

***Forward  
Looking***



**LANKA ASHOK LEYLAND PLC**

Annual Report  
**2017/18**



## VISION

To be the leading Corporate stakeholder in nation's transportation infrastructure

## MISSION

To cultivate a flexible and productive workforce centered on our customer's needs and requirements, capable to quickly adapt and innovate transport solutions to become the most trusted partner for mobility solutions in the Country



*Lanka Ashok Leyland PLC Won the Silver Award under Motor Companies Category in the 53rd Annual Report Awards Ceremony – 2017 Organised by The Institute of Chartered Accountants of Sri Lanka*

# CONTENTS

About the Company ..... 04

Financial Highlights..... 05

Chief Executive Officer’s Review..... 09

Board of Directors ..... 11

Annual Report of the Board of Directors..... 14

Corporate Governance ..... 18

Audit Committee Report ..... 27

Remuneration Committee Report..... 28

Related Party Transactions Review Committee Report ..... 29

Management of Risk ..... 30

Financial Reports..... 34

Statement of Directors’ Responsibilities ..... 35

Financial Calendar ..... 36

Independent Auditors’ Report..... 37

Statement of Profit or Loss and Other Comprehensive Income..... 40

Statement of Financial Position..... 41

Statement of Changes in Equity ..... 42

Statement of Cash Flows ..... 43

Notes to the Financial Statements ..... 44

Share Information ..... 79

Decade at a Glance..... 80

Distribution Network..... 82

Glossary..... 83

Notice of Meeting ..... 85

Corporate Information ..... 86

Form of Proxy ..... 87









## ABOUT THE COMPANY

Lanka Ashok Leyland PLC was incorporated in 1982, as a joint venture Company between Ashok Leyland Limited, India and Lanka Leyland (Pvt) Ltd, a fully owned Company of the Government of Sri Lanka. The Company was Listed in Colombo Stock Exchange in 1983. Lanka Ashok Leyland has 11 sales outlets 23 authorized service centers spread throughout the country and the main factory compound is located at Panagoda, Homagama.

## MAIN ACTIVITIES

The main activities are:

- Import and marketing of Commercial Vehicles, Spare Parts and Power Generators.
- Fabrication of bowsers, other steel and aluminum bodies for Trucks.
- Truck body building for special requirements and building of driver's cabins.
- Rehabilitation of old and accidental vehicles.
- Provide day to day running repairs and services.
- Assembly and progressive manufacture of Ashok Leyland commercial vehicles, with technical assistance from Ashok Leyland Limited, India.

Lanka Ashok Leyland PLC is an ISO 9001:2008 certified Company on Quality Management System of Marketing, Body Building and Repair of Commercial Vehicles.

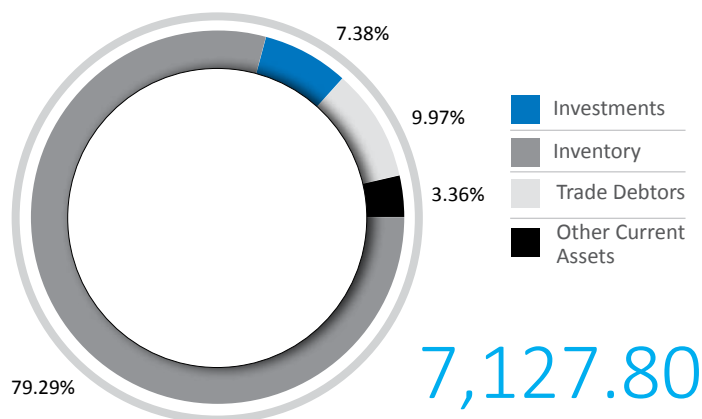


## FINANCIAL HIGHLIGHTS

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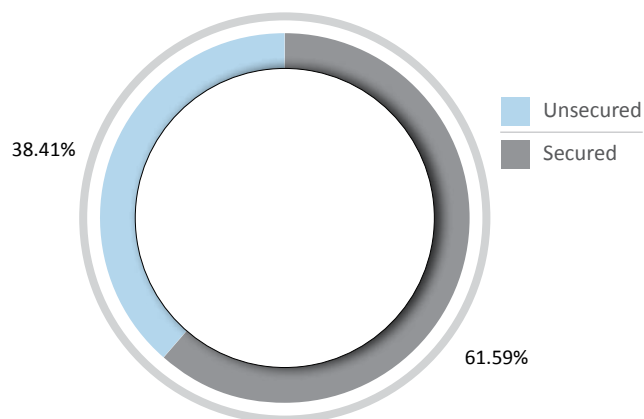
NET WORTH (MN)

**TOTAL ASSETS (MN)**



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**TOTAL LIABILITIES (MN)**

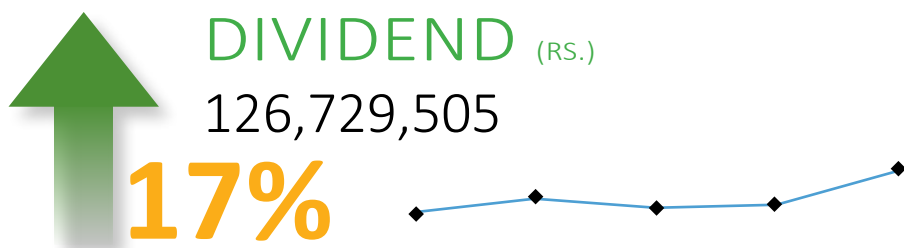
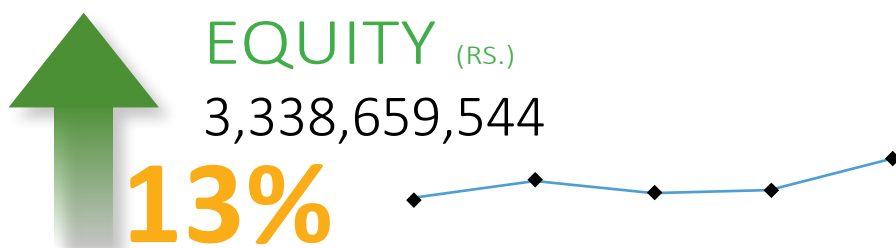
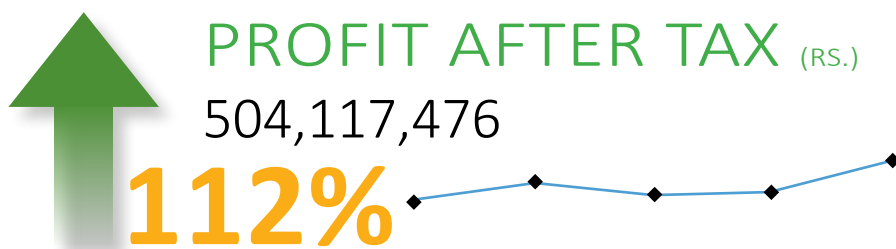
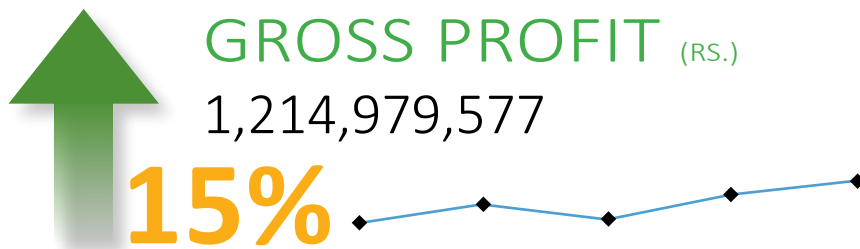
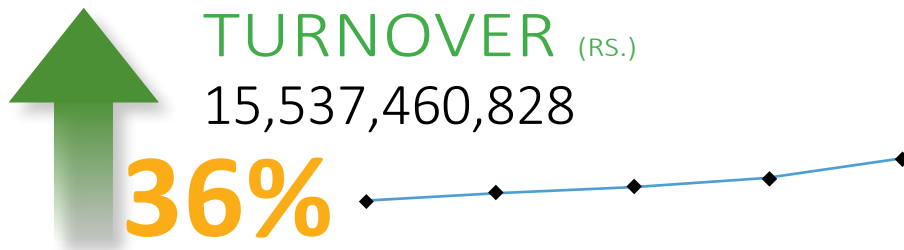


# 3,789.15

| INVESTMENTS / OTHER NON CURRENT ASSETS | VALUE (RS.)          |
|----------------------------------------|----------------------|
| Fixed Assets                           | 524,689,981          |
| Intangible Assets                      | 246,817              |
| Financial Investments                  | 115,295              |
| Deferred Tax Asset                     | 1,301,528            |
| <b>SUBTOTAL</b>                        | <b>526,353,621</b>   |
| INVENTORY                              | VALUE (RS.)          |
| Vehicles                               | 4,357,361,173        |
| Spare Parts                            | 392,057,515          |
| Generators                             | 32,264,128           |
| Cab/Bodies & Work in Progress          | 38,110,714           |
| Goods in Transit                       | 831,403,145          |
| <b>SUBTOTAL</b>                        | <b>5,651,196,675</b> |
| TRADE DEBTORS                          | VALUE (RS.)          |
| Lease Customers                        | 200,076,153          |
| Other Customers                        | 510,891,114          |
| <b>SUBTOTAL</b>                        | <b>710,967,267</b>   |
| OTHER CURRENT ASSETS                   | VALUE (RS.)          |
| Related Party Receivables              | 153,273              |
| VAT/Tax recoverable                    | 69,780,216           |
| Advance/Deposit/Margin/Pre-payment     | 45,676,580           |
| Other Receivables                      | 43,574,325           |
| Cash and Cash Equivalent               | 80,102,999           |
| <b>SUBTOTAL</b>                        | <b>239,287,393</b>   |

| UNSECURED                           | VALUE (RS.)          |
|-------------------------------------|----------------------|
| Retirement Benefits                 | 83,556,722           |
| Trade Payables                      | 207,618,038          |
| Accrued Expenses                    | 197,950,551          |
| Income Tax Liability                | 31,226,551           |
| Amount due to Related Party         | 696,195,019          |
| Other Payables & Warranty Provision | 238,895,908          |
| <b>SUBTOTAL</b>                     | <b>1,455,442,789</b> |

| SECURED         | VALUE (RS.)          |
|-----------------|----------------------|
| Import Loans    | 2,320,488,088        |
| Bank Overdraft  | 13,214,533           |
| <b>SUBTOTAL</b> | <b>2,333,702,621</b> |





| KEY PERFORMANCE INDICATORS     | THIS YEAR (2018) | LAST YEAR (2017) |   | % CHANGE | 5 YEAR TREND                                                                          |
|--------------------------------|------------------|------------------|---|----------|---------------------------------------------------------------------------------------|
| OPERATING RESULTS              |                  |                  |   |          |                                                                                       |
| TURNOVER (RS.)                 | 15,537,460,828   | 11,405,488,459   | ↑ | 36%      |    |
| GROSS PROFIT (RS.)             | 1,214,979,577    | 1,058,362,168    | ↑ | 15%      |    |
| OPERATING PROFIT (RS.)         | 729,223,614      | 439,330,354      | ↑ | 66%      |    |
| PROFIT BEFORE TAX (RS.)        | 683,302,046      | 349,362,053      | ↑ | 96%      |    |
| PROFIT AFTER TAX (RS.)         | 504,117,476      | 238,206,536      | ↑ | 112%     |    |
| DIVIDEND (RS.)                 | 126,729,505      | 108,625,290      | ↑ | 17%      |    |
| CAPITAL STRUCTURE              |                  |                  |   |          |                                                                                       |
| EQUITY (RS.)                   | 3,338,659,544    | 2,948,241,628    | ↑ | 13%      |    |
| DEBT (RS.)                     | 2,320,488,088    | 940,192,000      | ↑ | 147%     |    |
| PROFITABILITY INDICATOR RATIOS |                  |                  |   |          |                                                                                       |
| GP MARGIN (%)                  | 7.8%             | 9.3%             | ↓ | -16%     |    |
| NP MARGIN (%)                  | 3.2%             | 2.1%             | ↑ | 55%      |    |
| ROA (%)                        | 7.1%             | 4.2%             | ↑ | 69%      |    |
| ROE (%)                        | 15.1%            | 8.1%             | ↑ | 87%      |    |
| ROCE (%)                       | 12.9%            | 11.3%            | ↑ | 14%      |   |
| LIQUIDITY MEASUREMENT RATIOS   |                  |                  |   |          |                                                                                       |
| CURRENT RATIO (NO OF TIMES)    | 1.77             | 1.93             | ↓ | -8%      |  |
| QUICK RATIO (NO OF TIMES)      | 0.25             | 0.44             | ↓ | -43%     |  |
| DEBT RATIOS                    |                  |                  |   |          |                                                                                       |
| GEARING RATIO (%)              | 41%              | 24%              | ↑ | 70%      |  |
| INTEREST COVER (NO OF TIMES)   | 5.16             | 3.81             | ↑ | 35%      |  |
| EQUITY RATIOS                  |                  |                  |   |          |                                                                                       |
| NET ASSET PER SHARE            | 922.07           | 814.24           | ↑ | 13%      |  |
| EPS                            | 139.23           | 65.79            | ↑ | 112%     |  |
| DPS                            | 35.00            | 30.00            | ↑ | 17%      |  |
| PE RATIO                       | 7.11             | 16.14            | ↓ | -56%     |  |
| DIVIDEND PAYOUT                | 25%              | 46%              | ↓ | -45%     |  |
| MARKET VALUE PER SHARE         | 990.50           | 1,062.00         | ↓ | -7%      |  |
| HIGHEST MARKET VALUE           | 1,350.00         | 1,548.00         | ↓ | -13%     |  |
| LOWEST MARKET VALUE            | 985.00           | 1,006.00         | ↓ | -2%      |  |
| MARKET CAPITALIZATION          | 3,586,444,992    | 3,845,335,266    | ↓ | -7%      |  |







# THE CHIEF EXECUTIVE OFFICER'S REVIEW

I am proud to share what has been milestone year for Lanka Ashok Leyland.

I am humbled and grateful by the commitment of all our stakeholders in surpassing our fiscal targets and beyond that, our thrust to further integrate Lanka Ashok Leyland to Sri Lanka's economic engine.

## The economy in 2017

Global growth recorded a robust 3% in 2017 compared to 2.4% in 2016 driven by a broad uptick in economic activity. The advanced economies like the United States, the Euro area and Japan grew 2.3% while the East Asian and South Asian region drove global growth recording GDP growth of 6.4% and 6.5% respectively. Global growth is projected to achieve 3.1% in 2018 on the back of buoyant commodity prices, record profits and a rebound in investment and confidence.

The Sri Lankan economy grew 3.1% against 4.5% and 4.8% in the two preceding years. In comparison our South Asian neighbors of India, Pakistan and Bangladesh grew by 6.7%, 5.3% and 7.2% respectively. For another year adverse weather played a pivotal role as agricultural output contracted 0.8% while industrial and service sector growth underperformed 2016 recording 3.9% and 3.2% respectively.

The central bank increased interest rates by 25 basis points in March 2017 to help curb credit growth and stabilize inflation which continued a downward trend through the second half of 2017 and is expected to hover around mid-single digits in 2018.

The year recorded positive momentum in foreign direct investment (FDI), tourism receipts and export earnings, key indicators that will help the country meet its foreign exchange obligations. FDI doubled to USD 1.6bn in 2017 while earnings from tourism grew 11.6% to USD 3.9bn. Export growth was offset by higher imports to result in a trade deficit of USD 9.6bn. Recently the government imposed a 15% duty on gold imports which were the second largest import behind petroleum products.

As of the end of March 2018, official reserves stood at USD 7.3bn. The Rupee depreciated over 2% in 2017, and has already fallen over 2% for the first three months of 2018.

The transportation sector saw a slew of legislative changes enacted this year with positive and negative impacts. The old tariff structure based on import value was done away with to be replaced by a duty structure based on engine capacity. This allows for higher quality vehicles with more advanced driving and safety features to be imported at a competitive rate.

The government decided to implement the EURO 4 emission standard to all vehicles which places more stringent criteria for vehicle emissions in addition to requiring vehicles to have further safety features such as anti-lock braking systems and airbags. Implementation of this standard

has been deferred to July 2018.

Sri Lanka recorded a decline in new vehicle registrations of 8.4% to 451,653 new vehicles following a 26% reduction the year earlier.

## Financial Highlights

I am pleased to report a turnover of LKR 15.5bn corresponding to a 36% increase from last year. Strong market acceptance for our higher specification newly launched product line, drove turnover while income from repairs, generator and spare part sales rose 6% to LKR 320mn compared to LKR 302.6mn last year.

This year management focused on improving our spare parts distribution channels that resulted in turnover increase 32% to LKR 123mn from LKR 93.5mn in 2017. Boosting our workshop income, we have invested in a state of the art engine recondition workshop to service older engines while preparing for the newer EURO 4 compliant engines.

Gross profit grew 15% to LKR 1.2bn however rising import costs, competition and discount disposals squeezed the gross profit margin which contracted to 7.8% from 9.2% a year earlier. To offset this, the management has been extremely prudent in managing costs as overhead expenses fell 18% to LKR 539.7mn from LKR 658.5mn last year.

This year saw the migration of our software systems to a new enterprise system (SAP) that will integrate with our principal as well as connect and streamline internal functions across all our offices in Sri Lanka. This will help eliminate waste, duplication and take an important step towards embracing a more paperless corporate culture.

Income from other sources relating to hiring and lease income grew 37% to LKR 54.1mn cf. LKR 39.5mn a year earlier. Our collaboration with the Sri Lanka Transport Board in providing buses at earn and pay basis has been a success and is an example of how a public private partnership can be a win-win situation for both parties. We hope to expand this working relationship going forward.

Despite high interest rates, Lanka Ashok Leyland saw net finance expense fall to LKR 46.1mn, a 49% decline year on year. Continuing our strategy from April 2017 of introducing higher spec BS3 compliant vehicles with best in class safety features and driving comfort, our net inventory position rose 43% to LKR 5.7bn. Spare part inventory to service the higher spec vehicles also rose substantially during the year.

Profit before tax grew 96% in 2017/18 to LKR 683.3mn while the operating profit margin expanded to 4.4% from 3.1%.

Lanka Ashok Leyland closed the fiscal year with a 112% increase at the bottom line to LKR 504.1mn and declared a dividend of LKR 35 per share.

## THE CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

### Being better

Over the last few years the company has embarked on an ambitious journey to redefine its business model and to embrace new and more meaningful ways to serve the communities that support us. In 2017/18 the company completed several projects at our premises in Panagoda including a new customer waiting area along the recently built place of worship. Renovation and upgrades of the Customer and staff facilities were completed and plans are afoot to invest in recreational facilities including sports areas and a new gym and overnight resting facilities that can support 100 drivers and customers. The boundary of our factory now features a densely clustered treeline adding to the already green aesthetic and reducing the overall carbon footprint.

We recognise the invaluable effort and contribution of our staff and understand that the safety and health of the employees and their families are of paramount importance. Health checks are often overlooked due to the cost, lack of accessibility or time, or social stigma so management began mandatory health check-ups with follow-up for all our employees and their families, a significant first by the company. After an overwhelmingly positive response, the decision to broaden this initiative to drivers and the neighboring community to our factory.

We have agreed to embark on an ambitious CSR project to help combat diseases such as cancer. The project is currently still in its infancy as we consider how best to make an endearing and sustainable impact to the lives of those affected. We have started allocating funds from each vehicle sold towards this venture and hope to have raised a substantial sum towards this project. Already, we are proud to have customers who have expressed their willingness to partner with us and are heartened by their generosity and trust.

As ongoing CSR efforts, we continue our lifelong free maintenance of vehicles given to several places of worship, schools and orphanages while extending this partnership to several large NGOs in support of their projects.

This year our technical institute produced 60 young entrepreneurs with level 4 NVQ qualification. Our institute is one of the few learning centres that attach management classes to the vocational curriculum promoting technical skills and entrepreneurial acumen.

### Outlook

The transportation sector this year will see the impact of the EURO 4 standard implementation coming into play in July. We commend the government in its efforts to go green however commercially, transportation business models run on very thin margins and are cost sensitive. Higher initial investment in purchase of the vehicles and use of cheaper fuels in vehicles will be replaced by super diesel as required by EURO 4 engines adversely impacting running costs and profitability of the sector.

While we expect demand from key customer segments such as construction to pick up, external shocks such as weather and variables such as exchange rate volatility and high interest rates will drive our costs and dampen our outlook.

The switch in the duty structure will work in favor of our light commercial vehicle offering which boasts the best-in-class safety features and driving comfort in the segment and has faced sluggish sales due to cheaper alternatives in the past.

We will continue to explore innovative partnerships to bolster our turnover while our strategy to expand other revenue verticals such as spare parts, workshop repair segments and business of hiring of buses will continue to build steam in 2018 giving us a lot to look forward to.

We remain cautiously optimistic for the year ahead.

### Acknowledgements

I am privileged to lead a dedicated team, whose tireless efforts over the year have given me the privilege to report the results achieved.

To our shareholders, joint venture partner and principal M/s Ashok Leyland India and the Government of Sri Lanka, we thank and appreciate the trust, guidance and continued faith placed in us.

On behalf of the Board of Directors, Management team and employees of Lanka Ashok Leyland, we thank bankers, auditors and suppliers whose support have been invaluable to us, we greatly value the relationships built and look forward to cementing our bonds for many years to come and to our customers and other stakeholders whose faith in Lanka Ashok Leyland has allowed us to reach new milestones. Your patronage and expectation drove us to reinvent ourselves better, stronger and we commit to meeting the challenges in 2018 with renewed vigor for we know there is still so much more we can achieve together.

Finally, I thank Chairman and Board of Directors for their continued guidance and vision in steering company forward and delivering another year of record operational and financial performance despite the odds.



**Umesh Gautam**  
Chief Executive officer

07<sup>th</sup> May 2018



## BOARD OF DIRECTORS



**DR. M S MEERASAHIB**  
*Chairman*

Dr. Meerasahib was appointed as the Non-Executive Chairman to the Board of Lanka Ashok Leyland PLC on 12<sup>th</sup> November 2016 and he serves as the Chairman of Lanka Leyland (Pvt) Limited. Dr. Meerasahib is the Founder Chairman of Metropolitan College and he is a Consultant for the Ministry of Industry and Commerce and is the former Mayor of Kalmunai Municipal Council.

Dr. Meerasahib holds a PhD in Education Management from Metropolitan University and a Master of Business Administration from Girne American University. He also holds a Post Graduate Diploma in Management Studies from City of London College, Diploma in Business Administration and a Diploma in Business Management from East London College.

Dr. Meerasahib holds fellow Memberships of OTHM Qualifications (FOTHM), UK 2015 - Ofqual-regulated awarding body - UK, Institute of Administrative Management (IAM) UK and the Association of Business Executives -UK.

He is also conferred with Sama Sri, Desamanya, Lanka Putra, Makkal Nasar, Samuga Jothi and Marytha Mani fellowships and awards.



**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 many 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 38 years' experience in Banking and Finance and 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. 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 39 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. 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 28 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.

## BOARD OF DIRECTORS (Contd.)



### **MR. D A ABEYAWARDENE**

*Non-Executive Director*

Mr. Abeyawardene was appointed as a Non-Executive Independent Director to the Board of Lanka Ashok Leyland in November 2016. He is the Proprietor of Abeyawardene Associates, Chartered Accountants and is also a Partner at Hulangamuwa & Cooray, Chartered Accountants.

Mr. Abeyawardene is the Managing Director of Siyasee (Pvt) Limited and also a Director of Corporate Strategic Solutions (Pvt) Ltd and Secretarial & Financial Services (Pvt) Limited.

Mr. Abeyawardene has over 46 years' experience in Financial Management positions in several disciplines including manufacturing, shipping, garment industry, government boards etc. He joined Lanka Ashok Leyland PLC at the time of inception as the Finance Manager / secretary and held the position of General Manager / Secretary till 1999.

Mr. Abeyawardene is a Fellow member of the institute of Chartered Accountants of Sri Lanka.



### **MR. A K M JAHANSER**

*Non-Executive Director*

Mr. Jahanser was appointed as a Non-Executive Director to the Board of Lanka Ashok Leyland PLC on 12<sup>th</sup> November 2016 and he serves as an Executive Director of Lanka Leyland (Pvt) Limited.

He has served as Public Relations Officer to the Hon. Minister of Industry and Commerce during 2012– 2014 and as Coordinating Secretary since 2014 to date.

He holds a Bachelor of Management Studies degree from GIRNE American University and he also holds a Diploma in Business Management from OTHM UK Level 4.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors is pleased to present the **Thirty Fifth** Annual Report of your Company together with the audited Financial Statements and the auditor's report for the financial year ended 31 March 2018 confirming to all relevant statutory and compliance requirements.

The details set out herein provide the related information required by the Companies Act No.07 of 2007, Colombo Stock Exchange Listing Rules and are guided by recommended best practices on Corporate Governance.

The table of disclosures in page 18 to 26 given under Corporate Governance, list out the disclosures required by the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

## PRINCIPAL ACTIVITIES AND STATE OF AFFAIRS OF THE COMPANY

The principal activities of the Company include 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 was no significant change in the nature of principal activities of the Company during the year under review that may have significant impact on the state of affairs of the Company.

## VISION, MISSION AND VALUE STATEMENT

The Company's vision and mission statements are available on page 1. The strategic directions are developed in line with the vision and the employees are guided according to the mission and values of the Company. The operations of the Company are conducted with the highest level of ethical standards and integrity at all times.

## REVIEW OF PERFORMANCE AND FUTURE DEVELOPMENTS

A review of the performance of the year under review and the future prospects including goals and strategies of the Company is contained in the Chief Executive Officer's Review and in the Financial Performance Review of the Company.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Statement of Directors' Responsibility for Financial Reporting is given on page 35 which forms an integral part of the Annual Report of the Board of Directors.

## DISCLOSURES

The Annual Report of the Company fulfils the disclosure requirements of the Sri Lanka Accounting Standards (SLFRs/LKASs), Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

## FINANCIAL STATEMENTS

The Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRs/LKASs), Companies Act No 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

The Statements of Profit & Loss and Comprehensive Income, Financial Position, Cash Flow, Accounting Policies and Notes to the Accounts are given on pages 40 to 78.

The aforementioned Financial Statements for the year ended 31<sup>st</sup> March 2018 signed on behalf of the Board by the Chairman, a Director, Chief Executive Officer and Chief Financial Officer are given on page 41.

## AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Ms. KPMG performed the statutory audit of the financial statements and the auditor's report is given on page 37 to 39.

## SIGNIFICANT ACCOUNTING POLICIES

Preparation of the Financial Statements of the Company has been consistent with the previous financial year. The significant accounting policies adopted in the Financial Statements are given on pages 44 to 52 of this Annual Report.

There were no changes in the accounting policies adopted compared to last year.

## PROFIT AND APPROPRIATIONS

|                                           | 2017/18<br>Rs. | 2016/17<br>Rs. |
|-------------------------------------------|----------------|----------------|
| <b>Profit</b>                             |                |                |
| Profit after taxation                     | 504,117,476    | 238,206,536    |
| Other Comprehensive Income                | (5,213,871)    | (1,547,459)    |
| Total Comprehensive Income for the year   | 498,903,605    | 236,659,077    |
| Profit brought forward from previous year | 2,011,387,540  | 1,865,188,687  |
| Profit available for appropriation        | 2,510,291,145  | 2,101,847,764  |
| <b>Appropriations</b>                     |                |                |
| Unclaimed Dividend Reversed               | 163,161        | 60,851         |
| Dividend paid for previous year           | (108,625,290)  | (90,521,075)   |
| Un-appropriated profit carried forward    | 2,401,829,016  | 2,011,387,540  |



## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

### DIVIDENDS

The Board of Directors have recommended payment of a final dividend of Rs. 35.00 per share (350 %) (2016/17- Rs. 30.00 per share i.e. 300% on the paid-up value) for the year ended 31<sup>st</sup> March 2018.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the final dividend proposed. The Solvency certificate has been obtained from the Auditors in respect of the final dividend proposed.

### PUBLIC HOLDING AND THE MARKET VALUE OF SHARES

The last transaction prior to close of business on 31<sup>st</sup> March 2018, on the trading floor of the Colombo Stock Exchange was at a price of LKR 990.50 per share. (Corresponding price on 31<sup>st</sup> March 2017 was LKR 1,062.00 per share)

The number of ordinary shares held by the public as at 31<sup>st</sup> March 2018 was 1,100,011 (31<sup>st</sup> March 2017 - 1,100,011) which amounted to 30.38% (31<sup>st</sup> March 2016 - 30.38%) of the issued Share Capital of the Company.

### RATIOS AND MARKET PRICE INFORMATION

Ratios relating to equity and debt and the market price information are given on page 7, 80 and 81.

### STATED CAPITAL

The stated capital of the Company as at 31<sup>st</sup> March 2018 amounted to Rs. 49,375,150 (2016/17 Rs. 49,375,150), details of which are available in note 22 to the financial statements.

There has been no change in the stated capital during the year.

### SHARE INFORMATION

Information relating to distribution of shareholdings, market value, public shareholding and top twenty shareholders are available on page 79.

### PROPERTY PLANT & EQUIPMENT AND INTANGIBLE ASSETS

The net book value of property, plant & equipment and the intangible assets amounts to Rs. 524.94 million. An analysis of the Company's Property, Plant & Equipment, and Intangible Assets are given in Note 13 and 14 to the Financial Statements.

### MARKET VALUES OF THE PROPERTIES

The freehold land and buildings of the Company have been revalued by independent qualified valuers. The most recent valuation was conducted in 2016 and the values are disclosed under Note 13.1 to the Financial Statements in page 57.

### CAPITAL EXPENDITURE

The total Capital Expenditure incurred on the acquisition of Fixed Assets during the year is given in Note 13 to the Financial Statements.

### BOARD OF DIRECTORS

The Board of Directors consisted of 7 members during the year. The names of the Directors who held office during the financial year are given below. The profiles of directors appear on pages 11 to 13 and their memberships on the Board committees of the Company are given in page 16.

- Dr.M S Meerasahib - 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. Gopal Mahadevan - Director (Non-Executive)
- Mr. D A Abeyawardene - Independent Director (Non-Executive)
- Mr. A K M Jahanser - Director (Non-Executive)

### NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS DURING THE YEAR

There were no new appointments made to the Board, and no resignations or retirement from the Board during the financial year ended 31<sup>st</sup> March 2018.

### RETIREMENT AND RE-ELECTION OF DIRECTORS

In terms of the Article 84 of the Article of Association of the Company Mr. D A Abeyawardene retires by rotation and being eligible offers himself for re-election.

### DIRECTORS' INDEPENDENCE

The Board carried out its annual evaluation of the Independence of Directors and accordingly Mr. D P Kumarage, Mr. N Sundararajan and Mr. D A Abeyawardene were confirmed 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 to this effect.

Details of the Directors considered as Non-Independent Directors of the Company are given in page 20 to the Annual Report.

### DIRECTORS' MEETINGS

The Directors' meetings comprises Board meetings, Audit Committee meetings, Remuneration Committee meetings and Related Party Transactions Review Committee meetings. Details of number of Board and other Committee meetings held during the year and the attendance of Directors at these meetings are given on page 19 to 21 of the Annual Report.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

### DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

None of the Director 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. 07 of 2007. All Directors have made necessary declarations in conformity with Section 192 (2) of the Companies Act. The interest register is available for inspection by the shareholders.

### PARTICULARS OF DIRECTORS INTERESTS IN CONTRACTS

The particulars of Directors interests in contracts and other related party transactions are given in note no 32 to the financial statements. The Directors have no other direct or indirect interest in contract/s or proposed contracts with the company other than those disclosed under related party transactions.

### DIRECTORS' REMUNERATION AND FEES

Details of Directors' emoluments are given in Note 9 to the Financial Statements. All fees and remuneration have been duly approved by the Board of Directors of the Company. The Directors have not taken any loans from the company during the year under review.

### RELATED PARTY TRANSACTIONS

Related party transactions of the Company are reviewed by the Related Party Transactions Review Committee and the Company is compliant with the requirements of the listing rules of the Colombo Stock Exchange on Related Party Transactions. During the year there were no non-recurrent Related Party Transactions which exceeded in value, the lower of 10% of equity or 5% of the total assets of the Company. However, the Company has disclosed the transactions that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard (LKAS) 24, in Note 32 on pages 67 to 70 to the Financial Statements.

### BOARD COMMITTEES

The Board of Directors of the Company while assuming the overall responsibility and accountability for the management of the company has formed the following Committees to ensure oversight and control over the affairs of the company conforming to corporate governance code and best practices.

- **AUDIT COMMITTEE**

Mr. Gopal Mahadevan - Chairman  
Mr. D P Kumarage  
Mr. N Sundararajan  
Dr. M S Meerasahib  
Mr. D A Abeyawardene

- **REMUNERATION COMMITTEE**

Mr. Vinod K Dasari - Chairman  
Mr. D P Kumarage  
Mr. N Sundararajan  
Mr. A K M Jahanser  
Mr. D A Abeyawardene

- **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

Mr. N Sundararajan - Chairman  
Mr. D P Kumarage  
Mr. Gopal Mahadevan  
Dr. M S Meerasahib  
Mr. D A Abeyawardene

### RISK MANAGEMENT

The Board has established an adequate risk management and internal control system. The risk exposure of the Company and a detailed overview is given in the Risk Management Report on pages 30 to 33.

### STATUTORY PAYMENTS

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

### DONATIONS

There were no donations granted during the year under review (2016/17 Rs. 500,000/=).

### DECLARATION

The Directors declare that

- **Compliance with laws and regulations**

To the best of the knowledge and belief the Board of Directors confirms that the Company has complied with all applicable laws, rules and regulations in the conduct of its operations and has not engaged in any activity, which contravenes laws and regulations of the country.

- **Directors' interests in contracts**

The directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

- **Equitable Treatment**

The Company has made all endeavours to ensure that all shareholders are treated equitably

- **Going Concern**

The Board of Directors is satisfied that the Company has adequate resources to continue its operations. Accordingly,

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

the Financial Statements are prepared based on the going concern concept.

The Directors also hereby confirm (as required in Section 57 (1) (a) of Companies Act No. 07 of 2007) that the Company is in a position to pay its debts, as they become due in the normal course of business.

- **Effectiveness of internal controls**

They have conducted a review of the internal controls covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and proper adherence.

- **Corporate governance**

The Board of Directors is committed to maintain an effective corporate governance culture within the Company in compliance with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. A detailed report on corporate governance is provided on pages 18 to 26.

### EMPLOYMENT AND INDUSTRIAL RELATIONS

To ensure achieving corporate goals, the Company continues to invest in human resource development and effective HR practices. The number of permanent employees as at 31<sup>st</sup> March 2018 was 181. (31<sup>st</sup> March 2017-182).

There were no material issues pertaining to employees or industrial relations during the year.

### ENVIRONMENTAL PROTECTION

The Company has made its best endeavours to comply with the relevant environmental laws and regulations. The company has not engaged in any activity that is harmful or hazardous to the environment and has taken steps that are necessary to safeguard the environment from any pollution that could arise during the course of the business of the Company.

### CONTINGENT LIABILITIES AND OUTSTANDING LITIGATION

Details of contingent liabilities and pending litigations are listed in Notes 34 and 35 to the Financial Statements. These will not have any material adverse impact on the financial results of the Company or its future operations.

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustments to or disclosure in the Financial Statements, except disclosure given in Note 36 to the Financial Statements.

### INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

The Company's Independent External Auditors, Messrs. KPMG, who were re-appointed by a resolution passed at the last Annual General Meeting audited the financial statements of the year under review, offer themselves for reappointment.

A sum of Rs. 1,530,000 in addition to reimbursement of out of pocket expenses amounting to Rs. 149,075 was payable at the year-end as audit fees for the year under review. In addition, they were paid Rs. 560,000 (2016/17 - Rs. 750,000) by the Company for non-audit related work.

As far as the Directors are aware, the Auditors do not have any relationships (other than that of an auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

In accordance with the Companies Act No. 07 of 2007, a resolution related to the appointment of external auditors and to determine their remuneration is being proposed at the forthcoming Annual General Meeting to be held on 10<sup>th</sup> August 2018.

### ANNUAL GENERAL MEETING

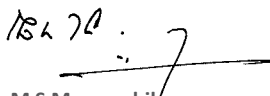
The thirty fifth Annual General Meeting will be held on 10<sup>th</sup> August 2018. The notice of Annual General Meeting is given on page 85.

### ACKNOWLEDGEMENT

The Directors wish to express their gratitude and appreciation to the Government of Sri Lanka, bankers, financial institutions, shareholders, valued customers, and joint venture partners M/s. Lanka Leyland (Pvt) Ltd, and M/s. Ashok Leyland Ltd. India, for their 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 throughout the year.

By order of the Board of Directors

  
**M S Meerasahib**  
Chairman

  
**D P Kumara**  
Director

  
**D A Abeyawardene**  
Director / Secretary

Colombo  
07<sup>th</sup> May 2018

# CORPORATE GOVERNANCE

The Board of Directors and the Management of Lanka Ashok Leyland PLC are committed to maintain very high standards of corporate governance. This statement describes Lanka Ashok Leyland's governance principles and practices.

This statement also describes how Lanka Ashok Leyland PLC 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 the Securities and Exchange Commission of Sri Lanka (SEC), and the Listing rules (Section 7.6, 7.10 and Section 9) issued by Colombo Stock Exchange (CSE).

## BOARD OF DIRECTORS

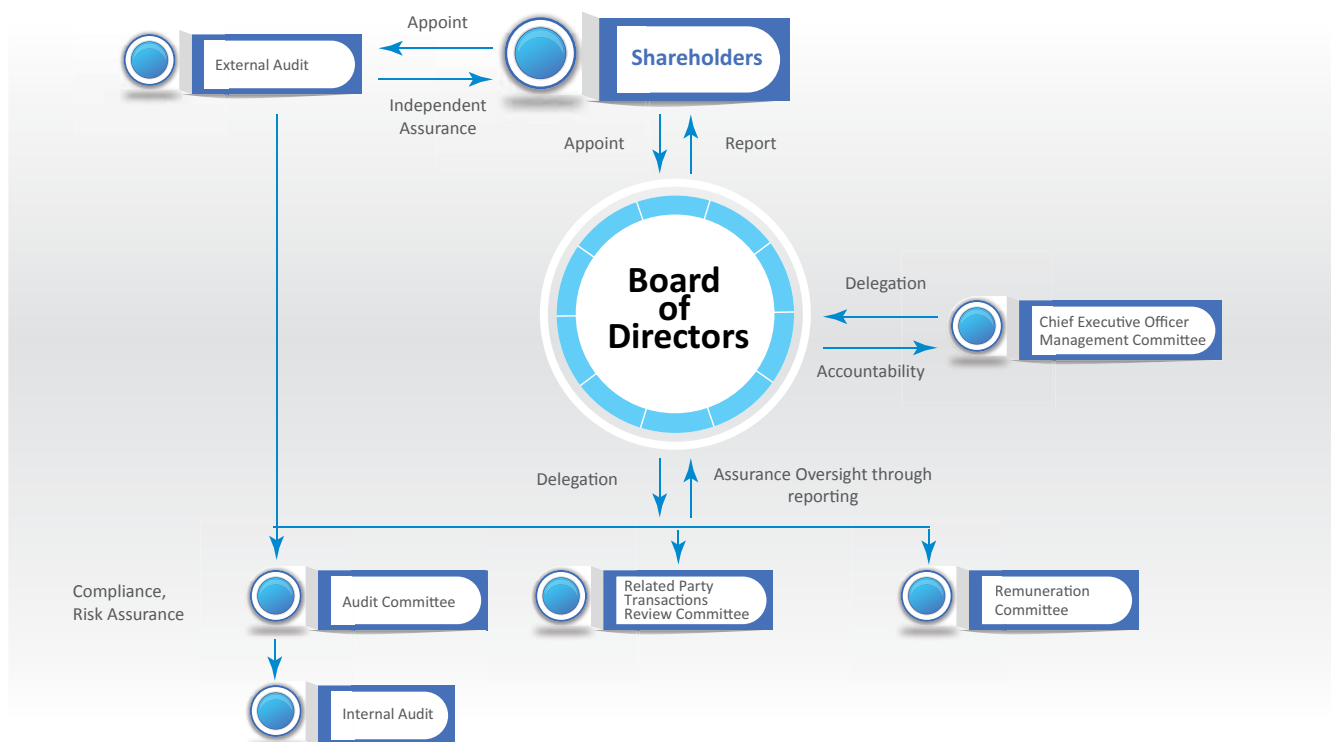
The Board of Directors of Lanka Ashok Leyland PLC is collectively responsible for the long term success of the Company. Its role is essentially threefold - to provide leadership, to oversee management and to ensure that the Company provides its stakeholders with a balanced and understandable assessment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

The Board has delegated responsibilities to the Chief Executive Officer and to 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 27 to 29. The Board reviews periodic updates presented by the Chairman of each of these Committees at the Board meetings.

The Board currently consists of seven Directors including the Chairman. All the Directors are Non-Executive Directors and three of them are Independent Directors. The composition of the Board and brief profile of the Directors highlighting the range of expertise they bring to the Board are set out on pages 19 and 11 to 13.

## 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;

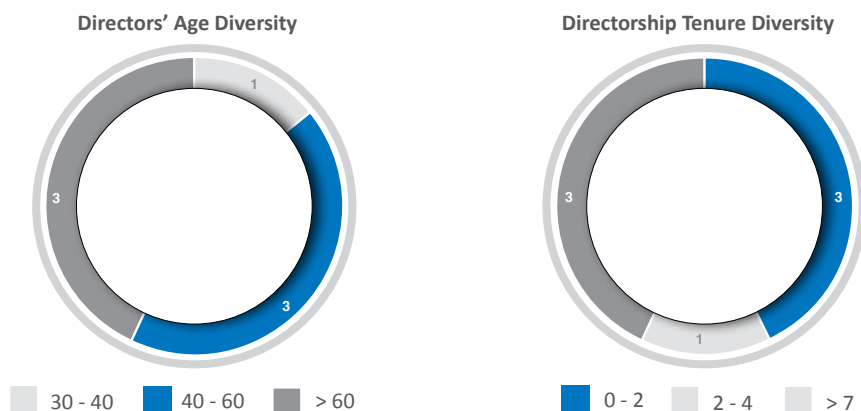
| Name of the Director          | Category  |                 |             |                   | Board Committees as Chairman or Member |                        |                                              |
|-------------------------------|-----------|-----------------|-------------|-------------------|----------------------------------------|------------------------|----------------------------------------------|
|                               | Executive | Non - Executive | Independent | Non - Independent | Audit Committee                        | Remuneration Committee | Related - Party Transaction Review Committee |
| Dr. M S Meerasahib (Chairman) | -         | ✓               | -           | ✓                 | Member                                 | -                      | Member                                       |
| Mr. D P Kumarage              | -         | ✓               | ✓           | -                 | Member                                 | Member                 | Member                                       |
| Mr. N Sundararajan            | -         | ✓               | ✓           | -                 | Member                                 | Member                 | Chairman                                     |
| Mr. Vinod K Dasari            | -         | ✓               | -           | ✓                 | -                                      | Chairman               | -                                            |
| Mr. Gopal Mahadevan           | -         | ✓               | -           | -                 | Chairman                               | -                      | Member                                       |
| Mr. D A Abeyawardene          | -         | ✓               | ✓           | -                 | Member                                 | Member                 | Member                                       |
| Mr. A K M Jahanser            | -         | ✓               | -           | ✓                 | -                                      | Member                 | -                                            |

Number of Board meetings held during the year and the attendance of Directors are furnished below;

| Name of the Director          | Board Meetings |              |
|-------------------------------|----------------|--------------|
|                               | No. held       | No. attended |
| Dr. M S Meerasahib (Chairman) | 4              | 4            |
| Mr. D P Kumarage              | 4              | 3            |
| Mr. N Sundararajan            | 4              | 4            |
| Mr. Vinod K Dasari            | 4              | 4            |
| Mr. Gopal Mahadevan           | 4              | 4            |
| Mr. D A Abeyawardene          | 4              | 4            |
| Mr. A K M Jahanser            | 4              | 4            |

### NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS

There were no new appointments or resignations of Directors during the year.



## CORPORATE GOVERNANCE (Contd.)

### DIRECTORS' INDEPENDENCE REVIEW

The Board carried out its annual evaluation of the independence of Directors and accordingly Mr. D P Kumarage, Mr. N Sundararajan and Mr. D A Abeyawardene were confirmed 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.

Following Directors are considered as Non-Independent Directors of the Company;

| Name                | Reason for non-independence                                                                                                                                            |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dr. M S Meerasahib  | Chairman of Lanka Leyland (Pvt) 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 the Company and is also the main supplier to Lanka Ashok Leyland PLC.       |
| Mr. A K M Jahanser  | Director of Lanka Leyland (Pvt) 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 the Company and is also the main supplier to Lanka Ashok Leyland PLC. |

### AUDIT COMMITTEE

The Audit Committee is comprised of five Non-Executive Directors, of whom three are Independent Directors. The Table below gives the Committee composition and the attendance of members at the meetings.

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 the necessary and relevant accounting and related financial management expertise and also adequate experience to discharge the Committee's functions.

A separate report by the Chairman of the Audit Committee is given on page 27 of the Annual Report.

| Name of the Director                    | Audit Committee Meetings |              |
|-----------------------------------------|--------------------------|--------------|
|                                         | No. held                 | No. attended |
| Mr. Gopal Mahadevan ( <b>Chairman</b> ) | 4                        | 4            |
| Dr. M S Meerasahib                      | 4                        | 4            |
| Mr. D P Kumarage                        | 4                        | 3            |
| Mr. N Sundararajan                      | 4                        | 4            |
| Mr. D A Abeyawardene                    | 4                        | 4            |

### REMUNERATION COMMITTEE

The Remuneration Committee is comprised of five Non-Executive Directors, three of whom are Independent Directors. Below table gives the composition and attendance of the Committee members at the meetings.

Remuneration Committee is responsible for developing policies for executive remuneration, ensuring a formal and transparent procedure for performance evaluation, and for fixing the remuneration packages of Key Management Personnel.

Payments made to Directors and Key Management Personnel of the Company are disclosed in Note 32.5 to the Financial Statements.

A separate Report by the Chairman of the Remuneration Committee is given on page 28 of the Annual Report.

| Name of the Director                   | Remuneration Committee Meetings |              |
|----------------------------------------|---------------------------------|--------------|
|                                        | No. held                        | No. attended |
| Mr. Vinod K Dasari ( <b>Chairman</b> ) | 2                               | 2            |
| Mr. D P Kumarage                       | 2                               | 2            |
| Mr. N Sundararajan                     | 2                               | 2            |
| Mr. D A Abeyawardene                   | 2                               | 2            |
| Mr. A K M Jahanser                     | 2                               | 2            |

## CORPORATE GOVERNANCE (Contd.)

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee is comprised of five Non-Executive Directors, three of whom are Independent Directors. Below table gives the composition of the Committee and the attendance at the meetings.

Related Party Transactions Review Committee is responsible for reviewing the ongoing and proposed transactions with related parties and assists 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 by the Chairman of the Related Party Transactions Review Committee is given on page 29 of the Annual Report.

| Name of the Director          | Related Party Transactions Review Committee Meetings |              |
|-------------------------------|------------------------------------------------------|--------------|
|                               | No. held                                             | No. attended |
| Mr. N Sundararajan (Chairman) | 4                                                    | 4            |
| Dr. M S Meerasahib            | 4                                                    | 4            |
| Mr. D P Kumaraige             | 4                                                    | 3            |
| Mr. Gopal Mahadevan           | 4                                                    | 4            |
| Mr. D A Abeyawardene          | 4                                                    | 4            |

### DISCLOSURES

The tables given below provide the details and disclosures on the level of compliance with the requirements of the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the code of best practices issued by the Securities & Exchange Commission of Sri Lanka.

### DISCLOSURE REQUIREMENTS UNDER THE COMPANIES ACT NO.07 OF 2007

Level of compliance with Section 168 of Companies Act No. 07 of 2007, pertaining to Corporate Governance.

| Rule No.          | Disclosure Requirement                                                                                                                                                                                                  | Reference to the Annual Report |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Section 168 (1) a | Changes during the accounting period in the nature of the business of the Company.                                                                                                                                      | 14/44                          |
| Section 168 (1) b | Financial statements for the accounting period completed and signed in accordance with section 151.                                                                                                                     | 41                             |
| Section 168 (1) c | Auditor's report on the financial statements                                                                                                                                                                            | 37 - 39                        |
| Section 168 (1) d | Change in accounting policies made during the accounting period.                                                                                                                                                        | 44                             |
| Section 168 (1) e | Particulars of entries in the interests register made during the accounting period.                                                                                                                                     | 16                             |
| Section 168 (1) f | Remuneration and other benefits of directors during the accounting period                                                                                                                                               | 54                             |
| Section 168 (1) g | Amount of donations made by the company during the accounting period.                                                                                                                                                   | 16                             |
| Section 168 (1) h | Names of the persons holding office as directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period. | 15                             |

## CORPORATE GOVERNANCE (Contd.)

| Rule No.          | Disclosure Requirement                                                                                                                                                  | Reference to the Annual Report |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Section 168 (1) i | Amounts payable by the company to the auditor of the company as audit fees and as a separate item, fees payable by the company for other services provided by that firm | 54                             |
| Section 168 (1) j | Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the company                          | 17                             |
| Section 168 (1) k | Sign the annual report on behalf of the board by two Directors of the Company and the Secretary of the Company.                                                         | 41                             |

### DISCLOSURES SPECIFIED BY SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Level of compliance with Section 7.6 of Listing Rules of the Colombo Stock Exchange;

| Rule No.        | Disclosure Requirement                                                                                                                | Reference to the Annual Report |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Rule 7.6 (i)    | Names of persons who during the financial year were directors of the Entity.                                                          | 15                             |
| Rule 7.6 (ii)   | Principal activities of the Entity during the year and any changes therein.                                                           | 14 / 44                        |
| Rule 7.6 (iii)  | The names and the number of shares held by the 20 largest holders of shares and the percentage of such shares held.                   | 79                             |
| Rule 7.6 (iv)   | The public holding percentage.                                                                                                        | 79                             |
| Rule 7.6 (v)    | Directors' and Chief Executive Officer's holding in shares of the Entity at the beginning and end of financial year.                  | 16                             |
| Rule 7.6 (vi)   | Information pertaining to material foreseeable risk factors of the Entity.                                                            | 30 - 33                        |
| Rule 7.6 (vii)  | Details of material issues pertaining to employees and industrial relations of the Entity.                                            | 17                             |
| Rule 7.6 (viii) | Extent, locations, valuations of land and buildings and investment properties.                                                        | 57                             |
| Rule 7.6 (ix)   | Number of shares presenting the Entity's stated capital.                                                                              | 56 / 61                        |
| Rule 7.6 (x)    | Distribution schedule of the number of holders in each class of security, and the percentage of their holding as per given categories | 79                             |
| Rule 7.6 (xi)   | Ratios and market price information                                                                                                   | 79                             |
| Rule 7.6 (xii)  | Significant changes in the Entity's fixed assets and the market value of land if differs substantially from the book value.           | 57                             |
| Rule 7.6 (xv)   | Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6. c                             | 23 - 24                        |
| Rule 7.6 (xvi)  | Details of Related party transactions as per the specified criteria.                                                                  | 67 - 70                        |



## CORPORATE GOVERNANCE (Contd.)

### DISCLOSURE REQUIREMENTS UNDER SECTION 7.10 OF THE LISTING RULES OF COLOMBO STOCK EXCHANGE (CSE) ON CORPORATE GOVERNANCE

Level of compliance with Section 7.10 of Listing Rules of the Colombo Stock Exchange, pertaining to Corporate Governance.

| Rule No.  | Subject                                                            | Applicable Requirement                                                                                                                                                                                            | Details                                                                                                                                                                                                                                                 | Compliance Status |
|-----------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 7.10.1(a) | Non-Executive Directors                                            | At least two or one third of the Directors, whichever is higher, should be Non-Executive Directors.                                                                                                               | All the Directors are Non- Executive Directors as at 31 <sup>st</sup> March 2018.                                                                                                                                                                       | Complied          |
| 7.10.2(a) | Independent Directors                                              | Two or one-third of Non-Executive Directors, whichever is higher, should be independent.                                                                                                                          | Three out of Seven Non-Executive Directors are independent as at 31 <sup>st</sup> March 2018.                                                                                                                                                           | Complied          |
| 7.10.2(b) | Independence Declaration of Directors                              | Each Non-Executive Director should submit a declaration of Independence/ Non-Independence.                                                                                                                        | All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE listing rules.                                                                                                                         | Complied          |
| 7.10.3(a) | Disclosures relating to Directors                                  | The names of Independent Directors should be disclosed in the Annual report.                                                                                                                                      | Refer page no 19 to the Annual Report.                                                                                                                                                                                                                  | Complied          |
| 7.10.3(b) | Independence of Directors                                          | The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director.                                                                                          | The Board has determined that three (3) Non-Executive Directors satisfy the criteria for "Independence" set in the Listing Rules.                                                                                                                       | Complied          |
| 7.10.3(c) | Disclosures relating to Directors                                  | A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.                                                                                              | Board of Directors' resume given in page 11 to 13 to the Annual Report.                                                                                                                                                                                 | Complied          |
| 7.10.3(d) | Appointment of new Directors                                       | A brief resume of new Directors appointed to the Board to be provided to Colombo Stock Exchange.                                                                                                                  | There were no new appoints during the concern year.                                                                                                                                                                                                     | Not Applicable    |
| 7.10.5    | Remuneration Committee                                             | A listed company shall have a Remuneration Committee.                                                                                                                                                             | Company has a Remuneration Committee. Refer page no 16 and 28 to the Annual Report.                                                                                                                                                                     | Complied          |
| 7.10.5(a) | Composition of Remuneration Committee                              | Shall comprise of Non-Executive Directors, a majority of whom will be Independent.                                                                                                                                | The Remuneration Committee comprised of five (5) Non-Executive Directors out of which three (3) are Independent.                                                                                                                                        | Complied          |
| 7.10.5(b) | Functions of the Remuneration Committee                            | The Remuneration Committee shall recommend the remuneration of the Executive Directors and the Chief Executive Officer.                                                                                           | Company does not have Executive Directors; the Committee recommends the remuneration payable to Chief Executive Officer and Senior Management Personnel.                                                                                                | Complied          |
| 7.10.5(c) | Disclosure in the Annual Report relating to Remuneration Committee | The Annual Report should set out the names of the Directors comprising the Remuneration Committee, Statement of Remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors. | Names of Remuneration Committee members are given in Corporate Governance on page 20. The report of the Remuneration Committee is given on page 28 and the remuneration paid to Directors is given in the Note 9 to the Financial Statement on page 54. | Complied          |

## CORPORATE GOVERNANCE (Contd.)

| Rule No.  | Subject                                                         | Applicable Requirement                                                                                                                                                                                                                                                    | Details                                                                                                                                                                                           | Compliance Status |
|-----------|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 7.10.6    | Audit Committee                                                 | A listed company shall have an Audit Committee.                                                                                                                                                                                                                           | Company has an Audit Committee. Refer page no 16 to the Annual Report.                                                                                                                            | Complied          |
| 7.10.6(a) | Composition of Audit Committee                                  | Shall comprise of Non-Executive Directors, a majority of whom will be independent.                                                                                                                                                                                        | The Audit Committee comprised of five (5) Non-Executive Directors out of which three (3) are Independent.                                                                                         | Complied          |
|           |                                                                 | Shall appoint Non-Executive Director as a Chairman to the Committee.                                                                                                                                                                                                      | Composition of the Committee given under Corporate Governance Report on page 20 to the Annual Report.                                                                                             | Complied          |
|           |                                                                 | Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.                                                                                                                                                                           | The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation.                                                                                            | Complied          |
|           |                                                                 | The Chairman of the Audit Committee or one member should be a member of a professional accounting body.                                                                                                                                                                   | The Chairman of the Audit Committee is a member of The Institute of Chartered Accountants of India and one committee member also a member of The Institute of Chartered Accountants of Sri Lanka. | Complied          |
| 7.10.6(b) | Functions of Audit Committee                                    | Functions outlined in the Section 7.10.6 (b) of the Listing Rules.                                                                                                                                                                                                        | Audit Committee functions are stated in the Audit Committee Report on page 27.                                                                                                                    | Complied          |
| 7.10.6(c) | Disclosure in the Annual Report relating to the Audit Committee | The Annual Report should set out the names of the Directors comprising the Audit Committee, shall make a determination of the independence of the Auditors and disclose the basis for such determination and Annual Report shall contain a Report of the Audit Committee. | Refer the Audit Committee report on page 27 to the Annual Report.                                                                                                                                 | Complied          |

Level of compliance with the Code of Best practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

| Rule No. | Subject                                             | Applicable Requirement                                                                                                                                                   | Details                                                                                                                                 | Compliance Status |
|----------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 9.2.1    | Related Party Transactions Review Committee (RPTRC) | Related Party Transactions should be reviewed by the RPTRC.                                                                                                              | Refer RPTRC Report on page 29 to the Annual Report.                                                                                     | Complied          |
| 9.2.2    | Composition of RPTRC                                | Shall comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. Chairman of the committee should be Independent Non-Executive Director. | The RPTRC comprised of five (5) Non-Executive Directors out of which three (3) are independent including the Chairman of the Committee. | Complied          |

## CORPORATE GOVERNANCE (Contd.)

| Rule No. | Subject                                                       | Applicable Requirement                                                                                                                                                                                                                                                   | Details                                                                                                                                                                                                                                                                             | Compliance Status |
|----------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| 9.2.3    | Involvement of Parent Company's RPTRC                         | Parent Company's RPTRC may be permitted to function as Parent Company's RPTRC of the subsidiary.                                                                                                                                                                         | Not Applicable.                                                                                                                                                                                                                                                                     | Not Applicable    |
| 9.2.4    | Related Party Transactions Review Committee -Meetings         | Shall meet at least once a calendar quarter.                                                                                                                                                                                                                             | Refer RPTRC report on page 29 to the Annual Report.                                                                                                                                                                                                                                 | Complied          |
| 9.3.1    | Immediate Disclosures                                         | As outlined in the Section 9.3.1 of the Listing Rules.                                                                                                                                                                                                                   | Company has not had any Non- recurrent Related Party Transactions during the year under review, which requires immediate announcement to the Exchange. Refer RPTRC report on page 29 to the Annual Report.                                                                          | Complied          |
| 9.3.2(a) | Disclosure -Non recurrent Related Party Transactions          | Disclosure of Non recurrent Related Party Transactions, if aggregate value of the Non-recurrent Related Party Transactions exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the listed entity as per the latest Audited Financial Statements. | Company has not had any Non- recurrent Related Party Transactions during the year under review with aggregate value exceeding 10% of the equity or 5% of the Total assets, whichever is lower. Hence, no disclosure is required.Refer RPTRC report on page 29 to the Annual Report. | Complied          |
| 9.3.2(b) | Disclosure -Recurrent Related Party Transactions              | Disclosure of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Gross Revenue/Income as per the latest Audited Financial Statements.                                                           | Transactions with Ashok Leyland Ltd, India have exceeded the threshold of 10% of Gross Revenue. Accordingly, required Disclosure has been made in note 32.1 to the Financial Statements.                                                                                            | Complied          |
| 9.3.2(c) | Report by the RPTRC                                           | Committee report shall include; Names of Committee members, statement that Committee has reviewed the RPTs and communicated observations to the Board, policies and procedures adopted in reviewing RPTs and number of times Committee met during the year.              | Refer page 29 for the Related Party Transactions Review Committee report.                                                                                                                                                                                                           | Complied          |
| 9.3.2(d) | A declaration by the Board of Directors in the Annual Report. | This should be an affirmative statement of the compliance and full disclosure of Related Party Transactions or a negative statement in the event the entity does not have Related Party Transactions.                                                                    | Refer page 16 of the Annual Report of the Board of Directors.                                                                                                                                                                                                                       | Complied          |

## CORPORATE GOVERNANCE (Contd.)

### ETHICAL STANDARDS

The Board is committed to maintain highest 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.

### COMPLIANCE

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

By Order of the Board  
**Lanka Ashok Leyland PLC**



**D A Abeyawardene**  
Director / Secretary

Colombo  
07<sup>th</sup> May 2018



# 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 Committee during the financial year 2017/18 comprised of the following Non-Executive Directors.

- Mr. Gopal Mahadevan - Chairman Non-Executive Director
- Dr. M S Meerasahib - Member Non-Executive Director
- Mr. D P Kumarage - Member Non-Executive Independent Director
- Mr. N Sundararajan - Member Non-Executive Independent Director
- Mr. D A Abeyawardene - Member Non-Executive Independent Director

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 President - Finance & Chief Financial Officer of Ashok Leyland Ltd, India.

Brief profile of each member is provided on pages 11 to 13.

## 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 31<sup>st</sup> March 2018 and the attendance details are given in page no 20 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 function is outsourced to M/s. EY 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 30 to 33. The internal auditor's reports are made available to the external auditors as well.

## STATUTORY AUDIT

M/s. KPMG, Chartered Accountants were appointed as the statutory auditors and the Audit Committee reviewed their independence and objectivity. The Audit Committee also reviewed the observations and recommendations on the Management Letter issued by them.

The statutory auditors have 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.

The Committee reviewed the non-audit services and its impact on the independence of the External Auditors. The Audit Committee has recommended to the Board that M/s. KPMG be re-appointed as the Independent External Auditor and that the re-appointment be included in the agenda of the Annual General Meeting, for securing the approval of the shareholders.

## FINANCIAL REPORTS

By giving due consideration to audit findings, quarterly and annual financial reports are reviewed by the Audit Committee prior to their publication, 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, and 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  
07<sup>th</sup> May 2018

# REMUNERATION COMMITTEE REPORT

## COMPOSITION OF THE COMMITTEE

The Remuneration Committee consists of the following Non-executive Directors of the Board.

- |                        |            |                                    |
|------------------------|------------|------------------------------------|
| • Mr. Vinod K Dasari   | - Chairman | Non-Executive Director             |
| • Mr. A K M Jahanser   | - Member   | Non-Executive Director             |
| • Mr. D P Kumarage     | - Member   | Non-Executive Independent Director |
| • Mr. N Sundararajan   | - Member   | Non-Executive Independent Director |
| • Mr. D A Abayawardene | - Member   | Non-Executive                      |

Brief profiles of each member are given on pages 11 to 13.

## Independent Director

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 occasions where conflict of interest arises.

## ROLE OF THE REMUNERATION COMMITTEE

The scope of the Committee is to give recommendations to the Board for 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 periodic revisions in the compensations of all other employees.

## REMUNERATION POLICY

The Remuneration Policy aims to attract and retain a highly qualified and experienced workforce, and reward performance accordingly against the backdrop of industry norms. These compensation packages are commensurate with each employee's level of expertise and contribution, bearing in mind business performance and shareholder returns.

The Remuneration package 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.

## DIRECTORS' EMOLUMENTS

All Independent Directors receive a fee for attending Board meetings and for serving on Sub-Board Committees. Details of Directors' emoluments are disclosed in Note 9 on page 54.

## MEETINGS

The Committee held two meetings during the year under review and the attendance details are given on page no 20 to the Corporate Governance Report.



**Vinod K Dasari**  
**Chairman - Remuneration Committee**

Colombo  
07<sup>th</sup> May 2018

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## INTRODUCTION

The Committee assists the Board in establishing and reviewing policies and procedures related to Related Party transactions and helps to ensure avoidance of conflict of interest and to make appropriate disclosures in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

## COMPOSITION OF THE COMMITTEE

The Committee consisted of five Non-Executive Directors of whom three were Independent; the composition was in compliance with the Listing Rule No 9.2.2 of the Colombo Stock Exchange. The composition of the RPTRC is given on page 16 and a brief profile of each member is provided in pages 11 and 13.

## 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 (the Code), 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 Code), which are not of an ongoing or recurrent nature; and in cases where the Related Party transactions are of an on-going or recurrent nature, the Committee establishes guidelines for the senior management to follow.
- The Committee also reports and updates the Board of Directors once in every quarter about its review and its 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

The Promoters (Joint venture partners) of the Company and the parties related to the joint venture partners are directly identified as the Related Parties of the Company. The information related to the related parties of the Promoters are periodically obtained and updated in the database of the Company.

The members of the Board of Directors of the Company and the Chief Executive officer have been identified as the Key Management Personnel. Periodic declarations are obtained from the Key Management Personnel of the Company to identify the parties, if any, related to them who may have had any transactions relevant for this purpose.

The Company uses data from the declarations and the data retrieved from the ERP system to ensure compliance.

## MEETINGS OF THE COMMITTEE

The Committee held four meetings during the year under review and the attendance details of the members is given in page 19.

Findings and recommendations of the Committee were reported to the Board of Directors every quarter, soon after the meetings of the Committee. The Board reviewed the findings and has accepted the recommendations for implementation by the Management and also regarding disclosures.

## RELATED PARTY TRANSACTIONS DURING THE YEAR 2017/18

There were no non-recurrent Related Party Transactions that exceeded the thresholds requiring immediate market disclosure or shareholder approval as stipulated 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 32 to the Financial Statements.

## DECLARATION

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on page 16. All other related party transactions that could be classified as related party transactions in terms of LKAS 24-'Related Party Disclosures', are given in Note 32 to the Financial Statements.



**N Sundararajan**  
Chairman - Related Party Transactions Review Committee

Colombo  
07<sup>th</sup> May 2018

# MANAGEMENT OF RISK

## OVERVIEW

Risk is an integral part of any business and Lanka Ashok Leyland believes that in a successful enterprise Risk Management initiative can minimize the likelihood and consequences of risks getting 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 in improving 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, approves the strategy and policies for effective Risk Management which is converted to action in the manner outlined in the following framework.

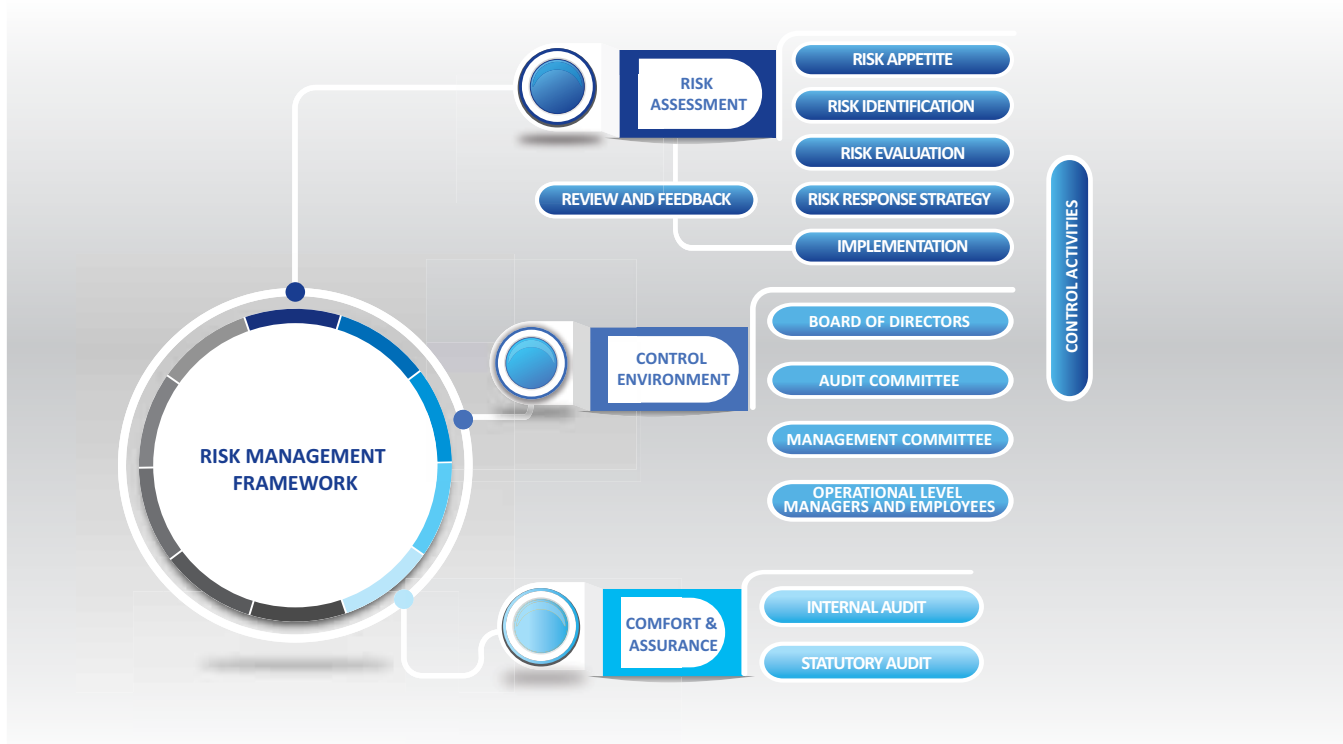
The Board has delegated its responsibility to the Audit Committee to oversee the system of Risk Management, compliance and controls to mitigate risks. The Company has appointed an independent professional organization, as internal Auditors who provide in-depth reports to the Audit Committee. The Audit 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

Control Environment, Risk Assessment, Control Activities, Communication and Monitoring establish the foundation for sound internal control system within the Company. The various risks faced by the Company are identified and assessed routinely at all levels and within all functions in the Company. Control activities and other mechanisms are proactively designed to address and mitigate the significant risks. Information critical to identifying risks and meeting business objectives is communicated through established channels up, down and across the Company. The entire system of internal control is monitored continuously and possible weaknesses are addressed timely. Accordingly, the Risk Management Framework of the Company is presented below.



## MANAGEMENT OF RISK (Contd.)

### Control Environment

The control environment of Lanka Ashok Leyland PLC is headed by the Board of Directors, assisted by an Audit Committee with well-balanced blend of experience, and the management committee. The Board with the assistance of the Audit committee, sets the necessary tone at the top to ensure an effective control environment ensuring continuous monitoring and improvements. The Management Committee implements the control objectives and gives necessary feedback to both the Audit Committee and to the operational level managers.

### Risk Assessment

Risk assessment starts with management discussions, event analysis, internal audit reports and other internal and external communications for risk identification and continues to assess the impact and finally proceeds to risk response. Risk Assessment is all about measuring and prioritizing risks so that risk levels are managed within defined tolerance thresholds without being over controlled or foregoing desirable opportunities.

### Control Activities

Control activities established through policies and procedures are performed at all levels of the company at various stages within business processes, and over the technology environment. They may be preventive or detective in nature. Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities.

Management Committee is responsible in placing an effective internal control system in accordance with the policies set by the Board of Directors based on the recommendations of the Audit Committee and the Internal and External Auditors.

### Communication and Monitoring

Learning through experience, opinions from professionals such as internal auditors, external auditors and other internal and external stakeholders are given due importance by the Audit Committee in monitoring and reviewing the risks. The Audit Committee, which has the ultimate responsibility of monitoring the process of risk management, reviews the risks and action plans on a quarterly basis and makes recommendations to the Board.

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





## MANAGEMENT OF RISK (Contd.)

### RISK MANAGEMENT ACTIONS

The table below sets out the categories of risks, along with specific risk elements Lanka Ashok Leyland is exposed to and the potential implications of the same as well as the risk management treatment/s in placed.

| Market Risk                         |                                                                                                          |                                                                                                                                                                                                                                                                                                         |
|-------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk                                | Potential Impact                                                                                         | Treatment                                                                                                                                                                                                                                                                                               |
| Competition and Customer Demand     | Decline in market share, new rivals and industry over-capacity in a high growth competitive environment. | The Company maintains long and well established relationships with major transport operators in the industry and with individual clients.<br><br>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.<br><br>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 fluctuations, and its 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.<br><br>Strict follow-up of outstandings 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.<br><br>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 does 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 changes.</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, and 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 suppliers' 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. | <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 .....                  | 35     |
| Financial Calendar.....                                         | 36     |
| Independent Auditors' Report.....                               | 37- 39 |
| Statement of Profit or Loss and Other Comprehensive Income..... | 40     |
| Statement of Financial Position .....                           | 41     |
| Statement of Changes in Equity .....                            | 42     |
| Statement of Cash Flows .....                                   | 43     |
| Notes to the Financial Statements .....                         | 44- 78 |

# THE STATEMENT OF DIRECTORS' RESPONSIBILITIES

While the responsibility of the auditors in relation to the Financial Statements 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;
- 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;
- a Statement of Changes in Equity depicting all changes in shareholders' funds of the Company during the year under review;
- a Statement of Cash Flow providing the information to the users, on the generation of cash and cash equivalents and the utilization of those cash flows, during the year under review, and
- Notes to the Financial Statements comprising accounting policies and other explanatory information.

The Companies Act No. 07 of 2007 requires the Directors to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit or loss of the Company for the financial year. 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
- prepared with reasonable and prudent judgments and estimates so that the form and substance of transactions are properly reflected; and
- prepared to provide the information required by, and otherwise comply with, the Companies Act No. 07 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 appropriate to enable them to give their audit opinion. Further, as required by Section 56 (2) of the Companies Act No 07 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. 07 of 2007, and have obtained a certificate from the auditors, prior to recommending a dividend of Rs. 35 per share as the first and final dividend for the financial year ended March 31, 2018 .

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 had been paid, or where relevant, provided for, except as specified in Note 34 to the Financial Statements covering contingent liabilities.

By Order of the Board of Directors



**D A Abeyawardene**  
Director / Secretary

Colombo  
07<sup>th</sup> May 2018



## FINANCIAL CALENDAR 2017/18

Annual Report  
Annual General Meeting to be held / held  
Final dividend to be declared / declared  
Final dividend to be paid / paid

### 2017/18

19<sup>th</sup> July 2018  
10<sup>th</sup> August 2018  
10<sup>th</sup> August 2018  
21<sup>st</sup> August 2018

### 2016/17

27<sup>th</sup> May 2017  
04<sup>th</sup> August 2017  
04<sup>th</sup> August 2017  
11<sup>th</sup> August 2017

## SUBMISSION OF INTERIM FINANCIAL STATEMENTS IN TERMS OF THE RULE 7.4 OF THE COLOMBO STOCK EXCHANGE

01<sup>st</sup> Quarter Report  
02<sup>nd</sup> Quarter Report  
03<sup>rd</sup> Quarter Report  
04<sup>th</sup> Quarter Report

### 2017/18

08<sup>th</sup> August 2017  
16<sup>th</sup> October 2017  
11<sup>th</sup> January 2018  
08<sup>th</sup> May 2018

### 2016/17

08<sup>th</sup> August 2016  
15<sup>th</sup> November 2016  
08<sup>th</sup> February 2017  
29<sup>th</sup> May 2017



# INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Lanka Ashok Leyland PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Lanka Ashok Leyland PLC ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 40 to 78 of this annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment,

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

#### 1. Carrying value of inventories

As described in Note 3.9 (Accounting Policies) and Note 17 (Inventories), the Company held inventories which comprised several different vehicle, generators and spare parts with an aggregate carrying value of Rs. 5,651,196,674 as at March 31, 2018.

Changes in economic sentiment or consumer preferences, demands and the introduction of newer models with the latest design and technologies could result in inventories on hand no longer being sought after or being sold at a discount below their cost. Estimating for future demand and the related selling prices of vehicles, generators and spare parts are inherently subjective and uncertain because it involves management estimating the extent of markdown of selling prices necessary to sell the older or slow moving models in the period subsequent to the reporting date. We identified the valuation of inventories as a key audit matter because of the exercise of significant judgement by management in determining appropriate carrying value of inventories.

Our audit procedures included;

- assessing whether the inventory provisions at the end of the reporting period were determined in a manner consistent with the Company's inventory provision policy by recalculating the inventory provisions based on the percentages and other parameters in the Company's inventory provision policy.

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

## INDEPENDENT AUDITOR'S REPORT (Contd.)

- assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing individual items with the underlying goods receipt notes
- enquiring of management about any expected changes in plans for markdowns or disposals of slow moving or obsolete inventories and comparing their representations with actual transactions subsequent to the reporting date and assumptions adopted in determining the inventory provisions;
- comparing, on a sample basis, the carrying value of inventories with sales prices subsequent to the end of the reporting period.
- Observing annual inventory count in order to ensure the existence and condition of inventories

### 2. Assessing the recoverability of debtors

As described in Note 3.3.1 (a) (Accounting Policies) and Note 16 & 18 (Future rental receivable from trade debtors & Trade and other receivable), the carrying value of lease rentals from trade debtors was Rs. 200,076,152 and Trade receivables was Rs. 510,891,114.

Assessing the allowance for impairment of debtors requires management to make subjective judgements over both the timing of recognition and estimation of the amount required of such impairment. We identified assessing the recoverability of trade debtors as a key audit matter because of the significance of trade debtors to the financial statements as a whole and the assessment of the recoverability of trade debtors is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.

Our audit Procedures included;

- Reviewing the appropriateness of the provisioning methodology used by management in determining the impairment allowances. Further, assessing the reasonableness of the assumptions used in the provisioning methodology by comparing them with historical data adjusted for current market conditions.
- Recomputing management's calculation for the impairment allowance and also testing the adequacy of prior year allowances by comparing them against actual loss incurred in the current year.
- assessing, on a sample basis, whether items in the debtors ageing report were classified within the appropriate ageing category by comparing individual items with the underlying invoices
- calling for confirmations from major debtors and verifying subsequent settlements, if any.

### Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

## INDEPENDENT AUDITOR'S REPORT (Contd.)

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

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be

thought to bear on our independence, and where applicable, related safeguards.

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

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.



Colombo, Sri Lanka  
07<sup>th</sup> May 2018

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH

|                                                                                                | Note     | 2018<br>Rs.             | 2017<br>Rs.      |
|------------------------------------------------------------------------------------------------|----------|-------------------------|------------------|
| <b>Revenue</b>                                                                                 | 5        | <b>15,537,460,828</b>   | 11,405,488,459   |
| Cost of Sales                                                                                  |          | <b>(14,322,481,251)</b> | (10,347,126,291) |
| <b>Gross Profit</b>                                                                            |          | <b>1,214,979,577</b>    | 1,058,362,168    |
| Other Income                                                                                   | 6        | <b>53,940,018</b>       | 39,486,749       |
| Selling and Distribution Expenses / Reversal                                                   | 7        | <b>27,599,819</b>       | (70,860,841)     |
| Administrative Expenses                                                                        |          | <b>(478,161,189)</b>    | (502,356,049)    |
| Other Operating Expenses                                                                       |          | <b>(89,134,611)</b>     | (85,301,673)     |
| <b>Profit from Operations</b>                                                                  |          | <b>729,223,614</b>      | 439,330,354      |
| Net Finance Cost                                                                               | 8        | <b>(45,921,568)</b>     | (89,968,301)     |
| <b>Profit before Tax</b>                                                                       | 9        | <b>683,302,046</b>      | 349,362,053      |
| Income Tax Expense                                                                             | 10       | <b>(179,184,570)</b>    | (111,155,517)    |
| <b>Profit for the Year</b>                                                                     |          | <b>504,117,476</b>      | 238,206,536      |
| <b>Other Comprehensive Income</b>                                                              |          |                         |                  |
| <i>Items that will never be reclassified to profit and loss</i>                                |          |                         |                  |
| Remeasurement of the Defined Benefit Obligation - Actuarial Gain/ (Losses)                     | 25.1 (b) | <b>(7,241,487)</b>      | (2,149,249)      |
| Deferred Tax (charge) / reversal on Defined Benefit Plan                                       | 10.3     | <b>2,027,616</b>        | 601,790          |
|                                                                                                |          | <b>(5,213,871)</b>      | (1,547,459)      |
| <i>Items that are or may be reclassified to profit and loss</i>                                |          |                         |                  |
| Net change in Fair Value of AFS Financial Assets                                               |          | <b>(23,560)</b>         | 2,530            |
|                                                                                                |          | <b>(23,560)</b>         | 2,530            |
| <b>Total Other Comprehensive Income, net of Tax</b>                                            |          | <b>(5,237,431)</b>      | (1,544,929)      |
| <b>Total Comprehensive Income for the Year</b>                                                 |          | <b>498,880,045</b>      | 236,661,607      |
| Basic and Diluted Earnings Per Share                                                           | 11       | <b>139.23</b>           | 65.79            |
| <b>Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA)</b> |          |                         |                  |
|                                                                                                | 12       | <b>850,518,730</b>      | 564,911,874      |

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 | 2018<br>Rs.          | 2017<br>Rs.          |
|-----------------------------------------------------|------|----------------------|----------------------|
| <b>ASSETS</b>                                       |      |                      |                      |
| <b>Non Current Assets</b>                           |      |                      |                      |
| Property, Plant & Equipment                         | 13   | 524,689,981          | 549,021,665          |
| Intangible Assets                                   | 14   | 246,817              | 1,147,700            |
| Financial Investments                               | 15   | 115,295              | 138,855              |
| Rental Receivable from Trade Debtors                | 16.1 | 37,624,595           | 25,117,890           |
| Deferred Tax Asset                                  | 26   | 1,301,528            | -                    |
| <b>Total Non Current Assets</b>                     |      | <b>563,978,216</b>   | <b>575,426,110</b>   |
| <b>Current Assets</b>                               |      |                      |                      |
| Inventories                                         | 17   | 5,651,196,674        | 3,963,009,285        |
| Trade and Other Receivables                         | 18   | 632,571,358          | 721,627,206          |
| Rental Receivable from Trade Debtors                | 16.2 | 162,451,557          | 350,701,853          |
| Deposits and Prepayments                            | 19   | 37,350,877           | 16,164,798           |
| Amount due from Related Party                       | 20   | 153,273              | 27,956,204           |
| Cash & Cash Equivalents                             | 21.1 | 80,102,999           | 38,841,064           |
| <b>Total Current Assets</b>                         |      | <b>6,563,826,738</b> | <b>5,118,300,410</b> |
| <b>Total Assets</b>                                 |      | <b>7,127,804,954</b> | <b>5,693,726,520</b> |
| <b>EQUITY &amp; LIABILITIES</b>                     |      |                      |                      |
| <b>Equity</b>                                       |      |                      |                      |
| Stated Capital                                      | 22   | 49,375,150           | 49,375,150           |
| General Reserve                                     | 23   | 887,347,500          | 887,347,500          |
| Financial Assets - Available for Sale Reserve       | 24   | 107,878              | 131,438              |
| Retained Earnings                                   |      | 2,401,829,016        | 2,011,387,540        |
| <b>Equity attributable to owners of the Company</b> |      | <b>3,338,659,544</b> | <b>2,948,241,628</b> |
| <b>Non Current Liabilities</b>                      |      |                      |                      |
| Employee Benefits                                   | 25   | 83,556,722           | 67,098,858           |
| Deferred Tax Liability                              | 26   | -                    | 26,360,703           |
| <b>Total Non Current Liabilities</b>                |      | <b>83,556,722</b>    | <b>93,459,561</b>    |
| <b>Current Liabilities</b>                          |      |                      |                      |
| Trade and Other Payables                            | 27   | 638,026,956          | 852,008,095          |
| Current Tax Liabilities                             | 28   | 31,226,551           | 3,963,664            |
| Provision for Warranty                              | 29   | 6,437,541            | 5,051,235            |
| Short-Term Borrowings                               | 30   | 2,320,488,088        | 940,192,000          |
| Amount due to Related Party                         | 31   | 696,195,019          | 826,875,832          |
| Bank Overdrafts                                     | 21.2 | 13,214,533           | 23,934,505           |
| <b>Total Current Liabilities</b>                    |      | <b>3,705,588,688</b> | <b>2,652,025,331</b> |
| <b>Total Liabilities</b>                            |      | <b>3,789,145,410</b> | <b>2,745,484,892</b> |
| <b>Total Equity &amp; Liabilities</b>               |      | <b>7,127,804,954</b> | <b>5,693,726,520</b> |
| <b>Net Assets per Share</b>                         |      | <b>922.07</b>        | <b>814.24</b>        |

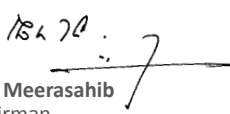
The Notes annexed form an integral part of these Financial Statements.

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

  
**A R T Ranasinghe**  
Chief Financial Officer

  
**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;

  
**M S Meerasahib**  
Chairman  
Colombo, 07<sup>th</sup> May 2018

  
**D P Kumara**  
Director



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

|                                                      | Stated<br>Capital<br><br>Rs. | General<br>Reserves<br><br>Rs. | Financial Assets -<br>Available for Sale<br>Reserves<br><br>Rs. | Retained<br>Earnings<br><br>Rs. | Total<br>Equity<br><br>Rs. |
|------------------------------------------------------|------------------------------|--------------------------------|-----------------------------------------------------------------|---------------------------------|----------------------------|
| <b>Balance as at 01 April 2016</b>                   | 49,375,150                   | 887,347,500                    | 128,908                                                         | 1,865,188,687                   | 2,802,040,245              |
| <b>Total Comprehensive Income</b>                    |                              |                                |                                                                 |                                 |                            |
| Profit for the year                                  | -                            | -                              | -                                                               | 238,206,536                     | 238,206,536                |
| Other Comprehensive Income for the year              | -                            | -                              | 2,530                                                           | (1,547,459)                     | (1,544,929)                |
| <b>Total Comprehensive Income</b>                    | -                            | -                              | 2,530                                                           | 236,659,077                     | 236,661,607                |
| <b>Transactions with owners of the Company</b>       |                              |                                |                                                                 |                                 |                            |
| <b>Contribution / Distribution</b>                   |                              |                                |                                                                 |                                 |                            |
| Unclaimed Dividend Reversed                          | -                            | -                              | -                                                               | 60,851                          | 60,851                     |
| Dividends                                            | -                            | -                              | -                                                               | (90,521,075)                    | (90,521,075)               |
| <b>Total Transactions with owners of the Company</b> | -                            | -                              | -                                                               | (90,460,224)                    | (90,460,224)               |
| <b>Balance as at 31 March 2017</b>                   | <b>49,375,150</b>            | <b>887,347,500</b>             | <b>131,438</b>                                                  | <b>2,011,387,540</b>            | <b>2,948,241,628</b>       |
| <b>Total Comprehensive Income</b>                    |                              |                                |                                                                 |                                 |                            |
| Profit for the year                                  | -                            | -                              | -                                                               | 504,117,476                     | 504,117,476                |
| Other Comprehensive Income for the year              | -                            | -                              | (23,560)                                                        | (5,213,871)                     | (5,237,431)                |
| <b>Total Comprehensive Income</b>                    | -                            | -                              | (23,560)                                                        | 498,903,605                     | 498,880,045                |
| <b>Transactions with owners of the Company</b>       |                              |                                |                                                                 |                                 |                            |
| <b>Contribution / Distribution</b>                   |                              |                                |                                                                 |                                 |                            |
| Unclaimed Dividend Reversed                          | -                            | -                              | -                                                               | 163,161                         | 163,161                    |
| Dividends                                            | -                            | -                              | -                                                               | (108,625,290)                   | (108,625,290)              |
| <b>Total Transactions with owners of the Company</b> | -                            | -                              | -                                                               | (108,462,129)                   | (108,462,129)              |
| <b>Balance as at 31 March 2018</b>                   | <b>49,375,150</b>            | <b>887,347,500</b>             | <b>107,878</b>                                                  | <b>2,401,829,016</b>            | <b>3,338,659,544</b>       |

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 | 2018<br>Rs.             | 2017<br>Rs.     |
|-----------------------------------------------------------------------|------|-------------------------|-----------------|
| <b>Cash flows from Operating Activities</b>                           |      |                         |                 |
| Profit Before Tax                                                     |      | <b>683,302,046</b>      | 349,362,053     |
| <b>Adjustment For :</b>                                               |      |                         |                 |
| Depreciation of Property, Plant and Equipment                         | 13   | <b>120,394,233</b>      | 124,680,637     |
| Amortization of Intangible Assets                                     | 14   | <b>900,883</b>          | 900,883         |
| Provision for Employee Benefits                                       | 25.1 | <b>12,431,020</b>       | 9,581,461       |
| Impairment (Reversal) / Provision on Trade & Other Receivables        | 7    | <b>(60,365,315)</b>     | 44,729,480      |
| (Reversal) / Charge for Provision for Inventory                       | 17.1 | <b>91,161,457</b>       | (45,328,618)    |
| Net Finance Costs                                                     | 8.1  | <b>164,289,367</b>      | 124,437,493     |
| Interest Income on Fixed Deposit                                      | 8.2  | <b>(193,484)</b>        | (213,521)       |
| Lease Interest Income                                                 | 6    | <b>(16,333,180)</b>     | (12,349,783)    |
| Gain on Sale of Property, Plant and Equipment                         | 6    | -                       | (7,326,000)     |
| Charge / (Reversal) for Provision for Free Service                    | 9    | <b>(1,276,899)</b>      | 6,446,490       |
| Provision for Warranty                                                | 9    | <b>1,386,306</b>        | 763,461         |
| Write-down of Inventory to Net Realizable Value                       | 9    | -                       | 61,234,250      |
|                                                                       |      | <b>312,394,387</b>      | 307,556,233     |
| <b>Operating Profit before Working Capital Changes</b>                |      | <b>995,696,433</b>      | 656,918,286     |
| <b>Working Capital Changes in</b>                                     |      |                         |                 |
| Inventories                                                           |      | <b>(1,845,644,905)</b>  | (183,430,538)   |
| Trade and Other Receivables                                           |      | <b>303,978,676</b>      | (209,853,515)   |
| Amount due from Related Party                                         |      | <b>27,802,931</b>       | (27,956,204)    |
| Trade and Other Payables                                              |      | <b>(211,867,919)</b>    | 332,186,971     |
| Amounts due to Related Party                                          |      | <b>(130,680,812)</b>    | 4,634,690       |
|                                                                       |      | <b>(1,856,412,028)</b>  | (84,418,595)    |
| <b>Cash Generated from Operations</b>                                 |      | <b>(860,715,595)</b>    | 572,499,691     |
| Interest Paid                                                         |      | <b>(164,289,367)</b>    | (124,122,424)   |
| Employee Benefits paid                                                | 25   | <b>(3,214,643)</b>      | (2,669,480)     |
| Payments of Income Taxes                                              | 28   | <b>(177,556,299)</b>    | (119,194,476)   |
|                                                                       |      | <b>(345,060,309)</b>    | (245,986,380)   |
| <b>Net Cash Generated from / (used in) Operating Activities</b>       |      | <b>(1,205,775,904)</b>  | 326,513,311     |
| <b>Cash flows from Investing Activities</b>                           |      |                         |                 |
| Interest received                                                     |      | <b>15,853,507</b>       | 213,521         |
| Proceeds from Sale of Property, Plant and Equipment                   |      | -                       | 7,326,000       |
| Acquisition of Property, Plant & Equipment                            |      | <b>(29,766,494)</b>     | (77,003,204)    |
| <b>Net Cash Flows Used in Investing Activities</b>                    |      | <b>(13,912,987)</b>     | (69,463,683)    |
| <b>Cash Flows from Financing Activities</b>                           |      |                         |                 |
| Short Term Loans Obtained during the year                             | 30.1 | <b>13,596,439,321</b>   | 8,158,248,315   |
| Short Term Loans repaid during the year                               | 30.1 | <b>(12,216,143,233)</b> | (8,344,003,803) |
| Dividends paid                                                        |      | <b>(108,625,290)</b>    | (90,521,075)    |
| <b>Net Cash Flows Used in Financing Activities</b>                    |      | <b>1,271,670,798</b>    | (276,276,563)   |
| <b>Net (Decrease) / Increase in Cash &amp; Cash Equivalents</b>       |      |                         |                 |
| Net Cash & Cash Equivalents at the beginning of the year              |      | <b>51,981,907</b>       | (19,226,935)    |
| Net Cash & Cash Equivalents at the end of the year                    | 21   | <b>14,906,559</b>       | 34,133,494      |
|                                                                       |      | <b>66,888,466</b>       | 14,906,559      |
| <b>Analysis of Cash &amp; Cash Equivalents at the end of the year</b> |      |                         |                 |
| Cash at Bank and in Hand                                              | 21.1 | <b>80,102,999</b>       | 38,841,064      |
| Bank Overdrafts                                                       | 21.2 | <b>(13,214,533)</b>     | (23,934,505)    |
|                                                                       |      | <b>66,888,466</b>       | 14,906,559      |

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 and domiciled 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, spare parts and provision of after sales services and ancillary services for Ashok Leyland motor vehicles. There were no significant changes in the nature of principal activities of the Company during the financial year under review.

The number of employees at the end of the year was 181. (2017 -182)

### 1.3 Financial Year

The Company's financial year ends on 31<sup>st</sup> March.

### 1.4 Date of Authorization for Issue

The Financial Statements were approved for issue by the Board of Directors on 07th May 2018.

### 1.5 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility in the Annual Report.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flows together with the notes to the Financial Statements.

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

### 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial

Statements, except for the following material items in the statement of financial position;

- 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 25.

These Financial Statements have been prepared, except for cash flow information using the annual accrual basis of accounting and 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 and no level of rounding has been used in presenting amounts in the Financial Statements, otherwise indicated.

### 2.4 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.

### 2.5 Use of Judgments and Estimates

The preparation of the Financial Statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the following notes;

#### • 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 and for deferred tax assets judgment as to its recoverability is performed for recognition purposes.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- **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.

- **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.

### 2.6 Going Concern

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

### 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 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency applying exchange rates prevailing 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 currency differences are generally recognised in profit or loss.

#### 3.2 Current versus non-current classification

The Company presents Assets and Liabilities in Statement of Financial Position based on current/non-current classification.

An asset as current when it is:

- Expected to be realized or intended to sell or consume in normal operating cycle

- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- It does not have a right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax liabilities and employee benefit liabilities are classified as non-current liabilities.

### 3.3 Financial Instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

#### 3.3.1 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### (a) 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.

### (b) 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.

### 3.3.2 Non-Derivative Financial Liabilities

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

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

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

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 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.

### 3.4 Impairment

#### 3.4.1 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;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of the debtor
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

#### 3.4.2 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.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for 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



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

### 3.4.3 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.

### 3.4.4 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.

## 3.5 Stated Capital

### Ordinary Shares

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

## 3.6 Property, Plant & Equipment

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be measured reliably.

### a) Cost

All Property, Plant and Equipment are initially recorded at cost and stated at historical cost less depreciation and any impairment losses. 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.

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.

### b) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The Company provides depreciation from the date the

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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%  |

*Freehold land is not depreciated.*

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### c) 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.

### d) 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.

## 3.7 Intangible Assets

### a) Cost

Intangible assets wholly consists of cost of computer software acquired by the Company and have finite useful life. Intangible assets are measured 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 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.

## 3.8 Capital Commitments

Capital commitments of the Company are disclosed in the Note 33 to the Financial Statements.

## 3.9 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.

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           |

## 3.10 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.

## 3.11 Employee Benefits

### 3.11.1 Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

service provided by the employee and the obligation can be estimated reliably.

### 3.11.2 Defined Benefit Plan- Gratuity

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

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

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

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

### 3.11.3 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.

The company contributes 12% and 3% of the salary of each employee to the Employees' provident funds and Employees' trust fund respectively.

### 3.12 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.

### 3.13 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.

### 3.14 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.

### 3.15 Statement of Profit or Loss and Other Comprehensive Income

#### 3.15.1 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 of ownership are transferred to the buyer.

#### a) Sale of Goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and taxes.

The timing of the transfer of risks and rewards usually occurs when the product is delivered to the customer from the Company warehouse.

#### b) Sale of Goods under Finance Lease

In accordance with paragraph 42 of LKAS 17 - "Leases", the selling profit or loss is recognized in the period of sales in accordance with the policy followed for outright sales. When low rate of interest are quoted, selling profit is restricted to that which would apply if a market rate of interest were changed. Cost incurred in connection with negotiating 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### c) Rendering of Services

Revenue from services is recognized when the services are rendered in accordance with the specific terms of contract and when collectability of the resulting receivable is reasonably assured.

### 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 Operating Revenues

Other operating revenues comprise of income from ancillary activities incidental to the operations of the Company and is recognized when the right to receive the income is established as per the terms of the contract.

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

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognized net within "other income" in Profit or Loss.

### h) Other Income

All other income is recognized on an accrual basis.

### 3.15.2 Expenditure Recognition

Expenses are recognized in the Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income.

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.

### 3.15.3 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.

### 3.15.4 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 in accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### (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.

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.

### 3.16 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Number of Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial 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 identical 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.

### 3.17 Events after the Reporting Period

All material and important events if any which occur after the reporting date have been considered and disclosed in Note 36 to the Financial Statements.

### 3.18 Cash Flow Statement

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with Sri Lanka Accounting Standard- LKAS 7 "Statement of Cash Flows". Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 3.19 and 21.

### 3.19 Cash and Cash Equivalent

Cash and cash equivalents comprise of cash at bank, cash in hand and fixed deposits with maturities of three months or less from the acquisition date, and are used by the Company in the management of its short-term commitments. Bank overdrafts that are repayable on demand and forming an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

### 3.20 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.



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

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

#### 4.1 SLFRS 15 - Revenue Recognition from Customer Contracts

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

SLFRS 15 is effective for annual periods beginning on or after 1 January 2018.

#### *Possible impact on Financial Statements*

##### a) Sales of goods

For the sale of vehicles, spare parts and generators, revenue is currently recognized when the goods are delivered to the customer, which is taken to be the point of time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under SLFRS 15, revenue will be recognized when a customer obtains control of the goods. For some made-to-order product contracts, the customer controls all of the work in progress as the products are being manufactured. When this is the case, revenue will be recognized as the products are being manufactured. This will result in revenue, and some associated costs, for these contracts being recognized earlier than at present - i.e. before the goods are delivered to the customers.

For certain contracts that permit the customer to return an item, revenue is currently recognized when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met.

Under SLFRS 15, revenue will be recognized for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue

recognized will not occur. As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made. A refund liability and an asset for recovery will be recognized for these contracts and presented separately in the statement of financial position.

##### b) Commission

For commissions earned by the Company, the Company has determined that it acts in the capacity of an agent for certain transactions, as explained in Note 05.

Under SLFRS 15, the assessment will be based on whether the Company controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

#### *Possible impact on Financial Statements*

The Company does not expect that there will be a significant impact on its Financial Statements.

#### **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 1<sup>st</sup> January 2018

#### *Possible impact on Financial Statements*

The Company does not expect significant impact on its financial statements resulting from the application of SLFRS 9.

#### **SLFRS 16 - 'Leases'**

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet financed leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual Reporting periods beginning on or after 01 January 2019.

#### *Possible impact on Financial Statements*

The Company does not expect that there will be a significant impact on its Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31<sup>st</sup> MARCH

|                                       | 2018<br>Rs.           | 2017<br>Rs.           |
|---------------------------------------|-----------------------|-----------------------|
| <b>5 REVENUE</b>                      |                       |                       |
| New Vehicle Sales                     | 15,217,383,404        | 11,102,863,309        |
| Diesel Generator Set Sales            | 39,503,656            | 44,301,318            |
| Vehicle / Generator Set Repair Income | 146,614,771           | 157,417,536           |
| Spare Parts Sales                     | 123,057,496           | 93,489,418            |
| Local Agency Commission               | 10,901,501            | 7,416,878             |
| <b>TOTAL GROSS REVENUE</b>            | <b>15,537,460,828</b> | <b>11,405,488,459</b> |

*In respect of Commission, Management considers that the following factors indicate the Company acts as an agent;*

- Company neither takes title to nor is exposed to inventory risk related to goods, and has no significant responsibility in respect of the goods sold.
- Company collects the revenue from the supplier and all the risk related to the transaction is also borne by the supplier of the goods.

FOR THE YEAR ENDED 31<sup>st</sup> MARCH

|                                                                         | 2018<br>Rs.         | 2017<br>Rs.       |
|-------------------------------------------------------------------------|---------------------|-------------------|
| <b>6 OTHER INCOME</b>                                                   |                     |                   |
| Vehicle Hiring Income                                                   | 27,616,004          | 11,106,741        |
| Profit on Sale of Property, Plant and Equipment                         | -                   | 7,326,000         |
| Lease Interest Income                                                   | 16,333,180          | 12,349,783        |
| Sundry Income                                                           | 9,990,834           | 8,704,225         |
|                                                                         | <b>53,940,018</b>   | <b>39,486,749</b> |
| <b>7 SELLING AND DISTRIBUTION EXPENSES / REVERSAL</b>                   |                     |                   |
| Selling and Distribution Expenses / Reversal comprise of the following; |                     |                   |
| Commission                                                              | 6,095,000           | 4,446,000         |
| Discounts                                                               | 7,118,496           | 5,769,237         |
| Advertising                                                             | 3,641,469           | 3,720,311         |
| Impairment loss / (reversal) on Trade Receivables (Note 7.1)            | (60,365,315)        | 44,729,480        |
| Other Selling Expenses                                                  | 15,910,532          | 12,195,813        |
|                                                                         | <b>(27,599,819)</b> | <b>70,860,841</b> |
| <b>7.1 Impairment Loss/(Reversal) on Trade Receivables</b>              |                     |                   |
| Impairment loss/(reversal) on Lease Rental Receivables (Note 16.3)      | (56,445,392)        | 49,552,770        |
| Impairment (reversal) / Loss on Trade Receivables (Note 18.1)           | (3,919,923)         | (4,823,290)       |
|                                                                         | <b>(60,365,315)</b> | <b>44,729,480</b> |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

FOR THE YEAR ENDED 31<sup>st</sup> MARCH

|                                                                                   | 2018<br>Rs.          | 2017<br>Rs.          |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
| <b>8 NET FINANCE COST</b>                                                         |                      |                      |
| <b>8.1 Finance Income</b>                                                         |                      |                      |
| Interest Income                                                                   | 193,484              | 213,521              |
| Net Foreign Exchange Gain                                                         | 118,174,315          | 34,255,671           |
|                                                                                   | <b>118,367,799</b>   | <b>34,469,192</b>    |
| <b>8.2 Finance Cost</b>                                                           |                      |                      |
| Interest Expense on Short Term Borrowings                                         | (163,013,127)        | (123,147,020)        |
| Interest Expense on Bank Overdraft                                                | (1,276,240)          | (1,290,473)          |
|                                                                                   | <b>(164,289,367)</b> | <b>(124,437,493)</b> |
| <b>NET FINANCE COST</b>                                                           | <b>(45,921,568)</b>  | <b>(89,968,301)</b>  |
| <b>9 PROFIT BEFORE TAX</b>                                                        |                      |                      |
| Profit before tax is stated after charging all the expenses including followings; |                      |                      |
| Directors' Emoluments                                                             | 3,600,000            | 2,516,667            |
| Auditors' Remuneration - Audit services                                           | 1,530,000            | 1,530,000            |
| - Non Audit Services                                                              | 560,000              | 750,000              |
| Staff Cost                                                                        | 276,896,247          | 226,884,337          |
| EPF                                                                               | 16,517,525           | 14,900,165           |
| ETF                                                                               | 4,129,381            | 3,725,041            |
| Provision for Employee Benefits                                                   | 12,431,020           | 9,581,461            |
| Depreciation of Property, Plant and Equipment                                     | 120,394,233          | 124,680,637          |
| Amortization of Intangible Assets                                                 | 900,883              | 900,883              |
| (Reversal) / Provision for Slow Moving and obsolete stocks -General               | 91,161,457           | (45,328,618)         |
| Provision / (Reversal) of Provision for Free Service                              | (1,276,902)          | 6,446,490            |
| Provision for Warranty                                                            | 1,386,306            | 763,461              |
| Write-down of Inventory to Net Realizable Value                                   | -                    | 61,234,250           |
| Impairment loss/(Reversal) on Trade & Other Receivables                           | (60,365,317)         | 44,729,480           |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 10 TAX EXPENSE

The Company is liable to taxation at the rate of 28% on its taxable income and 12% on export sales 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 ;

| FOR THE YEAR ENDED 31 <sup>st</sup> MARCH                                                                          | 2018<br>Rs.         | 2017<br>Rs.        |
|--------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| <b>10.1 Tax Expense</b>                                                                                            |                     |                    |
| Income Tax on Profits for the Year (Note 10.2)                                                                     | 204,819,185         | 107,979,489        |
| Deferred Tax (Note 10.3)                                                                                           | (25,634,615)        | 3,176,028          |
|                                                                                                                    | <b>179,184,570</b>  | <b>111,155,517</b> |
| <b>10.2 Reconciliation of the Accounting Profit and Taxable Profit</b>                                             |                     |                    |
| Profit before Tax                                                                                                  | 683,302,046         | 349,362,053        |
| Income from other sources and exempt income                                                                        | (259,322)           | (276,895)          |
| Aggregated Expenses Disallowed for Taxation                                                                        | 180,804,580         | 230,006,520        |
| Aggregated Deductible Expenses for Taxation                                                                        | (132,187,694)       | (189,901,797)      |
| Total Statutory Income                                                                                             | 731,659,610         | 389,189,881        |
| Interest Income                                                                                                    | 254,355             | 273,664            |
| Taxable Income                                                                                                     | <b>731,913,965</b>  | <b>389,463,545</b> |
| <b>Taxation</b>                                                                                                    |                     |                    |
| Income Tax at 12%                                                                                                  | 87,544              | 802,729            |
| Income Tax at 28%                                                                                                  | 204,731,641         | 107,176,760        |
| Income Tax on Profits for the Year                                                                                 | <b>204,819,185</b>  | <b>107,979,489</b> |
| <b>10.3 Recognition of Deferred Tax Expenses in the Statement of Profit or Loss and Other Comprehensive Income</b> |                     |                    |
| Statement of Profit or Loss (Note 26)                                                                              | (25,634,615)        | 3,176,028          |
| Other Comprehensive Income (Note 26)                                                                               | (2,027,616)         | (601,790)          |
|                                                                                                                    | <b>(27,662,231)</b> | <b>2,574,238</b>   |
| <b>10.4 Effective Tax Rate</b>                                                                                     |                     |                    |
| Effective Tax Rate excluding Deferred Tax                                                                          | 29.97%              | 30.91%             |
| Effective Tax Rate including Deferred Tax                                                                          | 26.22%              | 31.82%             |

| FOR THE YEAR ENDED 31 <sup>st</sup> MARCH        | Rate          | 2018<br>Rs.        | Rate          | 2017<br>Rs.        |
|--------------------------------------------------|---------------|--------------------|---------------|--------------------|
| <b>10.5 Reconciliation of Effective Tax Rate</b> |               |                    |               |                    |
| Profit before tax from operations                |               | 683,302,046        |               | 349,362,053        |
| Tax using the Company's tax rate                 | 28.00%        | 191,324,573        | 28.00%        | 97,821,375         |
| Exempted income                                  | 0.00%         | (1,391)            | 0.000%        | (905)              |
| Disallowed Expenses                              | 7.41%         | 50,625,283         | 18.43%        | 64,401,827         |
| Deductible Expenses                              | -5.42%        | (37,012,554)       | -15.22%       | (53,172,503)       |
| Effect of tax rates on Export Sales              | -0.02%        | (116,726)          | -0.31%        | (1,070,305)        |
| <b>Effective Tax Rate excluding Deferred Tax</b> | <b>29.97%</b> | <b>204,819,185</b> | <b>30.91%</b> | <b>107,979,489</b> |
| Temporary Differences                            | -3.75%        | (25,634,615)       | 0.91%         | 3,176,028          |
| <b>Effective Tax Rate including Deferred Tax</b> | <b>26.22%</b> | <b>179,184,570</b> | <b>31.82%</b> | <b>111,155,517</b> |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 11 EARNINGS PER SHARE & DIVIDEND PER SHARE

#### 11.1 Basic Earnings per Share

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding.

#### 11.2 Diluted Earnings per Share

The calculation of diluted earning per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effect of all diluted ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year and previous year.

| FOR THE YEAR ENDED 31 <sup>st</sup> MARCH          | 2018        | 2017        |
|----------------------------------------------------|-------------|-------------|
| Profit Attributable to Ordinary Shareholders (Rs.) | 504,117,476 | 238,206,536 |
| Weighted Average Number of Ordinary Shares         | 3,620,843   | 3,620,843   |
| Basic and Diluted Earnings per Share (Rs.)         | 139.23      | 65.79       |

#### 11.3 Dividend Per Share

After the reporting date, the following dividend was proposed by the Board of Directors. The Dividend has not been recognized as liability in the Financial Statements in compliance with LKAS 10 "Events After the Reporting Period".

|                                            | 2018        | 2017        |
|--------------------------------------------|-------------|-------------|
| Dividend for the Year (Rs.)                | 126,729,505 | 108,625,290 |
| Weighted Average Number of Ordinary Shares | 3,620,843   | 3,620,843   |
| Dividend per Share (Rs.)                   | 35.00       | 30.00       |

### 12 ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION ( ADJUSTED EBITDA)

The Directors of the Company have presented the performance measure adjusted EBITDA as they monitor this performance measure at high level and they believe this measure is relevant to an understanding of the Company's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of Taxation, Net Finance Costs, Depreciation, Amortization, Impairment Losses / Reversals related Intangible Assets, Property, Plant and Equipment.

Adjusted EBITDA is not a defined performance measure in SLAS. The Company's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

#### Reconciliation of adjusted EBITDA to profit from operations;

| FOR THE YEAR ENDED 31 <sup>st</sup> MARCH | Note | 2018<br>Rs. | 2017<br>Rs. |
|-------------------------------------------|------|-------------|-------------|
| <b>Profit from continuing operations</b>  |      | 504,117,476 | 238,206,536 |
| Income tax expense                        | 10   | 179,184,570 | 111,155,517 |
| <b>Profit before tax</b>                  |      | 683,302,046 | 349,362,053 |
| Adjustments for:                          |      |             |             |
| - Net finance costs                       | 8    | 45,921,568  | 89,968,301  |
| - Depreciation                            | 13   | 120,394,233 | 124,680,637 |
| - Amortisation                            | 14   | 900,883     | 900,883     |
| <b>Adjusted EBITDA</b>                    |      | 850,518,730 | 564,911,874 |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 13 PROPERTY, PLANT & EQUIPMENT COST

|                             | As at 1 <sup>st</sup><br>April 2017<br>Rs. | Additions<br>Rs. | Disposals /<br>Transfers<br>Rs. | As at 31 <sup>st</sup><br>March 2018<br>Rs. |
|-----------------------------|--------------------------------------------|------------------|---------------------------------|---------------------------------------------|
| Freehold Land               | 10,700,810                                 | -                | -                               | 10,700,810                                  |
| Freehold Factory & Building | 195,832,365                                | 797,520          | 35,959,110                      | 232,588,995                                 |
| Data Processing Equipment   | 28,998,572                                 | 2,179,474        | -                               | 31,178,046                                  |
| Machinery & Equipment       | 17,341,295                                 | 3,650,000        | -                               | 20,991,295                                  |
| Factory Equipment           | 24,955,669                                 | 544,400          | -                               | 25,500,069                                  |
| Office Equipment            | 7,035,551                                  | 1,012,035        | -                               | 8,047,586                                   |
| Furniture & Fittings        | 21,537,075                                 | 730,728          | -                               | 22,267,803                                  |
| Motor Vehicles              | 615,923,519                                | 66,296,056       | -                               | 682,219,575                                 |
|                             | 922,324,856                                | 75,210,213       | 35,959,110                      | 1,033,494,179                               |
| Work In Progress - Building | 35,959,110                                 | 20,852,336       | (35,959,110)                    | 20,852,336                                  |
|                             | 958,283,966                                | 96,062,549       | -                               | 1,054,346,515                               |

### ACCUMULATED DEPRECIATION

|                             | As at 1 <sup>st</sup><br>April 2017<br>Rs. | Charge for<br>the year<br>Rs. | On Disposal<br>Rs. | As at 31 <sup>st</sup><br>March 2018<br>Rs. |
|-----------------------------|--------------------------------------------|-------------------------------|--------------------|---------------------------------------------|
| Freehold Factory & Building | 28,549,402                                 | 5,625,907                     | -                  | 34,175,309                                  |
| Data Processing Equipment   | 25,405,916                                 | 2,023,648                     | -                  | 27,429,564                                  |
| Machinery & Equipment       | 9,261,041                                  | 953,565                       | -                  | 10,214,606                                  |
| Factory Equipment           | 8,331,816                                  | 1,171,389                     | -                  | 9,503,205                                   |
| Office Equipment            | 4,052,769                                  | 523,959                       | -                  | 4,576,728                                   |
| Furniture & Fittings        | 13,829,049                                 | 1,756,123                     | -                  | 15,585,172                                  |
| Motor Vehicles              | 319,832,308                                | 108,339,642                   | -                  | 428,171,950                                 |
|                             | 409,262,301                                | 120,394,233                   | -                  | 529,656,534                                 |
| <b>Carrying Value</b>       | 549,021,665                                |                               |                    | 524,689,981                                 |

### 13.1 Market Value of the Freehold Land & Building Property

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

- 13.2 Seylan Bank PLC holds the primary mortgage on Factory Land, Building, Machinery and Other Equipment, amounting to Rs. 200 million.
- 13.3 Rs. 66,296,056 (2016/17 - Rs. 42,239,740) has been capitalized as Motor Vehicles from Vehicle Stock.
- 13.4 Property, Plant & Equipment included fully depreciated assets that are still in use having a gross amount of Rs. 189,682,064 as at 31<sup>st</sup> March 2018 (2016/17 - Rs. 63,253,835).
- 13.5 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 29,766,494 (2016/17 - Rs. 77,003,203) for cash.
- 13.6 There is no permanent fall in the value of Property, Plant and Equipment which require a provision for impairment.
- 13.7 There were no capitalized borrowing costs related to the acquisition of Property, Plant and Equipment during the year (2016/17 - Nil).



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 14 INTANGIBLE ASSETS

#### COST

|                   | As at 1 <sup>st</sup><br>April 2017<br>Rs. | Additions<br>Rs. | Disposals<br>Rs. | As at 31 <sup>st</sup><br>March 2018<br>Rs. |
|-------------------|--------------------------------------------|------------------|------------------|---------------------------------------------|
| Computer Software | 14,361,928                                 | -                | -                | 14,361,928                                  |
|                   | 14,361,928                                 | -                | -                | 14,361,928                                  |

#### ACCUMULATED AMORTIZATION

|                       | As at 1 <sup>st</sup><br>April 2017<br>Rs. | Amortization<br>for the year<br>Rs. | Disposals<br>Rs. | As at 31 <sup>st</sup><br>March 2018<br>Rs. |
|-----------------------|--------------------------------------------|-------------------------------------|------------------|---------------------------------------------|
| Computer Software     | 13,214,228                                 | 900,883                             | -                | 14,115,111                                  |
|                       | 13,214,228                                 | 900,883                             | -                | 14,115,111                                  |
| <b>Carrying Value</b> | 1,147,700                                  |                                     |                  | 246,817                                     |

**14.1** Intangible asset consist of license of ERP software and Microsoft license purchased during 2007 and 2014 respectively.

**14.2** Intangible Assets included fully amortized assets that are still in use having a gross amount of Rs. 10,758,397 as at 31<sup>st</sup> March 2018 (2016/17 - Rs. 10,758,397).

AS AT 31<sup>st</sup> MARCH

|                                                       | 2018        |                     | 2017        |                     |
|-------------------------------------------------------|-------------|---------------------|-------------|---------------------|
|                                                       | Rs.<br>Cost | Rs.<br>Market Value | Rs.<br>cost | Rs.<br>Market Value |
| <b>15 FINANCIAL INVESTMENTS</b>                       |             |                     |             |                     |
| <b>15.1 Investment in Shares - Available For sale</b> | 7,417       | 115,295             | 7,417       | 138,855             |
| Diesel & Motor Engineering PLC (Quoted)               |             |                     |             |                     |
| (248 Ordinary shares)                                 |             |                     |             |                     |
| <b>Total Investments</b>                              |             | 115,295             |             | 138,855             |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH

### 16 RENTAL RECEIVABLE FROM TRADE DEBTORS

|                                                  | 2018<br>Rs.   | 2017<br>Rs.   |
|--------------------------------------------------|---------------|---------------|
| Opening Balance                                  | 461,708,678   | 582,692,921   |
| Granted during the year                          | 126,936,696   | 37,800,000    |
| Total Rental Receivable                          | 588,645,374   | 620,492,921   |
| Less : Payment received during the year          | (355,337,328) | (158,784,243) |
| Total Rental outstanding                         | 233,308,046   | 461,708,678   |
| Less - Interest In Suspense                      | (11,372,919)  | (7,584,568)   |
| Unearned Rental Income                           | 221,935,127   | 454,124,110   |
| Less : Provision for Impairment Loss (Note 16.3) | (21,858,975)  | (78,304,367)  |
| Balance as at 31 <sup>st</sup> March             | 200,076,152   | 375,819,743   |

#### 16.1 Receivable after one year

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Total Rental Receivable              | 40,087,280  | 27,578,000  |
| Less - Interest In Suspense          | (2,462,685) | (2,460,110) |
| Unearned Rental Income               | 37,624,595  | 25,117,890  |
| Less : Provision for Impairment Loss | -           | -           |
| Balance as at 31 <sup>st</sup> March | 37,624,595  | 25,117,890  |

#### 16.2 Receivable within one year

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Total Rental Receivable              | 193,220,766  | 434,130,679  |
| Less - Interest In Suspense          | (8,910,234)  | (5,124,459)  |
| Unearned Rental Income               | 184,310,532  | 429,006,220  |
| Less : Provision for Impairment Loss | (21,858,975) | (78,304,367) |
| Balance as at 31 <sup>st</sup> March | 162,451,557  | 350,701,853  |

#### 16.3 Movement of Impairment Loss

The movement in the allowance for impairment in respect of Rental Receivable from Trade Debtors during the year is as follows:

|                                                           | As at 31 <sup>st</sup> March 2018 |                              |                         |
|-----------------------------------------------------------|-----------------------------------|------------------------------|-------------------------|
|                                                           | Individual Impairment<br>Rs.      | Collective Impairment<br>Rs. | Total Impairment<br>Rs. |
| Opening Balance                                           | 78,225,985                        | 78,382                       | 78,304,367              |
| Impairment loss / (Reversal) recognized during the period | (56,922,454)                      | 477,062                      | (56,445,392)            |
| Balance as at 31 <sup>st</sup> March                      | 21,303,531                        | 555,444                      | 21,858,975              |

|                                                           | As at 31 <sup>st</sup> March 2017 |                              |                         |
|-----------------------------------------------------------|-----------------------------------|------------------------------|-------------------------|
|                                                           | Individual Impairment<br>Rs.      | Collective Impairment<br>Rs. | Total Impairment<br>Rs. |
| Opening Balance                                           | 28,751,597                        | -                            | 28,751,597              |
| Impairment loss / (Reversal) recognized during the period | 49,474,387                        | 78,383                       | 49,552,770              |
| Balance as at 31 <sup>st</sup> March                      | 78,225,984                        | 78,383                       | 78,304,367              |

#### 16.4 Maturity Analysis of Rentals Receivables from Trade Debtors

|                                              | Less than 06<br>Months | 06 - 12<br>Months | 01 - 05<br>Years | Total       |
|----------------------------------------------|------------------------|-------------------|------------------|-------------|
| Rental Receivables from Trade Debtors - 2018 | 138,064,015            | 24,387,543        | 37,624,595       | 200,076,153 |
| Rental Receivables from Trade Debtors - 2017 | 329,583,088            | 21,552,390        | 24,684,265       | 375,819,743 |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| AS AT 31 <sup>st</sup> MARCH                                                                                                                                         | 2018<br>Rs.          | 2017<br>Rs.          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>17 INVENTORIES</b>                                                                                                                                                |                      |                      |
| Vehicle Stock                                                                                                                                                        | 4,593,369,059        | 2,932,622,031        |
| Generators                                                                                                                                                           | 38,591,944           | 50,087,324           |
| Cab / Bodies & Work In Progress                                                                                                                                      | 38,110,714           | 25,562,076           |
| Spare Parts & Consumables                                                                                                                                            | 517,953,371          | 361,217,781          |
|                                                                                                                                                                      | <b>5,188,025,088</b> | <b>3,369,489,212</b> |
| Goods In Transit                                                                                                                                                     | 831,403,145          | 870,590,175          |
|                                                                                                                                                                      | <b>6,019,428,233</b> | <b>4,240,079,387</b> |
| Provision for Slow Moving & Obsolete Stocks (Note 17.1)                                                                                                              | (368,231,559)        | (277,070,102)        |
|                                                                                                                                                                      | <b>5,651,196,674</b> | <b>3,963,009,285</b> |
| <b>17.1 Provision for Slow Moving &amp; Obsolete Stocks</b>                                                                                                          |                      |                      |
| Balance at the beginning of the year                                                                                                                                 | 277,070,102          | 322,398,720          |
| (Reversal) / Charge for the period                                                                                                                                   | 91,161,457           | (45,328,618)         |
| Balance at the end of the year                                                                                                                                       | <b>368,231,559</b>   | <b>277,070,102</b>   |
| <b>17.2</b> 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. |                      |                      |

| AS AT 31 <sup>st</sup> MARCH                    | 2018<br>Rs.        | 2017<br>Rs.        |
|-------------------------------------------------|--------------------|--------------------|
| <b>18 TRADE AND OTHER RECEIVABLES</b>           |                    |                    |
| Trade Receivables                               | 341,330,460        | 334,497,564        |
| Receivables from Related Parties (Note 18.2)    | 225,951,110        | 359,771,742        |
| Less: Provision for Impairment Loss (Note 18.1) | (56,390,456)       | (65,748,936)       |
|                                                 | <b>510,891,114</b> | <b>628,520,370</b> |
| Advances to Staff                               | 8,325,703          | 9,256,046          |
| VAT Receivable                                  | 69,780,216         | 45,472,149         |
| Other Receivables                               | 43,574,325         | 38,378,641         |
|                                                 | <b>632,571,358</b> | <b>721,627,206</b> |
| <b>18.1 Provision for Impairment Loss</b>       |                    |                    |
| Balance at the beginning of the year            | 65,748,936         | 117,087,605        |
| Impairment loss recognized during the year      | (3,919,923)        | (4,823,290)        |
| Write-off Against the Provision                 | (5,438,557)        | (46,515,379)       |
| Balance at the end of the year                  | <b>56,390,456</b>  | <b>65,748,936</b>  |
| <b>18.2 Receivables from Related Parties</b>    |                    |                    |
| Sri Lanka Transport Board                       | 24,429,081         | 5,588,705          |
| Other Government related entities               | 23,686,280         | 131,792,037        |
| Government Financial Institutions               | 177,835,749        | 222,391,000        |
|                                                 | <b>225,951,110</b> | <b>359,771,742</b> |

**18.3** Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 42.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| AS AT 31 <sup>st</sup> MARCH                                              |  | 2018<br>Rs.       | 2017<br>Rs.       |
|---------------------------------------------------------------------------|--|-------------------|-------------------|
| <b>19 DEPOSITS AND PREPAYMENTS</b>                                        |  |                   |                   |
| Deposits and Advances                                                     |  | 28,920,997        | 10,238,800        |
| Prepayments                                                               |  | 8,429,880         | 5,925,998         |
|                                                                           |  | <b>37,350,877</b> | <b>16,164,798</b> |
| <b>20 AMOUNTS DUE FROM RELATED PARTY</b>                                  |  |                   |                   |
| Receivables from Ashok Leyland Limited - India (Note 32)                  |  | 153,273           | 27,956,204        |
|                                                                           |  | <b>153,273</b>    | <b>27,956,204</b> |
| <b>21 CASH &amp; CASH EQUIVALENTS</b>                                     |  |                   |                   |
| <b>21.1 Favorable Balances</b>                                            |  |                   |                   |
| Fixed Deposits                                                            |  | 2,300,000         | 2,300,000         |
| Cash in Hand                                                              |  | 39,428,172        | 11,131,612        |
| Cash at Banks                                                             |  | 38,374,827        | 25,409,452        |
|                                                                           |  | <b>80,102,999</b> | <b>38,841,064</b> |
| <b>21.2 Unfavorable Balances</b>                                          |  |                   |                   |
| Bank Overdraft                                                            |  | (13,214,533)      | (23,934,505)      |
| <b>Cash &amp; cash equivalents for the purpose of Cash Flow Statement</b> |  | <b>66,888,466</b> | <b>14,906,559</b> |

### 21.3 Bank Overdraft Facility details

| Bank                          | Interest Rate (%) | Approved Facility (Rs.) | Security                    |
|-------------------------------|-------------------|-------------------------|-----------------------------|
| Seylan Bank PLC               | AWPLR             | 100,000,000             | Land / Building / Inventory |
| Commercial Bank of Ceylon PLC | AWPLR             | 50,000,000              | Inventory                   |
| Indian Bank                   | AWPLR             | 50,000,000              | Inventory                   |
| Bank of Ceylon                | AWPLR             | 1,900,000               | Fixed Deposit               |

**21.4** Unutilized bank overdraft facilities as at 31<sup>st</sup> March 2018 amounted to Rs. 188.68 Mn (2016/17 - Rs. 177.96 Mn).

| AS AT 31 <sup>st</sup> MARCH   |                     | 2018<br>Rs.       | 2017<br>Rs.       |
|--------------------------------|---------------------|-------------------|-------------------|
| <b>22 STATED CAPITAL</b>       | <b>No of Shares</b> |                   |                   |
| <b>Issued &amp; Fully Paid</b> |                     |                   |                   |
| Ordinary Shares                | 3,620,843           | 36,208,430        | 36,208,430        |
| Share Premium                  |                     | 13,166,720        | 13,166,720        |
| Stated Capital                 |                     | <b>49,375,150</b> | <b>49,375,150</b> |

**22.1** Company is authorized for 6,000,000 Ordinary shares with a par value of 10/= each.

**22.2** There were no movements in the issued share capital during the year.

**22.3** All Ordinary Shares rank equally with regard to the Company's residual assets and holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| AS AT 31 <sup>st</sup> MARCH         | 2018<br>Rs. | 2017<br>Rs. |
|--------------------------------------|-------------|-------------|
| <b>23 GENERAL RESERVES</b>           |             |             |
| 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 |

**23.1** The General Reserve relates to retained earnings set aside by the Company for general application.

### 24 FINANCIAL ASSETS - AVAILABLE FOR SALE RESERVE

|                            |         |         |
|----------------------------|---------|---------|
| Available for sale reserve | 107,878 | 131,438 |
|                            | 107,878 | 131,438 |

**24.1** 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 reserve is given in the Statement of Changes in the Equity.

### 25 EMPLOYEE BENEFITS

The Company measures the Present Value of Defined Benefit Obligation (PVDBO) which is a defined benefit plan with the advice of an actuary using Project Unit Credit Method. Changes in the present value of the Retirement Benefit Plan as follows;

| AS AT 31 <sup>st</sup> MARCH            | 2018<br>Rs. | 2017<br>Rs. |
|-----------------------------------------|-------------|-------------|
| Balance as at the beginning of the year | 67,098,858  | 58,037,628  |
| Interest Cost for the year              | 7,716,369   | 5,803,763   |
| Current Service Cost                    | 4,714,651   | 3,777,698   |
| Net Actuarial (Gain) / Loss             | 7,241,487   | 2,149,249   |
| Payments during the year                | (3,214,643) | (2,669,480) |
| Balance as at the end of the year       | 83,556,722  | 67,098,858  |

#### 25.1 Recognized in ;

a) Profit or Loss

|                            |            |           |
|----------------------------|------------|-----------|
| Interest Cost for the Year | 7,716,369  | 5,803,763 |
| Current Service Cost       | 4,714,651  | 3,777,698 |
|                            | 12,431,020 | 9,581,461 |

b) Other Comprehensive Income

|                           |            |            |
|---------------------------|------------|------------|
| Net Actuarial (Gain)/Loss | 7,241,487  | 2,149,249  |
|                           | 19,672,507 | 11,730,710 |

Employee Benefit liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Limited, Actuaries, on 31 March 2018. The principal assumptions used in are as follows;

|                                          |          |          |
|------------------------------------------|----------|----------|
| Discount rate                            | 10.00%   | 11.50%   |
| Expected annual average salary increment | 10.00%   | 10.00%   |
| Staff turnover factor                    | 2%       | 2%       |
| Retiring age                             | 58 years | 58 years |
| Mortality table                          | A 67/70  | A 67/70  |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 25 EMPLOYEE BENEFITS (Cont.)

#### 25.2 Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increase. The sensitivity analysis below has been determined based on reasonably possible changes in the respective assumption that may occur at the end of the reporting period.

| AS AT 31 <sup>st</sup> MARCH         | 2018          |                             | 2017          |                             |
|--------------------------------------|---------------|-----------------------------|---------------|-----------------------------|
|                                      | PVODBO<br>Rs. | Benefit<br>(Expense)<br>Rs. | PVODBO<br>Rs. | Benefit<br>(Expense)<br>Rs. |
| 1% Increase in discount rate         | 77,983,318    | 5,573,404                   | 62,898,539    | 4,200,319                   |
| 1% decrease in discount rate         | 89,855,612    | (6,298,890)                 | 71,829,249    | (4,730,391)                 |
| 1% increase in salary increment rate | 89,988,695    | (6,431,973)                 | 72,023,983    | (4,925,125)                 |
| 1% decrease in salary increment rate | 77,760,763    | 5,795,959                   | 62,649,855    | 4,449,003                   |

The above provision is not externally funded.

| AS AT 31 <sup>st</sup> MARCH                                   | 2018<br>Rs.       | 2017<br>Rs.       |
|----------------------------------------------------------------|-------------------|-------------------|
| <b>25.3 Maturity Profile of the Defined Benefit Obligation</b> |                   |                   |
| <b>Expected Future Working Life</b>                            |                   |                   |
| Within the Next Twelve Months                                  | 14,463,342        | 10,979,693        |
| Between One to Five Years                                      | 24,720,631        | 11,804,267        |
| Between Five to Ten Years                                      | 18,624,200        | 20,042,674        |
| More than Ten Years                                            | 25,748,549        | 24,272,224        |
|                                                                | <b>83,556,722</b> | <b>67,098,858</b> |
| Weighted Average duration of Defined Benefit Obligation        | <b>7.72 Years</b> | 7.46 Years        |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from previous year.



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 26 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are calculated on all taxable and deductible temporary differences arising from differences between accounting bases and tax bases of assets and liabilities.

AS AT 31<sup>st</sup> MARCH

|                                                                        | 2018<br>Rs.  | 2017<br>Rs. |
|------------------------------------------------------------------------|--------------|-------------|
| Deferred tax assets and liabilities are attributable to the following: |              |             |
| Balance at the beginning of the year                                   | 26,360,703   | 23,786,465  |
| Recognised in profit or loss                                           | (25,634,615) | 3,176,028   |
| Recognised in OCI                                                      | (2,027,616)  | (601,790)   |
| Balance at the end of the year                                         | (1,301,528)  | 26,360,703  |

|                                       | Assets              |                     | Liabilities       |                   | (Net asset) /liability |                   |
|---------------------------------------|---------------------|---------------------|-------------------|-------------------|------------------------|-------------------|
| AS AT 31 <sup>st</sup> MARCH          | 2018                | 2017                | 2018              | 2017              | 2018                   | 2017              |
| Property, plant and equipment         | -                   | -                   | 47,619,562        | 45,148,383        | 47,619,562             | 45,148,383        |
| Employee benefits                     | (23,395,882)        | (18,787,680)        | -                 | -                 | (23,395,882)           | (18,787,680)      |
| Inventory provision                   | (25,525,208)        | -                   | -                 | -                 | (25,525,208)           | -                 |
| <b>Net tax (assets) / liabilities</b> | <b>(48,921,090)</b> | <b>(18,787,680)</b> | <b>47,619,562</b> | <b>45,148,383</b> | <b>(1,301,528)</b>     | <b>26,360,703</b> |

#### Movement in unrecognized deferred tax assets and liabilities - 2017/18

|                                       | Balance<br>as at<br>1/04/2017 | Recognised in<br>profit or loss | Recognised in<br>other<br>comprehensive<br>income | Balance<br>as at<br>31/03/2018 |
|---------------------------------------|-------------------------------|---------------------------------|---------------------------------------------------|--------------------------------|
| Property, plant and equipment         | 45,148,383                    | 2,471,179                       | -                                                 | 47,619,562                     |
| Employee benefits                     | (18,787,680)                  | (2,580,586)                     | (2,027,616)                                       | (23,395,882)                   |
| Inventory provision                   | -                             | (25,525,208)                    | -                                                 | (25,525,208)                   |
| <b>Net tax (assets) / liabilities</b> | <b>26,360,703</b>             | <b>(25,634,615)</b>             | <b>(2,027,616)</b>                                | <b>(1,301,528)</b>             |

#### Movement in unrecognized deferred tax assets and liabilities - 2016/17

|                                       | Balance<br>as at<br>1/04/2016 | Recognised in<br>profit or loss | Recognised in<br>other<br>comprehensive<br>income | Balance<br>as at<br>31/03/2017 |
|---------------------------------------|-------------------------------|---------------------------------|---------------------------------------------------|--------------------------------|
| Property, plant and equipment         | 40,037,001                    | 5,111,382                       | -                                                 | 45,148,383                     |
| Employee benefits                     | (16,250,536)                  | (1,935,354)                     | (601,790)                                         | (18,787,680)                   |
| <b>Net tax (assets) / liabilities</b> | <b>23,786,465</b>             | <b>3,176,028</b>                | <b>(601,790)</b>                                  | <b>26,360,703</b>              |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

| AS AT 31 <sup>st</sup> MARCH                                                          | 2018<br>Rs.        | 2017<br>Rs.        |
|---------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>27 TRADE AND OTHER PAYABLES</b>                                                    |                    |                    |
| Trade Payables                                                                        | 207,618,038        | 279,139,365        |
| Accruals                                                                              | 73,686,825         | 33,289,375         |
| Import Duty Payable                                                                   | 124,263,726        | 214,869,015        |
| Refundable Deposits                                                                   | 99,556,174         | 182,916,662        |
| Unclaimed Dividend                                                                    | 6,777,896          | 5,895,837          |
| Deferred Income (Note 27.1)                                                           | 11,523,750         | 12,800,653         |
| ESC Payable                                                                           | 7,566,642          | 18,891,865         |
| EPF Payable                                                                           | 2,376,873          | 2,363,514          |
| ETF Payable                                                                           | 356,531            | 354,527            |
| Unclaimed Wages                                                                       | 231,874            | 495,271            |
| Other Liabilities                                                                     | 104,068,627        | 100,992,011        |
|                                                                                       | <b>638,026,956</b> | <b>852,008,095</b> |
| <b>27.1 Movement of Deferred Income</b>                                               |                    |                    |
| Balance at the beginning of the year                                                  | 12,800,653         | 6,354,162          |
| Provision for the year                                                                | 149,818,091        | 90,251,133         |
| Reversed during the year                                                              | (151,094,994)      | (83,804,642)       |
| Balance at the end of the year                                                        | <b>11,523,750</b>  | <b>12,800,653</b>  |
| Deferred Income represent the Free Service Provision as per IFRS / LKAS 18 - Revenue. |                    |                    |
| <b>28 CURRENT TAX LIABILITIES</b>                                                     |                    |                    |
| Balance at the beginning of the year                                                  | 3,963,664          | 15,178,651         |
| Income Tax Liability for the year (Note 10.1)                                         | 204,819,185        | 107,979,489        |
| Paid / set off during the year                                                        | (177,530,863)      | (119,173,124)      |
| WHT Recoverable                                                                       | (25,435)           | (21,352)           |
| Balance at the end of the year                                                        | <b>31,226,551</b>  | <b>3,963,664</b>   |
| <b>29 PROVISION FOR WARRANTY</b>                                                      |                    |                    |
| Provision for warranty                                                                | 6,437,541          | 5,051,235          |
|                                                                                       | <b>6,437,541</b>   | <b>5,051,235</b>   |

The provision for warranties relates mainly to vehicles sold during the last six months of 2017 and 2018. 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH

**2018  
Rs.**

2017  
Rs.

### 30 SHORT TERM BORROWINGS

Import Loan (Note 30.1)

|                      |             |
|----------------------|-------------|
| <b>2,320,488,088</b> | 940,192,000 |
| <b>2,320,488,088</b> | 940,192,000 |

#### 30.1 Movement of Short Term Borrowings - 2018

| Lender              | Purpose          | Rate of Interest % | As at 01 <sup>st</sup> April 2017<br>Rs. | Obtained during the year<br>Rs. | Repayments during the year<br>Rs. | As at 31 <sup>st</sup> March 2018<br>Rs. |
|---------------------|------------------|--------------------|------------------------------------------|---------------------------------|-----------------------------------|------------------------------------------|
| Seylan Bank PLC     | Import/Financing | AWPLR              | 440,192,000                              | 5,698,978,000                   | (5,322,693,000)                   | <b>816,477,000</b>                       |
| Indian Bank         | Import/Financing | AWPLR              | 500,000,000                              | 1,441,038,823                   | (1,717,166,323)                   | <b>223,872,500</b>                       |
| Commercial Bank     | Import/Financing | AWPLR              | -                                        | 5,956,422,498                   | (5,176,283,910)                   | <b>780,138,588</b>                       |
| State Bank of India | Import/Financing | AWPLR -1%          | -                                        | 500,000,000                     | -                                 | <b>500,000,000</b>                       |
|                     |                  |                    | 940,192,000                              | 13,596,439,321                  | (12,216,143,233)                  | <b>2,320,488,088</b>                     |

#### 30.1 Movement of Short Term Borrowings - 2017

|                 | Purpose          | Rate of Interest % | As at 01 <sup>st</sup> April 2016<br>Rs. | Obtained during the year<br>Rs. | Repayments during the year<br>Rs. | As at 31 <sup>st</sup> March 2017<br>Rs. |
|-----------------|------------------|--------------------|------------------------------------------|---------------------------------|-----------------------------------|------------------------------------------|
| Seylan Bank PLC | Import/Financing | AWPLR              | 598,171,000                              | 3,906,069,000                   | (4,064,048,000)                   | <b>440,192,000</b>                       |
| Indian Bank     | Import/Financing | AWPLR              | -                                        | 1,269,975,643                   | (769,975,643)                     | <b>500,000,000</b>                       |
| Commercial Bank | Import/Financing | AWPLR              | 527,776,488                              | 2,982,203,672                   | (3,509,980,160)                   | -                                        |
|                 |                  |                    | 1,125,947,488                            | 8,158,248,315                   | (8,344,003,803)                   | <b>940,192,000</b>                       |

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

AS AT 31<sup>st</sup> MARCH

**2018  
Rs.**

2017  
Rs.

### 31 AMOUNTS DUE TO RELATED PARTY

Import Bills Payable to Ashok Leyland Limited - India (Note 32)

|                    |             |
|--------------------|-------------|
| <b>696,195,019</b> | 826,875,832 |
| <b>696,195,019</b> | 826,875,832 |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 32 RELATED PARTY TRANSACTIONS

**32.1** The Company carries transactions with parties who are defined as related parties by LKAS 24 "Related Party disclosures", the details of which are reported below. The transactions were carried out in the ordinary course of the business and arms length in nature.

| Name of Related Party & Relationship                                                                         | Name of the Director | Position                                       | Nature of Transaction                                                            | 2018 Rs.         | 2017 Rs.        |
|--------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------|----------------------------------------------------------------------------------|------------------|-----------------|
| a) Transactions with Lanka Leyland LTD                                                                       |                      |                                                |                                                                                  |                  |                 |
| Lanka Leyland (Pvt) Ltd<br>Holds 41.8% of the Share Capital of the Company.                                  | Dr. M S Meerasahib   | Chairman of Lanka Leyland (Pvt) Ltd            | Dividend Payment to Lanka Leyland (Pvt) Ltd                                      | 45,375,000       | 37,812,500      |
|                                                                                                              | Mr. A K M Jahanser   | Director of Lanka Leyland (Pvt) Ltd            |                                                                                  |                  |                 |
| b) Transactions and Outstanding balance with Ashok Leyland - India                                           |                      |                                                |                                                                                  |                  |                 |
| Ashok Leyland Limited -India                                                                                 | Mr.Vinod K Dasari    | Managing Director of Ashok Leyland Ltd         | Opening Balance as at 1 <sup>st</sup> April (Import bills payable on GIT)        | 826,875,832      | 822,241,142     |
| Holds 27.8 % of share capital of the Company by virtue of the joint venture agreement with Lanka Leyland Ltd | Mr. Gopal Mahadeven  | President - Finance & CFO of Ashok Leyland Ltd | Purchase of Motor Vehicle                                                        | 12,051,523,601   | 7,425,113,738   |
|                                                                                                              |                      |                                                | Purchase of Spare Parts / Power Generators                                       | 256,840,662      | 131,740,127     |
|                                                                                                              |                      |                                                | Settlement of Purchases                                                          | (12,439,045,076) | (7,552,219,175) |
|                                                                                                              |                      |                                                | Closing Balance as at 31 <sup>st</sup> March (Import bills payable on GIT)       | 696,195,019      | 826,875,832     |
|                                                                                                              |                      |                                                | Opening Balance as at 1 <sup>st</sup> April                                      | 27,956,204       | -               |
|                                                                                                              |                      |                                                | Local agency commission to be received (LAC) on direct supply of engines to SLTB | 10,901,501       | 7,416,878       |
|                                                                                                              |                      |                                                | Reimbursable expenses incurred on directly supplied engines to SLTB              | 31,929,522       | 20,539,326      |
|                                                                                                              |                      |                                                | Payment Received during the period                                               | (70,633,954)     | -               |
|                                                                                                              |                      |                                                | Closing Receivable Balances as at 31 <sup>st</sup> March                         | 153,273          | 27,956,204      |
|                                                                                                              |                      |                                                | Dividend Payment to Ashok Leyland Limited - India                                | 30,249,960       | 25,208,300      |
| Aggregate Value of Related Party Transactions during the period                                              |                      |                                                | 12,381,445,246                                                                   | 7,584,810,069    |                 |
| Aggregate Value of Related Party Transactions as a % of Net Revenue                                          |                      |                                                | 108.56%                                                                          | 66.50%           |                 |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 32 RELATED PARTY TRANSACTIONS (Cont.)

#### *c) Transactions and Outstanding balances 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 all the entities 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                                                                      | Description                                                                       | 2018<br>Rs.   | 2017<br>Rs.   |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------|---------------|
| i) Non-Recurring Transaction - Trading Nature                     |                                                                                            |                                                                                   |               |               |
| Sri Lanka Transport Board                                         | Supply of Vehicles on finance lease terms and Payment on Delivery Term                     | Balance as at 1 <sup>st</sup> April                                               | 347,031,100   | 444,426,801   |
|                                                                   |                                                                                            | Facilities granted during the year                                                | 99,540,000    | -             |
|                                                                   |                                                                                            | Payment received during the period                                                | (283,226,456) | (97,395,701)  |
|                                                                   |                                                                                            | Balance receivable as at 31 <sup>st</sup> March                                   | 163,344,644   | 347,031,100   |
| Sri Lankan Airlines                                               | Supply of Vehicles on finance lease terms and Payment on Delivery Term                     | Balance as at 1 <sup>st</sup> April                                               | 67,806,782    | 121,005,782   |
|                                                                   |                                                                                            | Facilities granted during the year                                                | -             | -             |
|                                                                   |                                                                                            | Payment received during the period                                                | (46,782,000)  | (53,199,000)  |
|                                                                   |                                                                                            | Balance receivable as at 31 <sup>st</sup> March                                   | 21,024,782    | 67,806,782    |
| Total Future Rentals receivable as at 31 <sup>st</sup> March 2018 |                                                                                            |                                                                                   | 184,369,426   | 305,777,782   |
| Sri Lanka Transport Board                                         | Hiring of Buses                                                                            | Hiring Income received during the year                                            | 28,754,303    | 7,031,000     |
| Sri Lankan Airlines                                               | Hiring of Buses                                                                            | Hiring Income received during the year                                            | 2,277,000     | -             |
| ii) Recurring Transaction - Trading Nature                        |                                                                                            |                                                                                   |               |               |
| Sri Lanka Transport Board                                         | Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term | Balance as at 1 <sup>st</sup> April                                               | 5,588,705     | 120,322,393   |
|                                                                   |                                                                                            | Sale of Vehicles, Spares parts and Gen sets and Services rendered during the year | 65,386,775    | 31,817,881    |
|                                                                   |                                                                                            | Payment received during the period                                                | (46,028,795)  | (139,177,591) |
|                                                                   |                                                                                            | Write-off during the year                                                         | (517,604)     | (7,373,978)   |
|                                                                   |                                                                                            | Balance receivable as at 31 <sup>st</sup> March                                   | 24,429,081    | 5,588,705     |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 32 RELATED PARTY TRANSACTIONS (Cont.)

| Name of Related Party                                            | Nature of Transaction                                                                      | Description                                                                       | 2018<br>Rs.     | 2017<br>Rs.     |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------|-----------------|
| Other Government related entities                                | Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term | Balance as at 1 <sup>st</sup> April                                               | 131,792,037     | 32,858,659      |
|                                                                  |                                                                                            | Sale of Vehicles, Spares parts and Gen sets and Services rendered during the year | 519,022,391     | 408,701,934     |
|                                                                  |                                                                                            | Payment received during the period                                                | (625,618,108)   | (295,280,866)   |
|                                                                  |                                                                                            | Write-off during the year                                                         | (1,510,040)     | (14,487,690)    |
|                                                                  |                                                                                            | Balance receivable as at 31 <sup>st</sup> March                                   | 23,686,280      | 131,792,037     |
| Government Financial Institutions                                | Finance provided to Lanka Ashok Leyland PLC's customers                                    | Balance as at 1 <sup>st</sup> April                                               | 222,391,000     | 55,652,000      |
|                                                                  |                                                                                            | Finance provided during the year                                                  | 5,385,874,007   | 3,474,716,540   |
|                                                                  |                                                                                            | Payment received during the period for the sale of vehicles                       | (5,430,429,258) | (3,307,977,540) |
|                                                                  |                                                                                            | Balance receivable as at 31 <sup>st</sup> March                                   | 177,835,749     | 222,391,000     |
| Total Related Party Receivable as at 31 <sup>st</sup> March 2018 |                                                                                            |                                                                                   | 225,951,110     | 468,831,842     |
| Sri Lanka Transport Board                                        | Dividend Payment to Sri Lanka Transport Board                                              | Payment during the year                                                           | 937,500         | 781,250         |
| Government Institutions                                          | Statutory Payments made to government institutions                                         | Balance as at 1 <sup>st</sup> April                                               | 209,386,599     | 36,641,877      |
|                                                                  |                                                                                            | Taxes and Other Statutory expenses                                                | 3,701,102,885   | 2,764,004,288   |
|                                                                  |                                                                                            | Payment made / Set-off                                                            | (3,774,102,639) | (2,591,259,566) |
|                                                                  |                                                                                            | Balance payable as at 31 <sup>st</sup> March                                      | 136,386,845     | 209,386,599     |
| Impairment provision recognized on Related Parties               |                                                                                            |                                                                                   |                 |                 |
| Sri Lanka Transport Board                                        |                                                                                            |                                                                                   | 17,473,885      | 81,983,002      |
| Sri Lankan Airlines - Lease Rentals Receivables                  |                                                                                            |                                                                                   | -               | 30,866          |
| Other Government related entities - Trade Receivables            |                                                                                            |                                                                                   | 3,869,946       | 10,507,564      |
| Government Financial Institutions - Trade Receivables            |                                                                                            |                                                                                   | 57,003          | 224,990         |
|                                                                  |                                                                                            |                                                                                   | 21,400,834      | 92,746,422      |

#### 32.2 Terms and conditions of Related Party Transactions

The terms and conditions of the transactions with related entities were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non related entities on an arm's length basis. The supplies on lease terms are no more favorable than those available for ordinary finance lease transactions.

#### 32.3 Non Recurrent Related Party Transactions

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.



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 32 RELATED PARTY TRANSACTIONS (Cont.)

#### 32.4 Recurrent Related Party Transactions

There was an instance where aggregated recurrent related party transactions exceeded the threshold which required the disclosure in Financial Statements as per Section 9 of the Continuing Listing Requirements of the Colombo Stock Exchange. Accordingly, the required disclosure is given in note 32 to the Financial Statements.

#### 32.5 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 Board of Directors and the Chief Executive Officer of the Company, total amounts paid as salaries and reimbursement of expenses amounts to Rs. 23,428,579 (2016/17 - Rs. 17,745,833).

AS AT 31<sup>st</sup> MARCH

|                                   | 2018<br>Rs.       | 2017<br>Rs.       |
|-----------------------------------|-------------------|-------------------|
| Key Management Personnel payments |                   |                   |
| a. Short term employee benefits   | 22,378,189        | 16,792,538        |
| b. Post-employment benefits       | 1,050,390         | 953,295           |
| c. Termination benefits -         | -                 | -                 |
| d. Share-based payments           | -                 | -                 |
|                                   | <u>23,428,579</u> | <u>17,745,833</u> |

#### 32.6 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.

#### 32.7 Loans to Directors

No loans have been given to the Directors of the Company.

#### 32.8 Terms and Conditions of the transactions with KMPs

The terms and conditions of the transactions with Key Management Personnel and their related entities were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non Key Management Personnel related entities.

### 33 CAPITAL COMMITMENTS

The Company has entered into construction contracts with unrelated parties, amounting to Rs. 30,006,200 (2016/17 - Nil), for the construction of food court and visitors accommodation in the factory premises. As at 31<sup>st</sup> March 2018, Rs. 6,026,014 (2016/17 - Nil) 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 2018 other than disclosed above.

### 34 CONTINGENT LIABILITIES

#### - INCOME TAX ASSESSMENT

The Company appealed against two assessments issued by the Department of Inland Revenue related to years of assessment 2009/10 and 2010/11, and the status of the same are as follows;

##### - 2009/10

The appeal was determined favoring Commissioner General of Inland Revenue by the Tax Appeal Commission and a case has been filled with the Court of Appeal by an application made by the Company.

##### - 2010/11

The Appeal is currently with Tax Appeal Commission.

The Contingent Liability as per the assessments as at 31<sup>st</sup> March 2018 is Rs. 133.1 Mn.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 35 LITIGATION

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

### 36 EVENTS AFTER 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. 35/= per share (350%) amounting to Rs. 126,729,505/= for the year ended 31<sup>st</sup> March 2018 (2016/17- Rs 30/= per share (300%) amounting to Rs 108,625,290/=), which will be declared at the Annual General Meeting to be held on 10th August 2018. Accordingly, the income tax consequence of dividends to shareholders would be Rs. 17,742,131/= (2016/17 – Rs. 10,862,529/=).

In accordance with Sri Lanka Accounting Standard 10 (LKAS 10) “Events after the reporting period” this proposed first and final dividend has not been recognized as a liability as at 31<sup>st</sup> March 2018. Subsequent to the reporting period, no circumstance has arisen which would require adjustments to or disclosure in the Financial Statements, other than the above.”

### 37 COMPARATIVE FIGURES

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

Certain reclassifications have been made to the prior year’s financial statements to enhance comparability with the current year’s financial statement.

As a result, certain line items have been amended in the statement of financial position and the related notes to the financial statement. Comparative figures have been adjusted to conform to the current year’s presentation.

The items were reclassified as follows.

|                                      | Previously Reported<br>2017 | After Reclassification<br>2017 |
|--------------------------------------|-----------------------------|--------------------------------|
| Trade and Other Receivables          | 860,106,411                 | 721,627,206                    |
| Rental Receivable from Trade Debtors | 237,340,537                 | 375,819,743                    |
|                                      | <b>1,097,446,948</b>        | <b>1,097,446,949</b>           |

Company has classified Deferred Receivables from Trade and Other Receivables to Future Rental Receivables in this year.

The items were reclassified as follows.

|                             | Previously Reported<br>2017 | After Reclassification<br>2017 |
|-----------------------------|-----------------------------|--------------------------------|
| Short-Term Borrowings       | 1,767,067,832               | 940,192,000                    |
| Amount due to Related Party | -                           | 826,875,832                    |
|                             | <b>1,767,067,832</b>        | <b>1,767,067,832</b>           |

The company has classified Amount Due to Related Party separately from Short-Term Borrowings in this year.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 38 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.

### 39 SEGMENTAL REPORTING

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

### 40 NUMBER OF EMPLOYEES

The number of employees as on 31<sup>st</sup> March was ;

|                | 2018       | 2017       |
|----------------|------------|------------|
| Executives     | 56         | 44         |
| Non Executives | 125        | 138        |
|                | <b>181</b> | <b>182</b> |

### 41 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

| As at 31 March 2018                                     | Net Carrying Amount            |                          |                          |                        |                                   |               | Fair Value    |         |         |       |         |
|---------------------------------------------------------|--------------------------------|--------------------------|--------------------------|------------------------|-----------------------------------|---------------|---------------|---------|---------|-------|---------|
|                                                         | Fair Value through<br>P&L      | Held-to-<br>Maturity     | Loans and<br>Receivables | Available<br>-for-sale | Other<br>Financial<br>Liabilities | Total         | Level 1       | Level 2 | Level 3 | Total |         |
|                                                         | Designated<br>at Fair<br>Value | Held-<br>for-<br>Trading |                          |                        |                                   |               |               |         |         |       |         |
| <b>Financial Assets measured at Fair Value</b>          |                                |                          |                          |                        |                                   |               |               |         |         |       |         |
| Equity Securities                                       | -                              | -                        | -                        | -                      | 115,295                           | -             | 115,295       | 115,295 | -       | -     | 115,295 |
|                                                         | -                              | -                        | -                        | -                      | 115,295                           | -             | 115,295       |         |         |       |         |
| <b>Financial Assets not measured at Fair Value</b>      |                                |                          |                          |                        |                                   |               |               |         |         |       |         |
| Trade Receivable                                        | -                              | -                        | -                        | 510,891,114            | -                                 | -             | 510,891,114   | -       | -       | -     | -       |
| Rental Receivable from Trade Debtors                    | -                              | -                        | -                        | 200,076,152            | -                                 | -             | 200,076,152   | -       | -       | -     | -       |
| Related Party Receivable                                | -                              | -                        | -                        | 153,273                | -                                 | -             | 153,273       | -       | -       | -     | -       |
| Cash & Cash Equivalents                                 | -                              | -                        | -                        | 80,102,999             | -                                 | -             | 80,102,999    | -       | -       | -     | -       |
|                                                         | -                              | -                        | -                        | 791,223,538            | -                                 | -             | 791,223,538   |         |         |       |         |
| <b>Financial Liabilities not measured at Fair Value</b> |                                |                          |                          |                        |                                   |               |               |         |         |       |         |
| Trade Payable                                           | -                              | -                        | -                        | -                      | -                                 | 207,618,038   | 207,618,038   | -       | -       | -     | -       |
| Interest Bearing Borrowings - Import Loans              | -                              | -                        | -                        | -                      | -                                 | 2,320,488,088 | 2,320,488,088 | -       | -       | -     | -       |
| Interest Bearing Borrowings - Overdrafts                | -                              | -                        | -                        | -                      | -                                 | 13,214,533    | 13,214,533    | -       | -       | -     | -       |
| Import Bills Payable to Ashok Leyland Limited - India   | -                              | -                        | -                        | -                      | -                                 | 696,195,019   | 696,195,019   | -       | -       | -     | -       |
|                                                         | -                              | -                        | -                        | -                      | -                                 | 3,237,515,678 | 3,237,515,678 |         |         |       |         |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

| As at 31 March 2017                                     | Net Carrying Amount      |                  |                       |                      |                             |                      | Fair Value           |         |         |           |
|---------------------------------------------------------|--------------------------|------------------|-----------------------|----------------------|-----------------------------|----------------------|----------------------|---------|---------|-----------|
|                                                         | Fair Value through P&L   | Held-to-Maturity | Loans and Receivables | Available-for-sale   | Other Financial Liabilities | Total                | Level 1              | Level 2 | Level 3 | Total     |
|                                                         | Designated at Fair Value | Held-for-Trading |                       |                      |                             |                      |                      |         |         |           |
| <b>Financial Assets measured at Fair Value</b>          |                          |                  |                       |                      |                             |                      |                      |         |         |           |
| Equity Securities                                       | -                        | -                | -                     | -                    | 138,855                     | -                    | 138,855              | 138,855 | -       | - 138,855 |
|                                                         | -                        | -                | -                     | -                    | <b>138,855</b>              | -                    | <b>138,855</b>       |         |         |           |
| <b>Financial Assets not measured at Fair Value</b>      |                          |                  |                       |                      |                             |                      |                      |         |         |           |
| Trade Receivable                                        | -                        | -                | -                     | 766,999,575          | -                           | -                    | 766,999,575          | -       | -       | -         |
| Rental Receivable from Trade Debtors                    | -                        | -                | -                     | 237,340,537          | -                           | -                    | 237,340,537          | -       | -       | -         |
| Related Party Receivable                                | -                        | -                | -                     | 27,956,204           | -                           | -                    | 27,956,204           | -       | -       | -         |
| Cash & Cash Equivalents                                 | -                        | -                | -                     | 38,841,064           | -                           | -                    | 38,841,064           | -       | -       | -         |
|                                                         | -                        | -                | -                     | <b>1,071,137,380</b> | -                           | -                    | <b>1,071,137,380</b> |         |         |           |
| <b>Financial Liabilities not measured at Fair Value</b> |                          |                  |                       |                      |                             |                      |                      |         |         |           |
| Trade Payable                                           | -                        | -                | -                     | -                    | -                           | 279,139,365          | 279,139,365          | -       | -       | -         |
| Interest Bearing Borrowings - Import Loans              | -                        | -                | -                     | -                    | -                           | 940,192,000          | 940,192,000          | -       | -       | -         |
| Interest Bearing Borrowings - Overdrafts                | -                        | -                | -                     | -                    | -                           | 23,934,505           | 23,934,505           | -       | -       | -         |
| Import Bills Payable to Ashok Leyland Limited - India   | -                        | -                | -                     | -                    | -                           | 826,875,832          | 826,875,832          | -       | -       | -         |
|                                                         | -                        | -                | -                     | -                    | -                           | <b>2,070,141,702</b> | <b>2,070,141,702</b> |         |         |           |

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.

### Transfer between levels

There were no transfers between Level 1, 2 and 3 during the year.

## 42 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 42 FINANCIAL RISK MANAGEMENT (Cont.)

#### Risk management framework

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

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### Credit Risk

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

#### 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 31<sup>st</sup> MARCH

|                                      | 2018<br>Rs.        | 2017<br>Rs.          |
|--------------------------------------|--------------------|----------------------|
| Trade Receivables                    | 510,891,114        | 628,520,370          |
| Other Receivables                    | 150,601,240        | 109,271,634          |
| Rental Receivable from Trade Debtors | 200,076,152        | 375,819,743          |
| Related Party Receivables            | 153,273            | 27,956,204           |
| Cash and cash Equivalents            | 40,674,827         | 27,709,452           |
| <b>Total</b>                         | <b>902,396,606</b> | <b>1,169,277,403</b> |

#### 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 2017/18, approximately 1.3% (2016/17 : 1.7%) 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 31<sup>st</sup> March was as follows;

| As at 31 <sup>st</sup> March 2018 | 0 - 60 Days<br>Rs. | 61 - 90 Days<br>Rs. | 91 - 120 Days<br>Rs. | 121 - 180 Days<br>Rs. | More than 180 Days<br>Rs. | Total<br>Rs. |
|-----------------------------------|--------------------|---------------------|----------------------|-----------------------|---------------------------|--------------|
| Trade Receivables                 | 427,004,630        | 64,503,515          | 6,440,141            | 3,892,655             | 9,050,174                 | 510,891,114  |
| As at 31 <sup>st</sup> March 2017 | 0 - 60 Days<br>Rs. | 61 - 90 Days<br>Rs. | 91 - 120 Days<br>Rs. | 121 - 180 Days<br>Rs. | More than 180 Days<br>Rs. | Total<br>Rs. |
| Trade Receivables                 | 496,660,131        | 51,211,652          | 27,122,767           | 43,598,027            | 9,927,794                 | 628,520,370  |

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 42 FINANCIAL RISK MANAGEMENT (Cont.)

At 31<sup>st</sup> March 2018, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows;

|                             | Carrying amount as at 31 <sup>st</sup> March |                    |
|-----------------------------|----------------------------------------------|--------------------|
|                             | 2018<br>Rs.                                  | 2017<br>Rs.        |
| Government Entities         | 204,550,277                                  | 344,626,752        |
| Corporates and Institutions | 246,091,829                                  | 273,822,335        |
| End-user Customers          | 60,249,008                                   | 10,071,283         |
|                             | <b>510,891,114</b>                           | <b>628,520,370</b> |

The movement in the allowance for impairment in respect of trade and lease rental receivables during the year was as follows;

| As at 31 <sup>st</sup> March 2018         | Individual<br>Impairment<br>Rs. | Collective<br>Impairment<br>Rs. | Total<br>Rs.       |
|-------------------------------------------|---------------------------------|---------------------------------|--------------------|
| Balance as at 1 <sup>st</sup> April 2017  | 58,161,138                      | 85,892,165                      | 144,053,303        |
| Provision / (Reversal ) for the year      | (56,445,392)                    | (3,919,923)                     | (60,365,317)       |
| Write-off during the year                 | -                               | (5,438,557)                     | (5,438,557)        |
| Balance as at 31 <sup>st</sup> March 2018 | <b>1,715,746</b>                | <b>76,533,685</b>               | <b>78,249,430</b>  |
| As at 31 <sup>st</sup> March 2017         | Individual<br>Impairment<br>Rs. | Collective<br>Impairment<br>Rs. | Total<br>Rs.       |
| Balance as at 1 <sup>st</sup> April 2016  | 8,686,751                       | 137,152,452                     | 145,839,203        |
| Provision / (Reversal ) for the year      | 49,474,387                      | (4,744,908)                     | 44,729,479         |
| Write-off during the year                 | -                               | (46,515,379)                    | (46,515,379)       |
| Balance as at 31 <sup>st</sup> March 2017 | <b>58,161,138</b>               | <b>85,892,165</b>               | <b>144,053,303</b> |

#### Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 40Mn as at 31 March 2018 (2016/17: Rs. 27.7Mn), which represents its maximum credit exposure on these assets.

Respective credit ratings of banks with Company cash balances held are as follows;

| AS AT 31 <sup>st</sup> MARCH    |             | Cash at Bank      |                   |
|---------------------------------|-------------|-------------------|-------------------|
| Bank                            | Credit Rate | 2018<br>Rs.       | 2017<br>Rs.       |
| Peoples Bank                    | AA + (Ika)  | 17,194,823        | 16,238,987        |
| Bank of Ceylon                  | AA + (Ika)  | 1,975             | 1,975             |
| Commercial Bank of Ceylon PLC   | AA (Ika)    | 7,376,892         | 9,113,461         |
| Seylan Bank PLC                 | A - (Ika)   | 7,956,379         | 20,000            |
| Indian Bank                     | BBB -       | 4,372,145         | 35,029            |
| State Bank of India             | BBB -       | 1,472,613         | -                 |
| Fixed Deposits - Bank of Ceylon | AA + (Ika)  | 2,300,000         | 2,300,000         |
|                                 |             | <b>40,674,827</b> | <b>27,709,452</b> |



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 42 FINANCIAL RISK MANAGEMENT (Cont.)

#### 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 Rs. 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 31 <sup>st</sup> March 2018                     | Carrying<br>Amount<br>Rs. | 0 - 30 Days<br>Rs. | 31 - 90 Days<br>Rs.  | More than<br>90 Days<br>Rs. |
|-------------------------------------------------------|---------------------------|--------------------|----------------------|-----------------------------|
| Trade & Other Payables                                | 564,340,131               | 225,934,138        | 338,405,993          | -                           |
| Interest Bearing Borrowings - Import Loans            | 2,320,488,088             | -                  | 2,320,488,088        | -                           |
| Interest Bearing Borrowings - Overdrafts              | 13,214,533                | 13,214,533         | -                    | -                           |
| Import Bills Payable to Ashok Leyland Limited - India | 696,195,019               | 696,195,019        | -                    | -                           |
| <b>Total</b>                                          | <b>3,594,237,771</b>      | <b>935,343,690</b> | <b>2,658,894,081</b> | <b>-</b>                    |

| As at 31 <sup>st</sup> March 2017                     | Carrying<br>Amount<br>Rs. | 0 - 30 Days<br>Rs.   | 31 - 90 Days<br>Rs.  | More than<br>90 Days<br>Rs. |
|-------------------------------------------------------|---------------------------|----------------------|----------------------|-----------------------------|
| Trade & Other Payables                                | 818,718,720               | 277,199,566          | 574,808,529          | -                           |
| Interest Bearing Borrowings - Import Loans            | 940,192,000               | -                    | 940,192,000          | -                           |
| Interest Bearing Borrowings - Overdrafts              | 23,934,505                | 23,934,505           | -                    | -                           |
| Import Bills Payable to Ashok Leyland Limited - India | 826,875,832               | 826,875,832          | -                    | -                           |
| <b>Total</b>                                          | <b>2,609,721,057</b>      | <b>1,128,009,903</b> | <b>1,515,000,529</b> | <b>-</b>                    |

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that 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 mainly on payable for purchases that are denominated in US Dollars. The Management closely monitors the exchange rate movement, for necessary action.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 42 FINANCIAL RISK MANAGEMENT (Cont.)

The Financial Instruments denominated in US Dollars as on 31<sup>st</sup> March 2018 are;

|                                               | LKR                | 2018<br>US \$    |
|-----------------------------------------------|--------------------|------------------|
| Import Bills Payable to Ashok Leyland Limited | 696,195,019        | 4,348,046        |
| <b>Total</b>                                  | <b>696,195,019</b> | <b>4,348,046</b> |

|                                               | LKR                | 2017<br>US \$    |
|-----------------------------------------------|--------------------|------------------|
| Import Bills Payable to Ashok Leyland Limited | 826,875,832        | 5,378,621        |
| <b>Total</b>                                  | <b>826,875,832</b> | <b>5,378,621</b> |

#### Sensitivity Analysis

A reasonably possible strengthening (weakening) of the Sri Lankan rupees against US dollar at the year end would have affected the measurement of financial liabilities denominated in a foreign currency and affected profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact on forecasted purchases.

The following details the Company's sensitivity movement in the foreign currencies. The foreign exchange rate sensitivity is calculated for each currency by aggregation of the net foreign exchange rate exposure of a currency and a simultaneous parallel foreign exchange rates shift in the foreign exchange rates of each currency by 5%. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

|                   | Profit before Tax |              |
|-------------------|-------------------|--------------|
|                   | Strengthening     | Weakening    |
| <b>2017-18</b>    |                   |              |
| LKR (5% movement) | 34,809,751        | (34,809,751) |
| <b>2016-17</b>    |                   |              |
| LKR (5% movement) | 41,343,792        | (41,343,792) |

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's short term debt obligations with floating rates. The Company manages its interest rate risk by monitoring interest rate fluctuations to enable necessary back-up plans to be ready in advance to mitigate the risk and by 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.

#### Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is given in Note 21.2 and 30.1 to the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

AS AT 31<sup>st</sup> MARCH 2018

### 42 FINANCIAL RISK MANAGEMENT (Cont.)

#### Cash flow sensitivity analysis for variable-rate instruments

The following details demonstrate the sensitivity to a reasonably possible change in the interest rate with all other variables held constant. 1% increase or decrease is used when reporting interest rate risk and represents management's assessment of the reasonably possible change in interest rates.

The impact on the Company's Profit before tax due to the change in the interest rate as follows ;

#### Variable-rate instruments

|                             | Profit before Tax |                     |
|-----------------------------|-------------------|---------------------|
|                             | Favorable<br>Rs.  | Un-Favorable<br>Rs. |
| <b>Import Loans</b>         |                   |                     |
| <b>2017-18</b>              |                   |                     |
| Interest Rate (1% movement) | 11,964,426        | (11,964,426)        |
| <b>2016-17</b>              |                   |                     |
| Interest Rate (1% movement) | 10,978,932        | (10,978,932)        |

#### Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Board of Directors of the Company monitors the return on capital, as well as the level of dividends to ordinary shareholders.

Company's debt to equity ratio at 31<sup>st</sup> March 2018 was as follows;

| AS AT 31 <sup>st</sup> MARCH | 2018<br>Rs.   | 2017<br>Rs.   |
|------------------------------|---------------|---------------|
| Interest Bearing Borrowings  | 2,320,488,088 | 940,192,000   |
| Total Equity                 | 3,338,659,544 | 2,948,241,628 |
| Equity and Debts             | 5,659,147,633 | 3,888,433,628 |
| Gearing Ratio                | 41%           | 24%           |

# SHARE INFORMATION

There were 651 registered shareholders as at 31<sup>st</sup> March 2018 distributed as follows;

| CATEGORY            | NO. OF SHAREHOLDERS |              | SHAREHOLDING     |                  | %             |               |
|---------------------|---------------------|--------------|------------------|------------------|---------------|---------------|
|                     | 2018 (March)        | 2017 (March) | 2018 (March)     | 2017 (March)     | 2018 (March)  | 2017 (March)  |
| 1 - 1,000           | 632                 | 614          | 41,256           | 41,638           | 1.14          | 1.15          |
| 1,001 - 5,000       | 12                  | 13           | 20,331           | 20,684           | 0.56          | 0.57          |
| 5,001 - 10,000      | 1                   | 1            | 6,578            | 5,843            | 0.18          | 0.16          |
| 10,001 - 50,000     | 1                   | 1            | 31,250           | 31,250           | 0.86          | 0.86          |
| 50,001 - 100,000    | -                   | -            | -                | -                | -             | -             |
| 100,001 - 500,000   | 2                   | 2            | 432,291          | 432,291          | 11.94         | 11.94         |
| 500,001 - 1,000,000 | 1                   | 1            | 568,305          | 568,305          | 15.70         | 15.70         |
| OVER 1,000,000      | 2                   | 2            | 2,520,832        | 2,520,832        | 69.62         | 69.62         |
| <b>TOTAL</b>        | <b>651</b>          | <b>634</b>   | <b>3,620,843</b> | <b>3,620,843</b> | <b>100.00</b> | <b>100.00</b> |

List of 20 Major Share Holders

| MAJOR SHAREHOLDERS                                       | NO. OF SHARES HELD |              | SHARE HOLDING % |              |
|----------------------------------------------------------|--------------------|--------------|-----------------|--------------|
|                                                          | 2018 (March)       | 2017 (March) | 2018 (March)    | 2017 (March) |
| 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        |
| Perpetual Equities (PVT) LTD                             | 228,356            | 228,356      | 6.31            | 6.31         |
| Commercial Trust Technologies (PVT) LTD                  | 203,935            | 203,935      | 5.63            | 5.63         |
| Sri Lanka Central Transport Board                        | 31,250             | 31,250       | 0.86            | 0.86         |
| J G De Mel                                               | 6,578              | 5,843        | 0.18            | 0.16         |
| R P T Adams                                              | 2,700              | 2,700        | 0.07            | 0.07         |
| U I Suriyabandara                                        | 2,651              | 2,089        | 0.07            | 0.06         |
| N J Perera                                               | 2,600              | 2,600        | 0.07            | 0.07         |
| Bansei Securities Capital (PVT) LTD / M A U Gnanathilaka | 2,242              | 2,098        | 0.06            | 0.06         |
| F M Asaf Khan                                            | 1,514              | 1,514        | 0.04            | 0.04         |
| Nation Lanka Capital LTD / N I Padma Kumara              | 1,450              | 1,450        | 0.04            | 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         |
| Bansei Securities Capital (PVT) LTD/ C J Gunarathna      | 1,200              | 1,205        | 0.03            | 0.03         |
| L A P Perera                                             | 1,200              | 1,200        | 0.03            | 0.03         |
| T S G Jayathilaka                                        | 1,124              | 1,124        | 0.03            | 0.03         |
| P L Perera                                               | 1,100              | 1,100        | 0.03            | 0.03         |
| A Soysa and W L R Soysa                                  | -                  | 1,054        | -               | 0.03         |
| R R Jayasundara                                          | 800                | -            | 0.02            | -            |

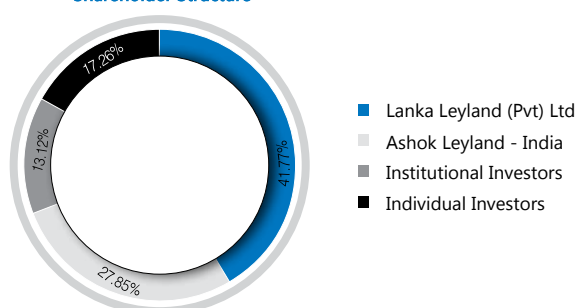
| Public Holding                                         | No. of Shareholders | No. of Shares | % Holding |
|--------------------------------------------------------|---------------------|---------------|-----------|
| Shares held by public as at 31 <sup>st</sup> Marh 2018 | 649                 | 1,100,011     | 30.38%    |
| Shares held by public as at 31 <sup>st</sup> Marh 2017 | 632                 | 1,100,011     | 30.38%    |

The highest, lowest and year end market value recorded during the year as follows;

|          | 2017/18         | 2016/17  |
|----------|-----------------|----------|
| Highest  | <b>1,350.00</b> | 1,548.00 |
| Lowest   | <b>985.00</b>   | 1,006.00 |
| Year end | <b>990.50</b>   | 1,062.00 |

Overview of Lanka Ashok Leyland PLC shareholder structure by Ownership

Shareholder Structure



# DECADE AT A GLANCE

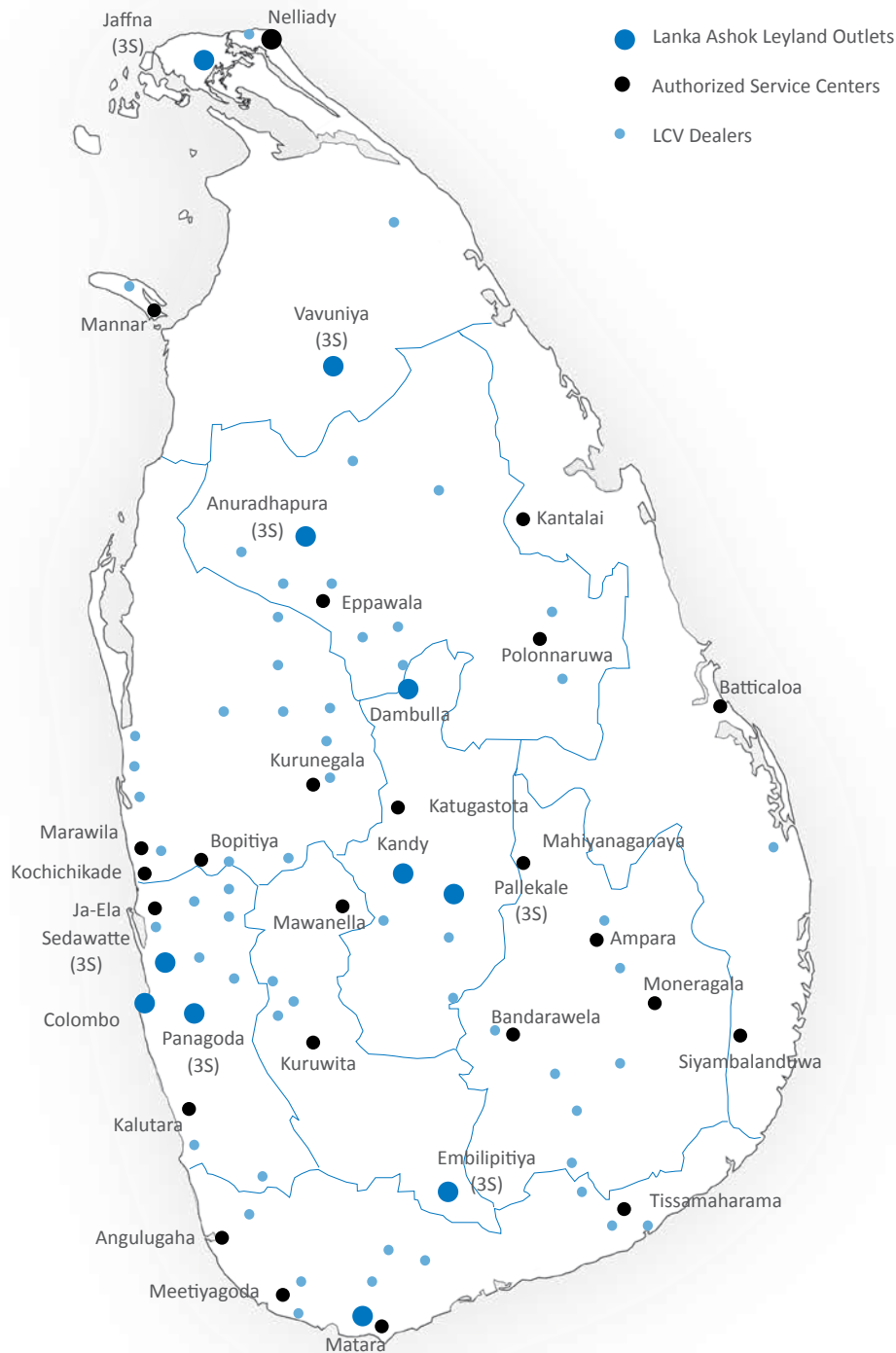
|                                           |         | 2009      | 2010      | 2011       | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        |
|-------------------------------------------|---------|-----------|-----------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>TRADING RESULTS</b>                    |         |           |           |            |             |             |             |             |             |             |             |
| Turnover                                  | Rs 000' | 2,595,585 | 3,408,648 | 11,524,020 | 16,830,583  | 10,533,066  | 6,976,829   | 8,217,864   | 9,073,386   | 11,405,488  | 15,537,461  |
| Net Trading Profit/(Loss) Before Interest | Rs 000' | 189,317   | 289,748   | 1,131,770  | 1,575,480   | 376,615     | 354,229     | 528,334     | 351,419     | 434,313     | 793,651     |
| Interest Paid                             | Rs 000' | (112,132) | (87,162)  | (42,526)   | (17,850)    | (313,781)   | (332,748)   | (87,032)    | (81,505)    | (124,437)   | (164,289)   |
| Net Trading Profit/(Loss) After Interest  | Rs 000' | 77,185    | 202,586   | 1,089,244  | 1,557,630   | 62,834      | 21,481      | 441,302     | 269,914     | 309,875     | 629,362     |
| Other income                              | Rs 000' | 5,272     | 4,868     | 30,201     | 88,708      | 390,289     | 234,636     | 92,120      | 44,081      | 39,487      | 53,940      |
| Profit/(Loss) before tax                  | Rs 000' | 82,457    | 207,454   | 1,119,445  | 1,646,338   | 453,123     | 256,117     | 533,422     | 313,995     | 349,362     | 683,302     |
| Taxation                                  | Rs 000' | (23,921)  | (117,624) | (470,553)  | (464,330)   | (100,085)   | (92,147)    | (203,447)   | (104,457)   | (111,156)   | (179,185)   |
| Profit/(Loss) after tax                   | Rs 000' | 58,536    | 89,830    | 648,892    | 1,182,008   | 353,038     | 163,970     | 329,975     | 209,538     | 238,207     | 504,117     |
| Other Comprehensive Income                | Rs 000' | -         | -         | -          | (2,887)     | (4,591)     | (1,505)     | (4,438)     | 5,180       | (1,547)     | (5,214)     |
| Profit B/F                                | Rs 000' | 92,765    | 90,092    | 152,766    | 592,851     | 1,330,037   | 1,361,233   | 1,487,489   | 1,794,922   | 1,865,189   | 2,011,388   |
| Effect of Transinoal Provision            | Rs 000' | -         | -         | -          | (33,310)    | -           | -           | -           | -           | -           | -           |
| Prior year adjustments                    | Rs 000' | -         | -         | (4,495)    | -           | -           | -           | -           | -           | -           | -           |
| Profit Available for Appropriations       | Rs 000' | 151,301   | 179,922   | 797,163    | 1,738,662   | 1,678,484   | 1,523,698   | 1,813,026   | 2,009,640   | 2,101,848   | 2,510,291   |
| Dividend paid                             | Rs 000' | (36,208)  | (27,156)  | (54,312)   | (108,625)   | (217,250)   | (36,208)    | (18,104)    | (144,834)   | (90,521)    | (108,625)   |
| Transfers to Reserves                     | Rs 000' | (25,000)  | -         | (150,000)  | (300,000)   | (100,000)   | -           | -           | -           | -           | -           |
| Unclaimed Dividend Reversed               | Rs 000' | -         | -         | -          | -           | -           | -           | -           | 383         | 61          | 163         |
| Retained earnings                         | Rs 000' | 90,093    | 152,766   | 592,851    | 1,330,037   | 1,361,233   | 1,487,489   | 1,794,922   | 1,865,189   | 2,011,388   | 2,401,829   |
| <b>INVESTORS' FUNDS</b>                   |         |           |           |            |             |             |             |             |             |             |             |
| 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' | 90,093    | 152,766   | 592,851    | 1,330,037   | 1,361,233   | 1,487,489   | 1,794,922   | 1,865,189   | 2,011,388   | 2,401,829   |
| Reserves                                  | Rs 000' | 350,514   | 350,514   | 467,560    | 800,747     | 900,631     | 900,631     | 900,664     | 900,643     | 900,646     | 900,622     |
| Shareholders fund                         | Rs 000' | 476,815   | 539,488   | 1,096,619  | 2,166,992   | 2,298,072   | 2,424,328   | 2,731,794   | 2,802,040   | 2,948,242   | 3,338,660   |
| <b>ASSETS &amp; LIABILITIES</b>           |         |           |           |            |             |             |             |             |             |             |             |
| Property, Plant & Equipment               | Rs 000' | 77,144    | 67,257    | 119,484    | 145,413     | 331,487     | 407,136     | 340,686     | 554,459     | 549,022     | 524,690     |
| Other Non Current Assets                  | Rs 000' | 3,507     | 3,507     | 52,950     | 510,776     | 561,712     | 174,085     | 62,708      | 65,926      | 26,404      | 39,288      |
| Current Assets                            | Rs 000' | 1,179,235 | 1,286,732 | 2,774,286  | 5,655,044   | 5,032,168   | 4,351,212   | 5,363,668   | 4,762,133   | 5,118,300   | 6,563,827   |
| Short - Term Borrowings                   | Rs 000' | (544,981) | (313,504) | (907,301)  | (3,238,635) | (3,249,257) | (2,131,483) | (2,214,994) | (1,948,189) | (940,192)   | (2,320,488) |
| Other Current Liabilities                 | Rs 000' | (219,945) | (484,812) | (922,178)  | (877,533)   | (338,369)   | (333,536)   | (762,671)   | (550,465)   | (1,711,833) | (1,385,101) |
| Working Capital                           | Rs 000' | 414,309   | 488,416   | 944,807    | 1,538,876   | 1,444,542   | 1,886,193   | 2,386,003   | 2,263,479   | 2,466,275   | 2,858,238   |
| Non Current Liabilities                   | Rs 000' | (18,145)  | (19,692)  | (20,622)   | (28,073)    | (39,670)    | (43,087)    | (57,604)    | (81,824)    | (93,460)    | (83,557)    |
| Net worth of Company                      | Rs 000' | 476,815   | 539,488   | 1,096,619  | 2,166,992   | 2,298,072   | 2,424,328   | 2,731,794   | 2,802,040   | 2,948,242   | 3,338,660   |

## DECADE AT A GLANCE (Contd.)

|                                                        |             | 2009      | 2010      | 2011      | 2012       | 2013      | 2014       | 2015      | 2016      | 2017      | 2018       |
|--------------------------------------------------------|-------------|-----------|-----------|-----------|------------|-----------|------------|-----------|-----------|-----------|------------|
| <b>CASH FLOW ANALYSIS</b>                              |             |           |           |           |            |           |            |           |           |           |            |
| Investments in Property, Plant and Equipment           | Rs 000'     | 1,190     | 1,809     | 62,320    | 48,333     | 225,991   | 14,231     | 34,540    | 57,654    | 77,003    | 29,766     |
| Depreciation and Amortization                          | Rs 000'     | 9,741     | 11,695    | 10,094    | 21,635     | 39,069    | 61,581     | 80,855    | 86,989    | 125,582   | 121,295    |
| Net Cash generated from / (used in)                    |             |           |           |           |            |           |            |           |           |           |            |
| Operating Activities                                   | Rs 000'     | -291,709  | 376,957   | 19,168    | -2,104,274 | -333,771  | 1,164,145  | -54,445   | 500,605   | 326,513   | -1,205,776 |
| Investing Activities                                   | Rs 000'     | 1,113     | -28,041   | -234,081  | 39,334     | -23,760   | -47,831    | -28,496   | -57,482   | -69,464   | -13,913    |
| Financing Activities                                   | Rs 000'     | 261,876   | -231,477  | 231,963   | 2,331,334  | 10,622    | -1,117,774 | 83,511    | -411,639  | -276,277  | 1,271,671  |
| Net Increase / (Decrease) in Cash and Cash Equivalents | Rs 000'     | -28,720   | 117,439   | 17,050    | 266,395    | -346,909  | -1,460     | 570       | 31,485    | -19,227   | 51,982     |
| <b>RATIOS &amp; STATISTICS</b>                         |             |           |           |           |            |           |            |           |           |           |            |
| 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.         | 131.69    | 149.00    | 302.86    | 598.48     | 634.68    | 669.55     | 754.46    | 773.86    | 814.24    | 922.07     |
| Dividend per share                                     | Rs.         | 7.50      | 15.00     | 30.00     | 60.00      | 10.00     | 5.00       | 40.00     | 25.00     | 30.00     | 35.00      |
| Market price per share                                 | Rs.         | 355.00    | 1,075.00  | 2,650.00  | 2,069.70   | 1,717.80  | 1,292.00   | 1,300.00  | 1,513.40  | 1,062.00  | 990.50     |
| Market Capitalisation                                  | Rs 000'     | 1,285,399 | 3,892,406 | 9,595,234 | 7,494,059  | 6,219,884 | 4,678,129  | 4,707,096 | 5,479,784 | 3,845,335 | 3,586,445  |
| Earnings per share                                     | Rs.         | 16.17     | 24.81     | 179.21    | 326.45     | 97.50     | 45.29      | 91.13     | 57.87     | 65.79     | 139.23     |
| Dividend Payout                                        | %           | 46.39     | 60.46     | 16.74     | 18.38      | 10.26     | 11.04      | 43.89     | 43.20     | 45.60     | 25.14      |
| Price Earning ratio                                    | No of Times | 21.96     | 43.33     | 14.79     | 6.34       | 17.62     | 28.53      | 14.27     | 26.15     | 16.14     | 7.11       |
| Current Ratio                                          | No of Times | 1.54      | 1.61      | 1.52      | 1.37       | 1.40      | 1.77       | 1.80      | 1.91      | 1.93      | 1.77       |
| Quick Ratio                                            | No of Times | 0.89      | 0.71      | 0.41      | 0.33       | 0.25      | 0.67       | 0.66      | 0.37      | 0.44      | 0.25       |
| Interest Cover                                         | No of Times | 1.74      | 3.38      | 27.32     | 93.23      | 2.44      | 1.77       | 7.13      | 4.85      | 3.81      | 5.16       |
| Trading profit before Int. / Net Turnover.             | %           | 7.29      | 8.50      | 9.82      | 9.36       | 3.58      | 5.08       | 6.43      | 3.87      | 3.81      | 5.11       |
| Trading profit after Int. / Net Turnover.              | %           | 2.97      | 5.94      | 9.45      | 9.25       | 0.60      | 0.31       | 5.37      | 2.97      | 2.72      | 4.05       |
| Return on Net Assets & ROCE                            | %           | 12.28     | 16.65     | 59.17     | 54.55      | 15.36     | 6.76       | 12.08     | 7.48      | 8.08      | 15.10      |
| Asset Turnover                                         | No of Times | 2.06      | 2.51      | 3.91      | 2.67       | 1.78      | 1.41       | 1.42      | 1.69      | 2.00      | 2.18       |
| Gearing (Debt Capital/Debt+Equity Capital)             | %           | 0.53      | 0.37      | 0.45      | 0.60       | 0.59      | 0.47       | 0.45      | 0.41      | 0.24      | 0.41       |



# DISTRIBUTION NETWORK



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

# GLOSSARY

## Actuarial Gains and Losses

Difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

## Adjusted EBITDA

Adjusted earnings before interest, tax, depreciation and amortisation is calculated by adjusting profit from continuing operations to exclude the impact of Taxation, Net Finance Costs, Depreciation, Amortisation, Impairment Losses / Reversals related Intangible Assets, Property, Plant and Equipment.

## Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

## Available for Sale

Non derivative financial assets that are designated as available for sale or are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

## Borrowings

All interest bearing liabilities.

## Capital Employed

Total equity, minority interest and interest bearing Borrowings.

## Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

## Cash Equivalents

Liquid investments with original maturity periods of three months or less.

## Contingent Liability

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

## Current Ratio

Current assets divided by current liabilities, a measure of liquidity.

## Current Service Cost

Increase in the present value of the defined benefit obligation resulting from employee's service in the current period.

## Deferred Taxation

The tax effect of timing differences deferred to / from other periods, which would only qualify for inclusion on a tax return at a future date.

## Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

## Dividend Payout

Dividend per share as a percentage of the earnings per share.

## Dividend Yield

Dividend per share as a percentage of the market price a measure of return on investment.

## EBIT

Abbreviation for Earnings Before Interest and Tax.

## Effective Tax Rate

Income tax expense divided by profit from ordinary activities before tax.

## Equity

Shareholders' funds.

## Equity Accounted Investees

An entity including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

## Fair Value

The amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction.

## Fair Value Through Profit and Loss

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract)

## Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

## Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

## Gearing

Proportion of total interest bearing borrowings to capital employed.

## GLOSSARY (Contd.)

### **Gross Profit Ratio**

Gross profit divided by revenue.

### **Interest Cover**

Profit before tax plus net finance cost divided by net finance cost, a measure of an entity's debt service ability.

### **Key Management Personnel (KMP)**

KMP are those persons having authority and responsibility for planning directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

### **Market Capitalisation**

Number of shares in issue multiplied by the market value of a share at the reported date.

### **Net Assets Per Share**

Shareholders' funds divided by the weighted average number of ordinary shares in issue, a basis of share valuation.

### **Other Comprehensive Income**

Items of income and expenses that are not recognised in profit or loss as required or permitted by other SLFRS's.

### **Present Value of a Defined Benefit Obligation**

Present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

### **Price Earnings Ratio**

Market price of a share divided by earnings per share as reported at that date.

### **Related Parties**

Parties who could control or significantly influence the financial and operating policies of the business.

### **Return on Average Capital employed**

Profit before tax plus net finance cost divided by average capital employed.

### **Return on Average Shareholders' Funds**

Attributable profits to the shareholders divided by average shareholders' funds.

### **Working Capital**

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

# NOTICE OF MEETING

Notice is hereby given that the Thirty Fifth Annual General Meeting of Lanka Ashok Leyland PLC will be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on 10<sup>th</sup> August 2018 at 3.30 p.m. for following purposes.

1. To consider the report of the Directors' and the audited Financial Statements for the year ended 31<sup>st</sup> March 2018.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect a Director in place of Mr. D.A. Abeyawardene 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-election.
4. To re-elect as a Directors Mr. D. P. Kumarage who is over the age of 70 years and who retires at the Annual General Meeting in terms of section 210 of the Companies Act No. 07 of 2007 by passing the following ordinary resolution.  
  
"It is here by Resolved that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D. P. Kumarage who is over the age of 70 years prior to this Annual General Meeting and that he be re-elected."
5. To appoint Auditors and fix their remuneration, M/s. KPMG Chartered Accountants are eligible for re-appointment.
6. 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 2017/18, on a remuneration of Rs. 1,950,000/=(Rupees One Million Nine Hundred and Fifty Thousand only), in addition to reimbursement of out of pocket expenses."
7. To transact any other business of which due notice has been given.

By order of the Board



**D A Abeyawardene**  
**Director/Secretary**

Colombo  
7<sup>th</sup> May 2018

**Notes:**

*\*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

|                                |   |                                                                                                                                                                                                     |
|--------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NAME OF COMPANY</b>         | - | Lanka Ashok Leyland PLC                                                                                                                                                                             |
| <b>COMPANY REGISTRATION NO</b> | - | P Q 168 (Former No N (PBS) 21)                                                                                                                                                                      |
| <b>LEGAL FORM</b>              | - | 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.                                                        |
| <b>DIRECTORS</b>               | - | M S Meerasahib - Chairman<br>N Sundararajan<br>D P Kumarage<br>Vinod K Dasari<br>Gopal Mahadevan<br>D A Abeyawardene<br>A K M Jahanser                                                              |
| <b>COMPANY SECRETARY</b>       | - | D A Abeyawardene<br>80/12, Rubberwatte Road<br>Gangodavila Nugegoda.<br>Tel : 0112 801205                                                                                                           |
| <b>CHIEF EXECUTIVE OFFICER</b> | - | Umesh Gautam                                                                                                                                                                                        |
| <b>REGISTERED OFFICE</b>       | - | Panagoda, Homagama<br>Tel: 011-2752320 / 011-2751321 / 011-2750232-3<br>Fax: 011-2752400<br>E-mail: <a href="mailto:info@lal.lk">info@lal.lk</a><br>Web: <a href="http://www.lal.lk">www.lal.lk</a> |
| <b>MARKETING OFFICE</b>        | - | 41, Edward Lane<br>R. A. De Mel Mawatha<br>Colombo 03. Tel: 011-2502532 / 011-2590404 / 011-2592163<br>Fax: 011- 2502286                                                                            |
| <b>BANKERS</b>                 | - | Seylan Bank PLC<br>Commercial Bank of Ceylon PLC<br>Indian Bank<br>Bank of Ceylon<br>Sampath Bank PLC<br>People's Bank                                                                              |
| <b>AUDITORS - STATUTORY</b>    | - | KPMG<br>(Chartered Accountants)<br>P.O. Box 186<br>Colombo 03.                                                                                                                                      |
| <b>AUDITORS - INTERNAL</b>     | - | Ernst & Young<br>(Chartered Accountants)<br>201, De Seram Place<br>Colombo 10.                                                                                                                      |
| <b>TAX CONSULTANTS</b>         | - | Amarasekera & Company<br>(Chartered Accountants)<br>No. 12, Routunda Gardens<br>Colombo 03                                                                                                          |

# 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

|                       |                           |
|-----------------------|---------------------------|
| M S Meerasahib .....  | 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 |
| Gopal Mahadevan.....  | of Chennai or failing him |
| D A Abeyawardene..... | of Colombo or failing him |
| A K M Jahanser.....   | of Colombo or failing him |

as my/ our\* proxy to represent me/ us\* and on my/ our\* behalf at the Annual General Meeting of the Company to be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on Friday, 10<sup>th</sup> August 2018 at 3.30 p.m and at any adjournment thereof and at every poll which may be taken consequence thereof.

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

.....  
Signature

\* Note :

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



## GLOSSARY (Contd.)

### Instructions

1. Kindly perfect the form of proxy by filling in legibly your full name and address by deleting one or other of the alternative words indicated by an asterisk in the body of the form overleaf in order to indicate clearly your voting instructions by signing in the space provided and filling in the date of signature.
2. If there is any doubt as to which way the proxy should vote by reason of the way in which instructions under (I) above have been carried out, no vote will be recorded by the proxy.
3. A proxy need not be a member of the Company.
4. The completed form of proxy should be deposited at the registered office of the Company, Panagoda, Homagama, before 3.30 p.m on 8<sup>th</sup> August 2018 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**

Panagoda, Homagama, Sri Lanka  
Tel : +94(11) 2750232, +94(11)2751321  
Fax : +94(11) 2752400  
E-mail : [info@lal.lk](mailto:info@lal.lk)  
Web : [www.lal.lk](http://www.lal.lk)