the Management have assured that such dues from Government organizations have got delayed due to various reasons, that there are no disputes, these balances have been confirmed by the customers, and that the Company is very hopeful of collecting the outstanding.



N Sundararajan

Chairman - Related Party Transactions Review Committee

Colombo
2nd May 2016

MANAGEMENT OF RISK

Overview

Lanka Ashok Leyland (LAL) believes that a successful enterprise risk management (ERM) initiative can minimize the likelihood and consequences of risks being materialized. Risk management is a continuous and developing process which runs throughout the Company's strategic initiatives and the implementations, to maintain a balance between the risks of uncertainty and change necessary to grab opportunities.

A successful approach towards risk management results in compliance, assurance and better informed decision-making which will help the Company by way of improvements in the effectiveness of strategy and efficiency of operations.

Risk Governance and Oversight

The Board being primarily responsible for the overall risk management of the Company, advises the strategy and approves the policies for effective risk management.

The Board has delegated its responsibility to the Audit committee to oversee the system of risk management, compliance and controls to mitigate risks. The Company has appointed an independent professional organization, M/s. Ernst & Young as internal Auditors who provides in-depth reports to the Audit Committee. The Audit committee reviews the internal audit reports and assesses the effectiveness of laid down risk assessment process, suggested requirements, mitigation plans and gives directions to the management.

The senior management of the Company is responsible for implementing the risk management directives given by the Audit Committee and for the establishment of appropriate systems to ensure that enterprise risks are identified, measured, monitored, and controlled effectively.

Risk Management Process

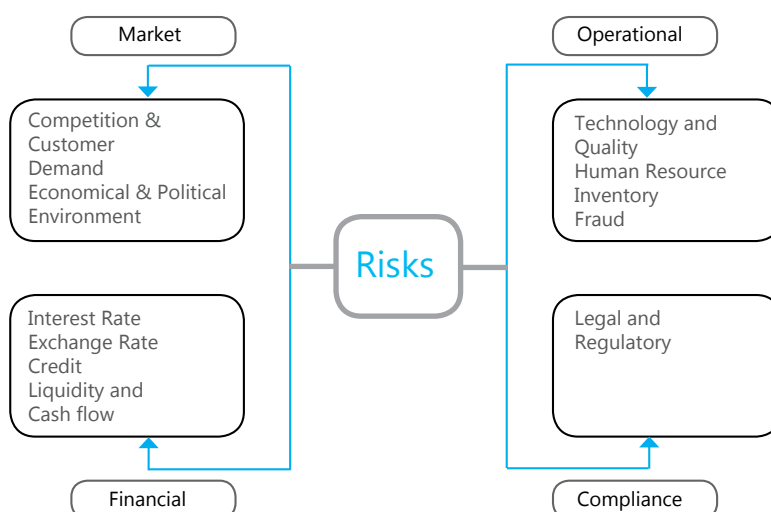
Risk management is a continuous process which contributes to refining the strategic objectives of the Company. The graphical presentation of the risk management process in place is as follows.



Risk Assessment

The intimate knowledge assisted by external professional inputs identifies and establishes the exposure of the Company to risk and uncertainty. These risks are systematically analyzed based on the market, legal, social and political factors considering the strategic objective of the Company. Finally the risks are evaluated in order to take decisions about the significance of risks to the Company and how each specific risk should be accepted or treated.

The following diagram summarizes the key risks that could be most relevant to LAL's business.



Risk Treatment

Risk treatment is an activity of selecting and implementing appropriate control measures to mitigate the risk. Risk treatment mainly aims at risk control (mitigation), but extends further to, risk avoidance, risk transfer and risk sharing. Our system of risk treatment is aimed at effective and efficient operation of the Company, effective internal controls and compliances with laws and regulations.

MANAGEMENT OF RISK (Contd.)

Monitoring and Review of Risk Management Process

The Board monitors the risks quarterly and ensure that appropriate controls are in place. Learning through experience, opinions from professionals such as internal auditors and other internal and external stakeholders are given due importance by the Audit Committee in monitoring and reviewing the risks.

A summary of risks faced by the Company and the mitigation actions taken are tabled below;

Market Risk		
Risk	Potential Impact	Treatment
Competition & Customer Demand	Decline in market share, new rivals and industry overcapacity in a high growth competitive environment.	The Company maintains long and well established relationships with major transport operators in the industry and individual clients. Launching of new products with latest technology and designs which attract existing and potential customers while focusing on continuous improvements.
Economical & Political Environment.	Negative impact on the Company due to changes in the economic and political environment.	Economic and political variables / potential fluctuations are continuously evaluated during the company's future "strategies and objectives" evaluation sessions.

Financial Risk		
Risk	Potential Impact	Treatment
Interest Rate	Possibility of an adverse impact on cost of funds and profitability.	Regular monitoring of interest rate fluctuations to enable necessary back-up plans to be ready in advance to mitigate the risk. Ensuring that the import loans are settled within a shortest possible period by improving the working capital cycle and negotiating best possible rates with the Banks.
Exchange Rate	Possibility of Exchange rate volatility effects on Company operations and profitability.	Regular monitoring of exchange rate movements and entering into forward contracts when necessary.
Credit	Risk of financial loss to the company as a result of customers not settling their dues.	Strict implementation and continuous monitoring of the credit policy. Strict follow up on outstanding on ongoing basis.
Liquidity and Cash Flow	Possibility of risk that the Company encounters difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering Cash or another Financial Asset.	Ensuring that the Company always have sufficient liquidity to meet its Liabilities by forecasting the cash flows. Tight working capital management and periodic reviews to ensure cash flow alignment.

MANAGEMENT OF RISK (Contd.)

Compliance Risk		
Risk	Potential Impact	Treatment
Legal and Regulatory	Regulatory risk arises when the Company do not comply with regulatory requirements which are subject to change from time to time.	<p>The Management reviews changes in regulations and assesses the business impact of such proposals.</p> <p>A compliance statement is presented to every Board Meeting.</p> <p>Company officials closely work with regulators to ensure that regulatory requirements are fully understood and complied with.</p> <p>Seek professional advice from external consultants such as legal, tax consultants as and when needed.</p>

Operational Risk		
Risk	Potential Impact	Treatment
Technology and Quality	Possibility of products or processes being outdated or obsolete due to advanced technology.	<p>Keep pace with current technological developments in the industry.</p> <p>Upgrade knowledge of technical staff through trainings and seminars.</p> <p>Ensure strong supplier and customer relationship to meet customers' changing requirements and supplier's new developments.</p>
Human Resource	Impact on business competitiveness due to difficulties in attracting, developing and retaining employees with the appropriate skills, experience and aptitude.	<p>Recruitment of high caliber staff and effective communication lines are developed in the company's culture to foster good employer employee relationships.</p> <p>Regular training programs are carried out in order to infuse motivation, commitment and empowerment among the staff.</p> <p>Maintain healthy relationship with employees at all levels through joint consultative committees and welfare activities.</p>
Inventory	Risk of carrying inventory that is not saleable.	<p>Maintain optimum levels in all possible categories of inventory.</p> <p>Ensure required quality standards are met at all stages of inventory to maintain quality until the product is delivered.</p>
Fraud	The risk that the internal control weaknesses leading to corruption and employees abusing entrusted power for private gain and in turn leading to misappropriation of assets or fraudulent financial reports, have a risk on Company reputation, and consequent additional costs and could lead to the transgression of quality of service.	<p>Conduct periodic internal audits by an independent firm of Chartered Accountants.</p> <p>Formation of an Audit Committee which reviews internal audit reports and other financial and non-financial reports on a quarterly basis.</p> <p>Establishment of stringent procedures and internal control measures and their continuous improvement.</p>

FINANCIAL REPORTS

Statement of Directors' Responsibilities

Independent Auditors' Report

Statement of Profit or Loss and Other Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements



THE STATEMENT OF DIRECTORS' RESPONSIBILITIES

While 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 responsibility of the Directors in relation to the Financial Statements is set out in the following statement.

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 Profit or Loss and Other Comprehensive Income of the Company which presents a true and fair view of the Profit or Loss of the Company for the financial year; and
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company; and
- a Statement of Cash Flow providing the information to the users, on the ability of the Company to generate cash and cash equivalents.
- Notes to the Financial Statements comprising accounting policies and other explanatory information.

The Directors are required to confirm that the Financial Statements have been

- Prepared using appropriate accounting policies 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
- Provides 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 prevent and detect 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 recommending a dividend of Rs. 25 per share as the first and final dividend for the financial year 2015/16.

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 reporting 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

Colombo
02nd May 2016

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

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+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT

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, 2016, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 25 to 49 of the Annual Report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS
Colombo
02nd May 2016

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	2016 Rs.	2015 Rs.
Revenue	5	9,073,386,289	8,217,864,344
Cost of Sales		(8,312,997,053)	(7,293,507,605)
Gross Profit		760,389,236	924,356,739
Other Income	6	44,080,796	92,120,392
Selling and Distribution Expenses	7	(41,667,887)	(108,185,773)
Administrative Expenses		(330,854,084)	(286,846,058)
Other Operating Expenses		(63,149,942)	(58,994,329)
Profit from Operations		368,798,119	562,450,971
Net Finance Costs	8	(54,803,234)	(29,029,460)
Profit before Tax	9	313,994,885	533,421,511
Income Tax Expense	10	(104,457,091)	(203,447,233)
Profit for the year		209,537,794	329,974,278
Other Comprehensive Income			
Items that will never be reclassified to profit or loss			
Defined Benefit Plan - Actuarial Gain/ (Loss)	24 (b)	7,194,831	(6,163,656)
Deferred Tax (charge) / reversal on Defined Benefit Plan	10.3	(2,014,553)	1,725,824
		5,180,278	(4,437,832)
Items that are or may be reclassified to profit or loss			
Net change in Fair Value of AFS Financial Assets		(19,915)	33,021
		(19,915)	33,021
Total Other Comprehensive Income, net of Tax		5,160,363	(4,404,811)
Total Comprehensive Income for the Year		214,698,157	325,569,467
Basic and Diluted Earnings per Share	11	57.87	91.13

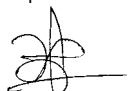
The Notes annexed form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	2016 Rs.	2015 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	12	554,459,358	340,685,968
Intangible Assets	13	2,048,583	2,951,934
Financial Investments	14	136,326	156,240
Lease Rental Receivable	15.1	63,741,212	59,599,622
Total Non Current Assets		620,385,479	403,393,764
Current Assets			
Inventories	16	3,837,724,120	3,384,952,829
Trade and Other Receivables	17	537,992,991	1,015,162,854
Lease Rental Receivable	15.2	320,129,468	456,623,571
Deposits and Prepayments	18	14,274,256	15,754,643
Related Party Receivables	19	-	475,749,632
Cash & Cash Equivalents	20.1	52,011,927	15,424,709
Total Current Assets		4,762,132,762	5,363,668,238
Total Assets		5,382,518,241	5,767,062,002
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 Reserve	23	128,908	148,823
Retained Earnings		1,865,188,687	1,794,921,794
Equity attributable to owners of the Company		2,802,040,245	2,731,793,267
Non Current Liabilities			
Employee Benefits	24	58,037,628	56,469,269
Deferred Tax Liability	25	23,786,465	1,134,443
Total Non Current Liabilities		81,824,093	57,603,712
Current Liabilities			
Trade and Other Payables	26	513,120,416	583,247,000
Current Tax Liabilities	27	15,178,651	162,827,244
Provision for Warranty	28	4,287,773	3,821,058
Short-Term Borrowings	29	1,948,188,630	2,214,993,656
Bank Overdrafts	20.2	17,878,433	12,776,065
Total Current Liabilities		2,498,653,903	2,977,665,023
Total Liabilities		2,580,477,996	3,035,268,735
Total Equity & Liabilities		5,382,518,241	5,767,062,002
Net Assets per Share		773.86	754.46

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

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

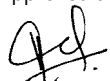


A R T Ranasinghe
Deputy General Manager - Finance & Systems

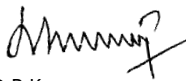


U Gautam
Chief Executive Officer

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



Y L S Hameed
Chairman



D P Kumara
Director

Colombo, 2nd May 2016.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Stated Capital Rs.	General Reserves Rs.	Financial Assets - Available for Sale Reserves Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2014	49,375,150	887,347,500	115,802	1,487,489,563	2,424,328,015
Total Comprehensive Income					
Profit for the year	-	-	-	329,974,278	329,974,278
Other Comprehensive Income, net of Tax	-	-	33,021	(4,437,832)	(4,404,811)
Total Comprehensive Income	-	-	33,021	325,536,446	325,569,467
Transactions with owners of the Company					
Contribution / Distribution					
Dividends	-	-	-	(18,104,215)	(18,104,215)
Total Transactions with owners of the Company	-	-	-	(18,104,215)	(18,104,215)
Balance as at 31 March 2015	49,375,150	887,347,500	148,823	1,794,921,794	2,731,793,267
Total Comprehensive Income					
Profit for the year	-	-	-	209,537,794	209,537,794
Other Comprehensive Income, net of Tax	-	-	(19,915)	5,180,278	5,160,363
Total Comprehensive Income	-	-	(19,915)	214,718,072	214,698,157
Transactions with owners of the Company					
Contribution / Distribution					
Unclaimed Dividend Reversed	-	-	-	382,541	382,541
Dividends	-	-	-	(144,833,720)	(144,833,720)
Total Transactions with owners of the Company	-	-	-	(144,451,179)	(144,451,179)
Balance as at 31 March 2016	49,375,150	887,347,500	128,908	1,865,188,687	2,802,040,245

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

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	2016 Rs.	2015 Rs.
Cash Flows from Operating Activities			
Profit before Tax		313,994,885	533,421,511
Adjustment For :			
Depreciation of Property, Plant and Equipment	12	86,085,665	80,203,447
Amortization of Intangible Assets	13	903,351	651,597
Provision for Employee Benefits	24.1	8,839,840	7,502,239
Impairment Provision on Trade & Other Receivables	7	4,194,511	64,908,804
Provision for Inventory	9	10,329,029	142,850,928
Net Finance Costs	8	81,384,152	86,884,290
Lease Interest Income	6	(19,416,956)	(56,650,193)
Gain on Sale of Property, Plant and Equipment	6	(50,901)	(6,817,131)
(Reversal)/ Provision of Provision for Free Service	9	(3,174,098)	4,067,594
Provision for Warranty	9	4,287,773	3,821,058
		173,382,366	327,422,633
Operating Profit before Working Capital Changes		487,377,251	860,844,144
Working Capital Changes in			
Inventories		(705,305,625)	(828,918,864)
Trade and Other Receivables		626,225,207	246,754,156
Related Party Receivables		475,749,632	(475,260,322)
Trade and Other Payables		(70,391,004)	303,424,689
		326,278,210	(754,000,341)
Cash Generated from Operations		813,655,461	106,843,803
Interest paid	8	(81,505,148)	(87,031,900)
Employee Benefits paid	24	(76,650)	-
Payments / Set off of Income Taxes	27	(231,468,215)	(74,256,489)
		(313,050,013)	(161,288,389)
Net Cash Generated from / (Used in) Operating Activities		500,605,448	(54,444,586)
Cash flows from Investing Activities			
Interest received	8	120,996	147,610
Proceeds from Sale of Property, Plant and Equipment	12	50,901	24,000,000
Acquisition of Property, Plant & Equipment		(57,653,749)	(34,539,655)
Net Cash Flows Used in Investing Activities		(57,481,852)	(10,392,045)
Cash Flows from Financing Activities			
Short Term Loans obtained during the year	29.1	7,399,175,560	8,453,956,055
Short Term Loans repaid during the year	29.1	(8,486,997,662)	(7,764,038,115)
Net movement in Import Loans		821,017,076	(606,406,919)
Dividends paid		(144,833,720)	(18,104,215)
Net Cash Flows (Used in) / Generated from Financing Activities		(411,638,746)	65,406,806
Net Increase in Cash & Cash Equivalents		31,484,850	570,175
Net Cash & Cash Equivalents at the beginning of the year		2,648,644	2,078,469
Net Cash & Cash Equivalents at the end of the year	20	34,133,494	2,648,644
Analysis of Cash & Cash Equivalents at the end of the year			
Cash at Bank and in Hand	20.1	52,011,927	15,424,709
Bank Overdrafts	20.2	(17,878,433)	(12,776,065)
		34,133,494	2,648,644

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

NOTES TO THE FINANCIAL STATEMENTS

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, Diesel 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 193. (2015 -180)

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 02nd May 2016.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company comprise the statement of financial position, statement of profit or loss and other 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 (SLFRSs / LKASs) 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;

- Non-derivative financial instruments classified as "Loans and receivables" and "Other financial liabilities" measured at amortized cost.
- Available for sale financial assets are measured at fair value;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 24.

These Financial Statements have been prepared on the basis that the Company would continue as a going concern for a 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 SLFRSs / LKASs 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 Financial Statements are included in the following notes;

- Assessment of Impairment
 - Key assumptions used in discounted cash flow projections.

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.

• Deferred Taxation

Deferred Tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences.

• Defined Benefit Plans

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

• Current Taxation

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- **Provisions for obsolete and slow-moving items**

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.

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 applying 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 in profit or a loss.

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

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

Cash and cash equivalents comprise cash balances and fixed 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 Company 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 expire.

Non derivative 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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 and Equipment

All items of Property, Plant and 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 for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied in the item of Property, Plant and Equipment will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognized in the profit or loss as incurred.

c) Depreciation

The company provide depreciation from the date the assets are available for use whereas depreciation of asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives of the different types of assets.

Factory Building	2.5%
Machinery & Equipment	5%
Factory Equipment	5%
Data processing Equipment	25%
Office Equipment &	
City office equipment	10%
Furniture & Fittings	10%
Motor Vehicles	20%
Computer software (intangible assets)	25%
<i>Freehold land is not depreciated.</i>	

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

d) Derecognition

An item of Property, plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. 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 reporting 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.

f) Software

All computer software costs incurred, which are not integrally related to associate hardware, which can be clearly identified, reliably measured and it's

probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

3.3. Intangible Assets

a) Cost

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

b) Subsequent Expenditure

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

c) Amortization

Intangible assets, except for goodwill are amortized on a straight line basis in the profit or loss 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 includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Work-in-progress refers to jobs remaining incomplete in the workshop and stated at cost. Cost includes all expenditure related directly to specific projects.

The Cost of each category of inventory is determined on following basis.

- Spare Parts - At First In First Out basis
- Vehicles - At Actual Cost
- Goods In Transit - At Estimated Cost
- Work In Progress - Includes only the Cost of material.

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.

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 inventories 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. Impairment losses are recognized in the statement of profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3.7.2. Defined Contribution Plans- Employees Provided 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 profit or loss 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

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.

3.10 Statement of Profit or Loss and Other Comprehensive Income

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 profit or loss 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 profit or loss.

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) Commission

When the Company acts in the capacity of an agent rather than as the principle in a transaction, then the revenue recognized is the net amount of commission receivable to the Company.

f) 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 profit or loss 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 profit or loss 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.

(i) 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.

(ii) 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.

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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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 realized, based on the level of future taxable profit forecasts and tax planning strategies.

(iii) 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 judgments about future events. New information may become available that causes the Company to change its judgment 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 if any which occur after the reporting date have been considered and disclosed in notes to the financial statements.

3.10.8. Cash Flow Statement

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 'Cash Flow Statements.' 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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. Comparative Information

The accounting policies applied by the company unless otherwise stated are 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.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

- **Level 1** - Quoted prices (unadjusted) in active markets for identifiable assets and liabilities

- **Level 2** - Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly (as prices) or indirectly (derived prices)
- **Level 3** - Inputs from the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(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 held-to-maturity 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 Receivables

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

and, for disclosure purposes, at each annual reporting date.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st January 2018. Accordingly, the Company has not applied the following new standards in preparing these financial statements.

4.1 SLFRS 9-Financial Instruments

SLFRS 9 - "Financial Instruments" replaces the existing guidance in LKAS 39 - Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

The Company is assessing the potential impact on its Financial Statements resulting from SLFRS 9.

4.2 SLFRS 15 - Revenue Recognition from Customer Contracts

SLFRS 15 - "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance LKAS 18 Revenue, LKAS 11 Construction Contracts.

SLFRS 15 is effective for annual reporting period beginning on or after 1st January 2018, with early adoption permitted.

The Company is assessing the potential impact on its Financial Statements resulting from the above Standards.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March		2016 Rs.	2015 Rs.
5	REVENUE		
	New Vehicle Sales	8,743,106,311	7,807,437,129
	Diesel Generator Set Sales	53,481,274	61,325,472
	Vehicle / Generator Set Repair Income	123,502,571	106,434,319
	Spare Parts Sales	108,318,117	80,532,881
	Local Agency Commission	44,978,016	162,134,543
	Total Gross Turnover	9,073,386,289	8,217,864,344
6	OTHER INCOME		
	Vehicle Hiring Income	14,622,100	17,796,213
	Profit on Sale of Property, Plant and Equipment	50,901	6,817,131
	Lease Interest Income	19,416,956	56,650,193
	Sundry Income	9,990,839	10,856,855
		44,080,796	92,120,392
7	SELLING AND DISTRIBUTION EXPENSES		
	Distribution Expenses comprise of the following;		
	Commission	3,750,000	6,834,400
	Discounts	6,281,466	12,274,154
	Advertising	2,368,293	2,347,404
	Impairment loss on Trade Receivables (Note 7.1)	4,194,511	64,908,804
	Write off of Trade Receivables	-	7,600,000
	Other Selling Expenses	25,073,617	14,221,011
		41,667,887	108,185,773
7.1	Impairment loss on trade receivables		
	Impairment loss on Lease Rental Receivables (Note 15.3)	8,686,751	-
	Impairment (reversal) / charge on Trade Receivables (Note 17.1)	(4,492,240)	64,908,804
		4,194,511	64,908,804
8	NET FINANCE INCOME / (COSTS)		
	Interest Income	120,996	147,610
	Net Foreign Exchange Gain	26,580,918	57,854,830
	FINANCE INCOME	26,701,914	58,002,440
	Interest on Short Term Borrowings	(80,801,649)	(86,545,051)
	Overdraft Interest	(703,499)	(486,849)
	FINANCE COSTS	(81,505,148)	(87,031,900)
	NET FINANCE COSTS	(54,803,234)	(29,029,460)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March	2016 Rs.	2015 Rs.
9 PROFIT BEFORE TAX		
Profit before tax is stated after charging all the expenses including followings;		
Directors' Emoluments	2,160,000	1,010,000
Auditors' Remuneration - Audit services	1,530,000	1,392,000
- Non Audit services	400,000	-
Staff Cost	194,172,611	143,758,969
EPF	13,053,027	11,362,550
ETF	3,263,287	2,840,637
Provision for Employee Benefits	8,839,840	7,502,239
Depreciation of Property, Plant and Equipment	86,085,665	80,203,447
Amortization of Intangible Assets	903,351	651,597
Impairment loss on Trade & Other Receivables	4,194,511	64,908,804
Bad Debts written-off	-	7,600,000
Provision for Slow Moving and obsolete stocks -General	10,329,029	142,850,928
Provision / (Reversal) of provision for Free Service	(3,174,098)	4,067,594
Provision for Warranty	4,287,773	3,821,058
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 Tax Expense		
Income Tax on Profits for the Year (Note 10.2)	83,819,622	200,870,990
Deferred Tax (Note 10.3)	20,637,469	2,576,243
	104,457,091	203,447,233
10.2 Reconciliation of the Accounting Profit and Taxable Profit		
Profit before Tax	313,994,885	533,421,511
Income from other sources and exempt income	(50,901)	(6,817,131)
Aggregated Expenses Disallowed for Taxation	111,589,353	305,840,375
Aggregated Deductible Expenses for Taxation	(125,752,903)	(87,958,245)
Taxable Income	299,780,434	744,486,510
Taxation		
Income Tax at 12%	89,175	-
Income Tax at 28%	83,730,447	208,456,222
Prior Year Over Provision Adjustment	-	(7,585,232)
Income Tax on Profits for the Year	83,819,622	200,870,990
10.3 Recognition of Deferred Tax Expenses in the Statement of Profit or Loss and Other Comprehensive Income		
Statement of Profit or Loss (Note 25.1)	20,637,469	2,576,243
Other Comprehensive Income (Note 25.1)	2,014,553	(1,725,824)
	22,652,022	850,419
11 EARNINGS PER SHARE & DIVIDEND PER SHARE		
Basic and Diluted 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.		
	2016	2015
Profit Attributable to Ordinary Shareholders (Rs.)	209,537,794	329,974,278
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Basic and Diluted Earnings Per Share (Rs.)	57.87	91.13
Dividend per Share		
Dividend for the Year (Rs.)	90,521,075	144,833,720
Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
Dividend per Share (Rs.)	25.00	40.00

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March 2016

12 PROPERTY, PLANT & EQUIPMENT

COST	As at 1st April 2015	Additions / Transfers	Disposals	As at 31st March 2016
Freehold Land	10,700,810	-	-	10,700,810
Freehold Factory & Building	106,745,377	-	-	106,745,377
Data Processing Equipment	25,179,222	3,450,000	-	28,629,222
Machinery & Equipment	17,341,295	-	-	17,341,295
Factory Equipment	20,923,001	2,289,507	-	23,212,508
Office Equipment	6,261,726	149,400	-	6,411,126
Furniture & Fittings	20,552,062	511,620	-	21,063,682
Motor Vehicles	358,030,723	243,950,576	(15,081,260)	586,900,039
	565,734,216	250,351,103	(15,081,260)	801,004,059
Work In Progress - Building	-	51,253,223	-	51,253,223
	565,734,216	301,604,325	(15,081,260)	852,257,282

ACCUMULATED DEPRECIATION	As at 1st April 2015	Charge for the year	Disposals	As at 31st March 2016
Freehold Factory & Building	21,620,917	2,675,945	-	24,296,863
Data Processing Equipment	19,450,317	3,076,104	-	22,526,421
Machinery & Equipment	7,526,446	869,906	-	8,396,352
Factory Equipment	6,138,179	1,089,885	-	7,228,064
Office Equipment	3,378,537	195,428	-	3,573,964
Furniture & Fittings	10,334,902	1,740,424	-	12,075,326
Motor Vehicles	156,598,950	76,437,973	(13,335,990)	219,700,934
	225,048,248	86,085,665	(13,335,990)	297,797,924
Carrying Value	340,685,968			554,459,358

12.1 Market Value of the Freehold Land & Building

Property	Market Value	Valuation Surveyor	Date of Valuation	Land Extent
Freehold Land & Building at Panagoda, Homagama	Rs 505 Mn	Mr. M.A. Ananda Sarath	31.03.2016	18 acres and 32 perches

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

12.3 Property, Plant & Equipment include fully depreciated assets that are still in use having a gross amount of Rs. 37,017,857 as at 31st March 2016 (2014/15 - Rs. 35,471,498).

12.4 Rs. 243,950,576 (2014/15 - Rs. 23, 659,520) has been capitalized as Motor Vehicles from Vehicle Stock.

12.5 There is no permanent fall in the value of Property, Plant and Equipment which require a provision for impairment.

12.6 There were no capitalized borrowing costs related to the acquisition of Property, Plant and Equipment during the year (2014/15 - Nil).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

13 INTANGIBLE ASSETS

COST	As at 1st April 2015	Additions	Disposals	As at 31st March 2016
Computer software	14,361,928	-	-	14,361,928
	14,361,928	-	-	14,361,928
ACCUMULATED AMORTIZATION	As at 1st April 2015	Amortization for the year	Disposals	As at 31st March 2016
Computer software	11,409,994	903,351	-	12,313,345
	11,409,994	903,351	-	12,313,345
Carrying Value	2,951,934			2,048,583

14 FINANCIAL INVESTMENTS

	Rs. Cost	2016 Rs. Market Value	Rs. cost	2015 Rs. Market Value
14.1 Investment in Shares - Available For sale	7,417	136,326	7,417	156,240
Diesel & Motor Engineering PLC (Quoted) (248 Ordinary shares of Rs. 10/- each)				
Total Investments		136,326		156,240

As at 31st March

	2016 Rs.	2015 Rs.
15 LEASE RENTAL RECEIVABLE		
Opening Balance	543,254,500	809,280,000
Granted during the year	52,747,200	18,898,000
Total Rental Receivable	596,001,700	828,178,000
Less : Payment received during the year	(183,509,918)	(284,923,500)
Total Rental outstanding	412,491,782	543,254,500
Less - Interest In Suspense	(19,934,351)	(27,031,307)
Unearned Rental Income	392,557,431	516,223,193
Less : Provision for Impairment Loss (Note 15.3)	(8,686,751)	-
Balance as at 31 March	383,870,680	516,223,193
15.1 Receivable after one year		
Total Rental Receivable	71,325,782	69,000,000
Less - Interest In Suspense	(7,584,570)	(9,400,378)
Unearned Rental Income	63,741,212	59,599,622
Balance as at 31 March	63,741,212	59,599,622
15.2 Receivable within one year		
Total Rental Receivable	341,166,000	474,254,500
Less - Interest In Suspense	(12,349,782)	(17,630,929)
Unearned Rental Income	328,816,218	456,623,571
Less : Provision for Impairment Loss (Note 15.3)	(8,686,751)	-
Balance as at 31 March	320,129,468	456,623,571
15.3 Movement for Impairment Loss		
Balance at the beginning of the year	-	-
Impairment loss recognized during the year	8,686,751	-
Balance at the end of the year	8,686,751	-

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March	2016 Rs.	2015 Rs.
16 INVENTORIES		
Vehicle Stock	3,374,290,232	3,287,652,148
Generators	30,720,604	41,272,950
Cab/Bodies & Work In Progress	17,917,635	36,393,139
Spare Parts & Consumables	323,259,933	323,597,622
	3,746,188,404	3,688,915,859
Goods In Transit	412,943,936	7,116,160
	4,159,132,340	3,696,032,019
Provision for Slow Moving & Obsolete Stocks - (General)	(321,408,220)	(311,079,190)
	3,837,724,120	3,384,952,829
16.1 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.		
	2016 Rs.	2015 Rs.
17 TRADE AND OTHER RECEIVABLES		
Trade Receivables	604,460,260	1,070,207,734
Less: Provision for Impairment Loss (Note 17.1)	(137,152,452)	(141,644,692)
	467,307,808	928,563,042
Advances to Staff	6,425,754	9,771,000
VAT Receivable	61,856,816	72,144,338
Other Receivables	2,402,613	4,684,474
	537,992,991	1,015,162,854
17.1 Provision for impairment loss		
Balance at the beginning of the year	141,644,692	76,735,888
(Reversal) / Provision for the year	(4,492,240)	64,908,804
Balance at the end of the year	137,152,452	141,644,692
18 DEPOSITS AND PREPAYMENTS		
Deposits and advances	13,126,797	9,360,788
Prepayments	1,147,459	6,393,855
	14,274,256	15,754,643
19 RELATED PARTY RECEIVABLES		
Receivables from Ashok Leyland Limited - India	-	475,749,632
	-	475,749,632

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March			2016 Rs.	2015 Rs.
20 CASH & CASH EQUIVALENTS				
20.1 Favourable balances				
Fixed Deposits			2,300,000	2,300,000
Cash in Hand			26,558,122	171,195
Cash at Banks			23,153,805	12,953,514
			52,011,927	15,424,709
20.2 Unfavourable balances				
Bank Overdraft			(17,878,433)	(12,776,065)
Cash & cash equivalents for the purpose of Cash Flow Statement			34,133,494	2,648,644
20.3 Overdraft Facilities	Limit	Security		
Seylan Bank PLC	100,000,000	Land / Building / Inventory		
		No of Shares	2016 Rs.	2015 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
21.1 A premium of Rs. 40/- per share was received for 329,168 ordinary shares issued as rights in 1992.				
22 GENERAL RESERVES				
			2016 Rs.	2015 Rs.
Balance at the beginning of the year			887,347,500	887,347,500
Transferred during the year			-	-
Balance at the end of the year			887,347,500	887,347,500
22.1 The General Reserve relates to retained earnings set aside by the Company.				
23 FINANCIAL ASSETS - AVAILABLE FOR SALE RESERVE				
Available for sale reserve			128,909	148,823
			128,909	148,823

23.1 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March	2016 Rs.	2015 Rs.
24 EMPLOYEE BENEFITS		
Balance at the beginning of the Year	56,469,269	42,803,374
Current Service Cost	3,475,259	3,221,902
Interest Cost for the Year	5,364,581	4,280,337
Net Actuarial (Gain)/Loss	(7,194,831)	6,163,656
Payments during the Year	(76,650)	-
Balance at the end of the Year	58,037,628	56,469,269
24.1 Recognized in ;		
<i>a) Income Statement</i>		
Current Service Cost	3,475,259	3,221,902
Interest Cost for the Year	5,364,581	4,280,337
	8,839,840	7,502,239
<i>b) Other Comprehensive Income</i>		
Net Actuarial (Gain)/Loss	(7,194,831)	6,163,656
	1,645,009	13,665,895

Employee Benefit liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Limited, Actuaries, on 31 March 2016. The principal assumptions used in are as follows:

Discount rate	10.00%	9.50%
Expected annual average salary increment	9.00%	10.00%
Staff turnover factor	2%	2%
Retiring age	58 years	58 years
Mortality table	A 67/70	A 67/70

24.2 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

As at 31st March	2016 Rs.	2015 Rs.
1% Increase in discount rate	53,917,584	52,136,194
1% decrease in discount rate	62,705,171	61,387,415
1% increase in salary increment rate	62,800,322	61,452,772
1% decrease in salary increment rate	53,755,584	51,997,755

The above provision is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March	2016 Rs.	2015 Rs.
25 DEFERRED TAX LIABILITIES		
Temporary Difference		
Property Plant & Equipment	142,989,290	60,520,851
Employee Benefits	(58,037,628)	(56,469,269)
	84,951,662	4,051,582
Tax effect on Temporary difference	28%	28%
Property, Plant & Equipment	40,037,001	16,945,838
Employee Benefits	(16,250,536)	(15,811,395)
	23,786,465	1,134,443
Balance at the beginning of the year	1,134,443	284,024
Provision for the year	22,652,022	850,419
Balance at the end of the year (Note 25.1)	23,786,465	1,134,443

25.1 (a) Movement in Deferred Tax Liability during the year

	As at 01 April 2015 Rs.	Recognized in Profit or Loss Rs.	Recognized in Other Comprehensive Income Rs.	As at 31 March 2016 Rs.
Property, Plant and Equipment - Deferred Tax Liability	16,945,838	23,091,163	-	40,037,001
Defined Benefit Plan - Deferred Tax Asset	(15,811,395)	(2,453,694)	2,014,553	(16,250,536)
	1,134,443	20,637,469	2,014,553	23,786,465

25.1 (b) Movement in Deferred Tax Liability during the year

	As at 01 April 2014 Rs.	Recognized in Profit or Loss Rs.	Recognized in Other Comprehensive Income Rs.	As at 31 March 2015 Rs.
Property, Plant and Equipment - Deferred Tax Liability	12,268,969	4,676,869	-	16,945,838
Defined Benefit Plan - Deferred Tax Asset	(11,984,945)	(2,100,626)	(1,725,824)	(15,811,395)
	284,024	2,576,243	(1,725,824)	1,134,443

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March	2016 Rs.	2015 Rs.
26 TRADE AND OTHER PAYABLES		
Trade Payables	320,159,125	411,068,718
Accruals & Other Payables	96,989,159	31,077,279
Refundable Deposits	72,461,104	84,998,510
Unclaimed Dividend	5,071,489	8,669,536
Deferred Income (Note 26.1)	6,354,162	9,528,260
EPF Payable	1,892,764	-
ETF Payable	283,915	-
PAYE Payable	-	335,015
Salary Payable	460,001	387,981
Other Payables	9,448,697	37,181,702
	513,120,416	583,247,000
26.1 Movement of deferred income		
Balance at the beginning of the year	9,528,260	5,460,666
Provision for the year	91,748,244	72,576,589
Reversed during the year	(94,922,342)	(68,508,995)
Balance at the end of the year	6,354,162	9,528,260
Deferred Income represent the Free Service Provision as per IFRS / LKAS 18 - Revenue		
27 CURRENT TAX LIABILITIES		
Balance at the beginning of the year	162,827,244	36,212,742
Income Tax Liability for the year (Note 10.1)	83,819,622	200,870,990
Paid/set off during the year	(231,454,771)	(74,241,728)
WHT Recoverable	(13,444)	(14,760)
Balance at the end of the year	15,178,651	162,827,244
28 PROVISION FOR WARRANTY		
Provision for warranty	4,287,773	3,821,058
	4,287,773	3,821,058

The provision for warranties relates mainly to vehicles sold during the last six months of 2015 and 2016. 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.

	2016 Rs.	2015 Rs.
29 SHORT TERM BORROWINGS		
Import Loan (Note 29.1)	1,125,947,488	2,213,769,590
Payable on Imports	822,241,142	1,224,066
	1,948,188,630	2,214,993,656

29.1 Movement of short term borrowings

Lender	Purpose	Rate of Interest %	As at 01st April 2015 Rs.	Obtained during the year Rs.	Repayments Rs.	As at 31st March 2016 Rs.
Seylan Bank PLC	Import/Financing	AWPLR+0.5%	613,115,000	4,549,628,941	(4,564,572,941)	598,171,000
Indian Bank	Import/Financing	AWPLR	-	70,632,510	(70,632,510)	-
Commercial Bank	Import/Financing	AWPLR+1.5%	1,600,654,590	2,778,914,109	(3,851,792,211)	527,776,488
			2,213,769,590	7,399,175,560	(8,486,997,662)	1,125,947,488

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March 2016

30 RELATED PARTY TRANSACTIONS

The Company carries out the below mentioned transactions in the ordinary course of its business with parties who are defined as related parties by LKAS 24 "Related Party disclosures".

Name of Related Party & Relationship	Name of the Director	Position	Nature of Transaction	Amount (Rs.)
a) Transactions with Lanka Leyland Ltd				
Lanka Leyland Ltd <i>Holds 41.8% of the Share Capital of the Company.</i>	Mr.Y.L.S. Hameed	Chairman of Lanka Leyland Ltd	Dividend Payment to Lanka Leyland	54,450,000
	Mr.B.M.Riyaj	Director of Lanka Leyland Ltd		
b) Transactions and Outstanding balance with Ashok Leyland - India	Mr.Vinod K Dasari	Managing Director of Ashok Leyland Ltd	Purchase of Motor Vehicle	7,204,254,868
Ashok Leyland Limited -India <i>Holds 27.8 % of share capital of the Company by virtue of the joint venture agreement with Lanka Leyland Ltd</i>	Mr. Gopal Mahadevan	Chief Financial Officer of Ashok Leyland Ltd	Purchase of Spare Parts/Generators	150,161,526
			Settlement of Motor Vehicles & Spares Purchased	(6,533,399,317)
			Local Agency Commission received (LAC) on direct supply of vehicles	44,978,016
			Dividend Payment to Ashok Levland Limited - India	36,299,952

c) Transactions and Outstanding balance with Government of Sri Lanka and its related entities

Since the Government of Sri Lanka holds the ownership of the Joint Venture Partner Lanka Leyland Ltd, the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka are considered as related parties according to LKAS 24, Related Party Disclosures.

The Company enters into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities and summary of significant transactions are reported below.

Name of Related Party	Nature of Transaction	Amount (Rs.)
Sri Lanka Transport Board	Supply of Vehicles under lease and Payment on Delivery Terms	310,800,000
	Supply of Spare Parts and Repair Service under Payment on Delivery Terms	57,500,630
	Payment Received during the period	(651,605,357)
	Closing Receivable balance	564,276,215
	Dividend Payment	1,125,000
Sri Lankan Airlines	Supply of Vehicles under lease Term	52,747,200
Other Government related entities	Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term	83,050,332
Government Financial Institutions	Finance provided to Lanka Ashok Leyland PLC's customers	2,837,541,969
Statutory Payments made to government institutions	Taxes and Other Statutory expenses	1,572,498,745

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March 2016

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. 15,929,025 (2014/15 - Rs.13,415,068).

As at 31st March	2016 Rs.	2015 Rs.
Key management personnel payments		
a. Short term employee benefits	15,106,425	12,673,468
b. Post-employment benefits	822,600	741,600
c. Termination benefits	-	-
d. Share-based payments	-	-
	15,929,025	13,415,068

30.3 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
- (b) children of the individual's domestic partner; and
- (c) dependents of the individual or the individual's domestic partner

CFM are related parties to the entity. There were no transactions with CFM during the year.

31 CAPITAL COMMITMENTS

The Company has entered into construction contracts with unrelated parties, amounting to Rs. 96,533,334, for the construction of covered area for the parking of vehicles in the factory premises. As at 31st March 2016, Rs. 39,781,302 of such contract commitments had not yet been incurred. The relevant building is still under construction. There are no other material capital commitments existed as at 31 March 2016 other than disclosed above.

32 CONTINGENT LIABILITIES

Department of Inland Revenue has issued additional assessments on Income Tax liability for the years of assessments 2009/10 and 2010/11 based on the grounds that the Company has not considered 2/3 of a Prescribed Levy in computing the taxable income in accordance with the regulations made by the gazette notification No: 1606/31 dated 19th June 2009 as provided in section 26(1)(1)(i) of the Inland Revenue Act No: 10 of 2006.

Having sought professional advice, management is confident that the outcome of this assessment will not have material liability to the Company. Accordingly, no provision has been made in the Financial Statements.

33 LITIGATION AND CLAIMS

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

34 EVENTS AFTER THE REPORTING DATE

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act No. 07 of 2007, the Directors recommend the payment of first and final dividend of Rs. 25 per share (250%) amounting to Rs. 90,521,075/= for the year ended 31st March 2016 (2014/15- Rs 40/= per share (400%) amounting to Rs 144,833,720/=), which will be declared at the Annual General Meeting to be held on 08th August 2016. 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 2016. Subsequent to the reporting period, no circumstance have arisen which would required 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.

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

37 NUMBER OF EMPLOYEES

The number of employees as on 31st March was ;

	2016	2015
Executives	47	44
Non Executives	146	136
	193	180

The following table shows the net carrying amounts and fair value of financial assets and liabilities, including their level in the fair value hierarchy.

Net Carrying Amount

The Company has not disclosed the fair value for financial instruments such as short-term trade receivables and payables, as their carrying amounts are a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March 2016

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 of measuring and managing risk.

Risk management framework

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

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, procedures, and compliance with internal controls, 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.

Exposure to credit risk

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

As at 31st March	2016 Rs.	2015 Rs.
Trade Receivables	467,307,808	928,563,042
Other Receivables	84,959,439	102,354,455
Lease Rental Receivable	383,870,680	516,223,193
Related Party Receivables	-	475,749,632
Cash and cash Equivalents	52,011,927	15,424,709
Total	988,149,855	2,038,315,031

Trade and Other Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of the customers. 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 2015/16, approximately 3.8% (2014/15: 2.7%) of the Company's revenue was attributable to sales transactions with the largest single customer.

The Company establishes an allowance for impairment that represents its estimate of impaired losses in respect of trade receivables. The main components of this allowance are determined based on historical data of payment statistics of similar financial assets.

The aging of trade receivables net of impairment as at 31st March 2016 was as follows;

	0 - 60 Days Rs.	61 - 90 Days Rs.	91 - 120 Days Rs.	121 - 180 Days Rs.	More than 180 Days Rs.	Total Rs.
Trade Receivables	205,623,535	6,363,761	1,973,489	10,106,626	243,240,397	467,307,808

Cash and cash equivalents

The Company held cash and cash equivalents of LKR 52,011,927 as at 31 March 2016 (2015: LKR. 15,424,709), which represents its maximum credit exposure on these assets.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31st March 2016

39 FINANCIAL RISK MANAGEMENT (Contd.)

Liquidity risk

Liquidity risk is the risk of facing 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 affecting the Company's reputation.

The Company also monitors the level of expected cash inflows from trade and other receivables together with expected cash outflows on trade and other payables. In addition, the Company maintains LKR 200 million overdraft facility that is secured. Interest would be payable at the market rate.

The following are the contractual maturities of financial liabilities at its Carrying Value;

As at 31st March 2016	Carrying Amount Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.	More than 90 Days Rs.
Trade & Other Payables	513,120,416	123,251,678	312,336,146	77,532,592
Interest Bearing Borrowings	1,143,825,921	17,878,433	1,125,947,488	-
Payable on Imports	822,241,142	822,241,142	-	-
Total	2,479,187,479	963,371,253	1,438,283,634	77,532,592

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 financial instruments. The management conduct periodic reviews on the Company's pricing & pricing policy in order to mitigate the market risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency risk

The Company is exposed to currency risk on payable for purchases and receivables that are denominated in US Dollars. The Management closely monitors the exchange rate movement, for necessary action.

The Financial Instruments denominated in US Dollars as on 31st March 2016 are;

As at 31st March	LKR	2016 US \$
Related Party Payable for Import bills	822,241,142	5,574,414
Total	822,241,142	5,574,414

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, 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 avoid financial losses and damages to Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiatives 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.

SHARE INFORMATION

There were 615 registered shareholders as at 31st March 2016 distributed as follows;

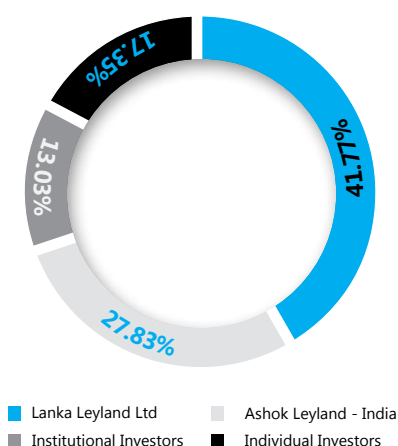
CATEGORY	NO. OF SHAREHOLDERS		SHAREHOLDING		%	
	2016(Mar)	2015(Mar)	2016(Mar)	2015(Mar)	2016(Mar)	2015(Mar)
1 - 1000	595	554	42,740	34,504	1.18	0.95
1001-5000	12	9	18,954	18,650	0.52	0.52
5001-10000	1	-	5,086	-	0.14	-
10001-50000	1	1	31,250	31,250	0.86	0.86
50001-100000	-	-	-	-	-	-
100001-500000	3	3	433,676	447,302	11.98	12.35
500001-1000000	1	1	568,305	568,305	15.70	15.70
OVER 1000000	2	2	2,520,832	2,520,832	69.62	69.62
TOTAL	615	570	3,620,843	3,620,843	100.00	100.00

LIST OF 20 MAJOR SHARE HOLDERS

CATEGORY	NO. OF SHARES HELD		SHARE HOLDING %	
	2016(Mar)	2015(Mar)	2016(Mar)	2015(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
N Thirimanne	568,305	568,305	15.70	15.70
Commercial Trust Technologies (PVT) LTD	205,320	218,946	5.67	6.05
Union Bank of Colombo PLC/ Perpetual Equities (PVT) LTD	115,506	115,506	3.19	3.19
Perpetual Capital (Pvt) Ltd	112,850	112,850	3.12	3.12
Sri Lanka Central Transport Board	31,250	31,250	0.86	0.86
J G De Mel	5,086	4,551	0.14	0.13
R P T Adams	2,700	2,700	0.07	0.07
N J Perera	2,600	2,600	0.07	0.07
Sampath Bank PLC/ Mr. M A U Gnanathilake	2,249	2,232	0.06	0.06
U I Suriyabandara	1,732	1,717	0.05	0.05
N I P Kumara	1,450	-	0.04	-
R A Y T Perera	1,300	1,300	0.04	0.04
B Periyasamy	1,250	1,250	0.03	0.03
F M Asaf Khan	1,204	-	0.03	-
L A P Perera	1,200	1,200	0.03	0.03
T S G Jayatilake	1,124	-	0.03	-
P L Perera	1,100	1,100	0.03	0.03
C J Gunarathna	1,045	-	0.03	-

Shareholder Structure by Ownership

	No. of Shareholders	No. of Shares	% Holding
Shares held by public as at 31st March 2016	612	531,706	14.68%
Shares held by public as at 31st March 2015	567	531,706	14.68%
The highest, lowest and closing market value recorded during the year as follows;			
	2015/16	2014/15	
Highest	1,600.00	1,550.00	
Lowest	1,200.00	1,300.00	
Year end	1,513.40	1,300.00	



DECADE AT A GLANCE

TRADING RESULTS		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Turnover	Rs 000'	4,153,166	2,800,907	2,595,585	3,408,648	11,524,020	16,830,583	10,533,066	6,976,829	8,217,864	9,073,386
Net Trading Profit /(Loss)											
Before Interest	Rs 000'	238,555	168,507	189,317	289,748	1,131,770	1,575,480	376,615	354,229	528,334	351,419
Interest Paid	Rs 000'	(38,602)	(59,799)	(112,132)	(87,162)	(42,526)	(17,850)	(313,781)	(332,748)	(87,032)	(81,505)
Net Trading Profit /(Loss)											
After Interest	Rs 000'	199,953	108,708	77,185	202,586	1,089,244	1,557,630	62,834	21,481	441,302	269,914
Other income	Rs 000'	5,920	3,181	5,272	4,868	30,201	88,708	390,289	234,636	92,120	44,081
Profit/(Loss) before tax	Rs 000'	205,873	111,889	82,457	207,454	1,119,445	1,646,338	453,123	256,117	533,422	313,995
Taxation	Rs 000'	(83,738)	(41,536)	(23,921)	(117,624)	(470,553)	(464,330)	(100,085)	(92,147)	(203,447)	(104,457)
Profit/(Loss) after tax	Rs 000'	122,135	70,353	58,536	89,830	648,892	1,182,008	353,038	163,970	329,975	209,538
Other Comprehensive Income	Rs 000'	-	-	-	-	-	(2,887)	(4,591)	(1,505)	(4,438)	5,180
Profit B/F	Rs 000'	74,503	85,430	92,765	90,092	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922
Effect of Transitory Provision	Rs 000'	-	-	-	-	-	(33,310)	-	-	-	-
Prior year adjustments	Rs 000'	-	(1,810)	-	-	(4,495)	-	-	-	-	-
Profit Available for Appropriations	Rs 000'	196,638	153,973	151,301	179,922	797,163	1,738,662	1,678,484	1,523,698	1,813,026	2,009,640
Dividend paid	Rs 000'	(36,208)	(36,208)	(36,208)	(27,156)	(54,312)	(108,625)	(217,250)	(36,208)	(18,104)	(144,834)
Transfers to Reserves	Rs 000'	(75,000)	(25,000)	(25,000)	-	(150,000)	(300,000)	(100,000)	-	-	-
Unclaimed Dividend Reversed	Rs 000'	-	-	-	-	-	-	-	-	-	383
Retained earnings	Rs 000'	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189

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'	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189
Reserves	Rs 000'	300,514	325,514	350,514	350,514	467,560	800,747	900,631	900,631	900,664	900,643
Shareholders Funds	Rs 000'	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072	2,424,328	2,731,794	2,802,040

ASSETS & LIABILITIES

Property, Plant & Equipment	Rs 000'	73,326	85,694	77,144	67,257	119,484	145,413	331,487	407,136	340,686	554,459
Other Non Current Assets	Rs 000'	1,007	3,507	3,507	3,507	52,950	510,776	561,712	174,085	62,708	65,926
Current Assets	Rs 000'	777,492	936,639	1,179,235	1,286,732	2,774,286	5,655,044	5,032,168	4,351,212	5,363,668	4,762,133
Current Liabilities	Rs 000'	(409,475)	(547,956)	(764,926)	(798,316)	(1,829,479)	(4,116,168)	(3,587,626)	(2,465,019)	(2,977,665)	(2,498,654)
Working Capital	Rs 000'	368,017	388,683	414,309	488,416	944,807	1,538,876	1,444,542	1,886,193	2,386,003	2,263,479
Non Current Liabilities	Rs 000'	(20,199)	(23,397)	(18,145)	(19,692)	(20,622)	(28,073)	(39,670)	(43,087)	(57,604)	(81,824)
Net worth of Company	Rs 000'	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072	2,424,328	2,731,794	2,802,040

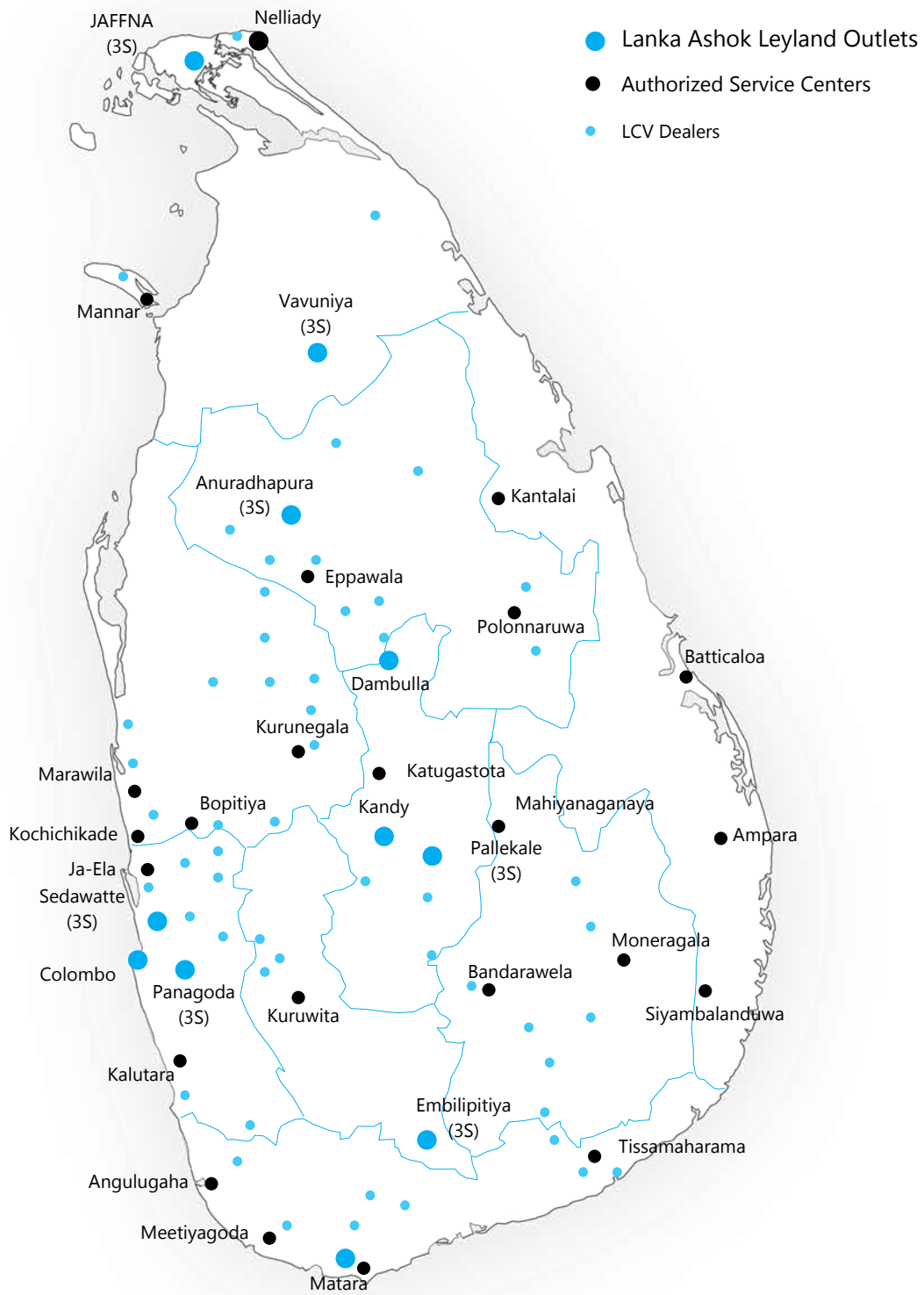
CASH FLOW ANALYSIS

Investments in Property, Plant and Equipment	Rs 000'	25,542	20,799	1,190	1,809	62,320	48,333	225,991	14,231	34,540	57,654
Depreciation and Amortization	Rs 000'	7,719	8,431	11,815	15,353	10,094	21,635	39,069	61,581	80,855	86,989
Net Cash generated from / (used in)											
Operating Activities	Rs 000'	99,669	(153,385)	(291,709)	349,801	(1,026,876)	19,168	(333,771)	1,164,145	(54,445)	500,605
Investing Activities	Rs 000'	(24,206)	(20,205)	1,113	(884)	(234,081)	33,244	(23,760)	(47,831)	(10,392)	(57,482)
Financing Activities	Rs 000'	(51,780)	156,663	261,876	(231,477)	231,963	1,260,027	10,622	(1,117,774)	65,407	(411,639)
Net Increase / (Decrease) in Cash and Cash Equivalents	Rs 000'	23,683	(16,927)	(28,720)	117,439	17,050	266,395	(346,909)	(1,460)	570	31,485

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.	116.59	125.52	131.69	149.00	302.86	598.48	634.68	669.55	754.46	773.86
Dividend per share	Rs.	10.00	10.00	7.50	15.00	30.00	60.00	10.00	5.00	40.00	25.00
Market price per share	Rs.	170.00	360.00	355.00	1,075.00	2,650.00	2,069.70	1,717.80	1,292.00	1,300.00	1,513.40
Market Capitalisation	Rs 000'	615,543	1,303,503	1,285,399	3,892,406	9,595,234	7,494,059	6,219,884	4,678,129	4,707,096	5,479,784
Earnings per share	Rs.	33.73	19.43	16.17	24.81	179.21	326.45	97.50	45.29	91.13	57.87
Dividend Payout	%	29.65	51.47	46.39	60.46	16.74	18.38	10.26	11.04	43.89	43.20
Price Earning Ratio	Rs.	5.04	18.53	21.96	43.33	14.79	6.34	17.62	28.53	14.27	26.15
Current Ratio	No of Times	1.90	1.71	1.54	1.61	1.52	1.37	1.40	1.77	1.80	1.91
Quick Ratio	No of Times	1.05	0.78	0.89	0.71	0.41	0.33	0.25	0.67	0.66	0.37
Interest Cover	No of Times	6.18	2.82	1.69	3.32	26.61	88.26	1.20	1.06	6.07	4.31
Trading Profit Before Int. / Net Turnover	%	5.74	6.01	7.29	8.50	9.82	9.36	3.58	5.08	6.43	3.87
Trading Profit After Int. / Net Turnover	%	4.81	3.88	2.97	5.94	9.45	9.25	0.60	0.31	5.37	2.97
Return on Net Assets	%	28.93	15.40	12.28	16.65	59.17	54.55	15.36	6.76	12.08	7.48

DISTRIBUTION NETWORK



3S - Services, Sales (Vehicle) & Spare parts

NOTICE OF MEETING

Notice is hereby given that the Thirty Third Annual General Meeting of Lanka Ashok Leyland PLC will be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on Monday 08th August 2016 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 2016.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect a Director in place of Mr. D P Kumarage 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 2016/17, on a remuneration of Rs. 1,530,000/= (Rupees One Million Five Hundred and Thirty 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
02nd May 2016

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.

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 B M Riyaj Gopal Mahadevan
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

NOTES

FORM OF PROXY

*I/We.....
holder of NIC No:..... of
.....
being a *shareholder / shareholders of Lanka Ashok Leyland PLC, do hereby appoint
..... holder of NIC No:
of
or failing him/her

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

as my/ our* proxy to represent me/ us* and on my/ our* behalf at the Annual General Meeting of the Company to be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on Monday, 8th August 2016 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 thisday of Two Thousand and Sixteen.

.....
Signature

* Note :

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

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 on 6th August 2016 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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Web : www.lal.lk