

**LAL LANKA ASHOK LEYLAND PLC**

Annual Report  
2016/17



# 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.

# CONTENTS

About the Company .....	01
Financial Highlights .....	02
Chief Executive Officer's Review .....	06
Board of Directors .....	08
Annual Report of the Board of Directors .....	11
Corporate Governance .....	15
Audit Committee Report .....	22
Remuneration Committee Report.....	23
Related Party Transactions Review Committee Report.....	24
Management of Risk .....	25
Financial Reports .....	29
Statement of Directors' Responsibilities.....	30
Financial Calendar .....	31
Independent Auditors' Report.....	32
Statement of Profit or Loss and Other Comprehensive Income.....	33
Statement of Financial Position.....	34
Statement of Changes in Equity.....	35
Statement of Cash Flows .....	36
Notes to the Financial Statements .....	37
Share Information .....	70
Decade at a Glance.....	71
Distribution Network .....	72
Glossary .....	73
Notice of Meeting .....	75
Corporate Information .....	76
Form of Proxy .....	78







## 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 bowzers, 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.

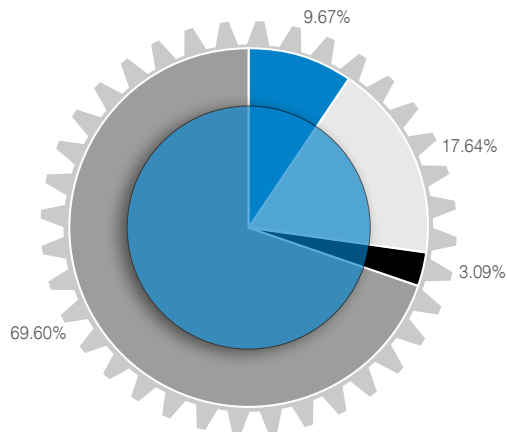
Lanka Ashok Leyland PLC is an ISO 9001:2008 certified Company on Quality Management System of Marketing, Body Building and Repair of Commercial Vehicles.



## FINANCIAL HIGHLIGHTS

2,948.24  
NET WORTH (MN)

### TOTAL ASSETS (MN)



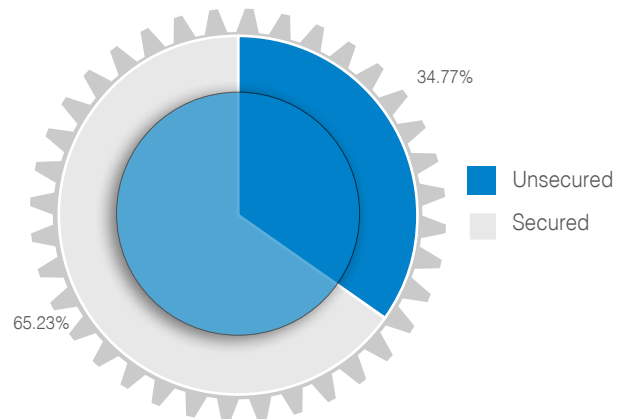
5,693.73

Investments Trade Debtors  
Inventory Other Current Assets

UNSECURED	VALUE (RS.)
Employee Benefits	67,098,858
Deferred Tax	26,360,703
Trade Payables	279,139,365
Accrued Expenses	248,158,388
Income Tax Liability	3,963,664
Other Payables & Warranty Provision	329,761,575
<b>SUBTOTAL</b>	<b>954,482,553</b>

SECURED	VALUE (RS.)
Import Loans	1,767,067,832
Bank Overdraft	23,934,505
<b>SUBTOTAL</b>	<b>1,791,002,337</b>

### TOTAL LIABILITIES (MN)



2,745.48

INVESTMENTS	VALUE (RS.)
Fixed Assets	549,021,665
Intangible Assets	1,147,700
Financial Investments	138,855
<b>SUBTOTAL</b>	<b>550,308,220</b>

INVENTORY	VALUE (RS.)
Vehicles	2,769,477,742
Spare Parts	259,223,078
Generators	38,156,214
Cab/Bodies & Work in Progress	25,562,076
Goods in Transit	870,590,175
<b>SUBTOTAL</b>	<b>3,963,009,285</b>

TRADE DEBTORS	VALUE (RS.)
Lease Customers	237,340,537
Other Customers	766,999,575
<b>SUBTOTAL</b>	<b>1,004,340,112</b>

OTHER CURRENT ASSETS	VALUE (RS.)
Related Party Receivables	27,956,204
VAT Recoverable	45,472,149
Advance/Deposit/Margin/Pre-payment	25,420,844
Other Receivables	38,378,641
Cash and Cash Equivalent	38,841,064
<b>SUBTOTAL</b>	<b>176,068,902</b>

## FINANCIAL HIGHLIGHTS (CONTD.)





KEY PERFORMANCE INDICATORS	THIS YEAR	LAST YEAR		% CHANGE	5 YEAR TREND
OPERATING RESULTS					
TURNOVER (RS.)	11,405,488,459	9,073,386,289	↑	26%	
GROSS PROFIT (RS.)	1,058,362,168	774,763,373	↑	37%	
OPERATING PROFIT (RS.)	439,330,354	368,798,119	↑	19%	
PROFIT BEFORE TAX (RS.)	349,362,053	313,994,885	↑	11%	
PROFIT AFTER TAX (RS.)	238,206,536	209,537,794	↑	14%	
DIVIDEND (RS.)	108,625,290	90,521,075	↑	20%	
CAPITAL STRUCTURE					
EQUITY (RS.)	2,948,241,628	2,802,040,245	↑	5%	
DEBT (RS.)	1,767,067,832	1,948,188,630	↓	-9%	
PROFITABILITY INDICATOR RATIOS					
GP MARGIN (%)	9.3%	8.5%	↑	9%	
NP MARGIN (%)	2.1%	2.3%	↓	-10%	
ROA (%)	4.2%	3.9%	↑	7%	
ROE (%)	8.1%	7.5%	↑	8%	
ROCE (%)	9.3%	7.8%	↑	20%	
LIQUIDITY MEASUREMENT RATIOS					
CURRENT RATIO (NO OF TIMES)	1.93	1.91	↑	1%	
QUICK RATIO (NO OF TIMES)	0.44	0.37	↑	18%	
DEBT RATIOS					
GEARING RATIO (%)	37%	41%	↓	-9%	
INTEREST COVER (NO OF TIMES)	3.81	4.85	↓	-22%	
EQUITY RATIOS					
NET ASSET PER SHARE	814.24	773.86	↑	5%	
EPS	65.79	57.87	↑	14%	
DPS	30.00	25.00	↑	20%	
PE RATIO	16.14	26.15	↓	-38%	
DIVIDEND PAYOUT	46%	43%	↑	6%	
MARKET VALUE PER SHARE	1,062.00	1,513.40	↓	-30%	
HIGHEST MARKET VALUE	1,548.00	1,600.00	↓	-3%	
LOWEST MARKET VALUE	1,006.00	1,200.00	↓	-16%	
MARKET CAPITALIZATION	3,845,335,266	5,479,783,796	↓	-30%	





# THE CHIEF EXECUTIVE OFFICER'S REVIEW

It is with great satisfaction that I present Lanka Ashok Leyland's annual review for 2016/17.

## THE ECONOMY IN 2016

The year witnessed two key events, the referendum that voted the UK out of the EU single market and the US Presidential election, outcomes that highlighted a growing undercurrent of nationalist economic populism away from the norms of globalism and international trade. Global output in 2016 registered 3.1% in 2016 driven by the emerging and developing economies who grew at 4.1% while advanced economies grew by 1.7% according to the IMF. Commodity prices rebounded from lows but remained weak through the year. Moving to emerging and developing Asia, China and India grew at 6.7% and 6.8% respectively. This represented a decline for India which bore the impact of its national demonetization process.

At home, the unity government now in its second year focused its efforts in addressing structural and fiscal reforms to improve the nation's external position while domestically tightening monetary conditions to influence credit growth and demand. Sri Lanka grew at 4.4% in 2016 compared to 4.8% the previous year. The decline was largely driven by a fall in agricultural output owing to adverse drought conditions while the construction sector and its subsectors drove GDP growth along with services.

Despite one off spikes inflation owing to tax adjustments, drought impacts and rising commodity prices, average inflation during 2016 was 4.0%. Over the course of the calendar year the central bank raised interest rates by 100 basis points with another 25 point increase in March 2017 resulting correlating to increases in commercial borrowing rates.

Despite growth in earnings from tourism and worker remittances, Sri Lanka faced a net outflow of foreign exchange in 2016. Weak export performance coupled with robust domestic demand saw the trade deficit expand to 11.2% of GDP in 2016 from 10.4% a year ago. The Sri Lankan rupee depreciated 3.8% in 2016 against the US dollar and a further 1.5% for the first 3 months of 2017 where the Central Bank selling rate for the US dollar stood at LKR 153.9 as of the 31st March 2017 from LKR 146.2 at the beginning of 2016.

## FINANCIAL HIGHLIGHTS

Your Company closed the year with the highest quarterly turnover in 5 years in the 4th quarter of 2016/17 propelling total revenue to LKR 11.4bn for the fiscal year against LKR 9bn in last year, a 26% increase. While over 95% of turnover stems from domestic sales, revenue recognized through other sources increased 33% to LKR 562mn against LKR 421.2mn last year lead by export sales which improved 749% to LKR 191.9mn. Furthermore, revenue from accident repair and workshop repair also showed increases of 31% and 26% to LKR 83.6mn and LKR 73.4mn respectively. In terms of unit sales, heavy vehicle sales improved 26% mitigating the decline in Light Commercial Vehicle sales which fell 47% this year.

Gross profit for the year crossed a milestone to reach LKR 1.06bn, a 37% improvement year on year accompanied with a gross profit margin expansion to 9.3% against 8.5% in 2015/16.

Higher interest rates during the year impacted net finance expense which rose 64% to LKR 89.97mn against LKR

54.80mn a year earlier. Profit before tax for 2016/17 stood at LKR 349.36mn, a 11% increase on 2015/16's profit before tax of LKR 314mn.

The Company inventory level marginally rose 3% to LKR 3.9bn while interest bearing liabilities fell 9% to LKR 1.8bn from LKR 2bn a year earlier.

In August 2016, Lanka Ashok Leyland paid a dividend of LKR 25.00 per share to our equity holders for the financial year 2015/2016.

## BUILDING OUR FOOTPRINT

Our journey to embrace and adopt energy efficient, environment friendly and sustainable processes began in 2015 with an overhaul improvement of our factory space in Panagoda. During the year Lanka Ashok Leyland completed installation of the second pre-fabricated steel shed increasing our covered workspace further by 185,000 sq.ft. The area also boasts an impressive amount of greenery through landscaping projects aimed at reducing factory floor temperatures, increasing natural cooling and foliage partitions. Furthermore extensive road development and renovation work across the factory was completed. The next stage set to begin this year will include solar power generation, a rainwater harvesting system and the construction of a man-made lake to recycle and reuse rain water.



The year also saw the renovation and construction of a large place of worship in the factory premises to be used by workers, customers and the surrounding area.

2016 marked another memorable year for our educational institute which started offering accredited courses in computer

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

and solar technology. In addition, the institute is in the process of upgrading from the current level 4 NVQ to level 5 NVQ (National Vocational Qualification). The institute focuses on green environment and features a mix of academic and on the job technical training where students receive a monthly stipend while they study. Upon completion the Company hires most of the students or finds alternative placements. The institute hopes to offer Automobile Technology NVQ level 6 accreditations in the future.

We continue to extend our support to Government of Sri Lanka by maintaining large fleet of Air-conditioned buses and providing these AC Buses whenever need arises to operate on highways, mainly on weekends and long holidays. Similarly during the closure of Bandaranaike International Airport for 04 months, at a very short notice we provided and operated 12 nos Tarmac Coaches for smooth operation of flight schedules inside the airport.

In partnership with Sri Lanka transport and other leading corporates, Lanka Ashok Leyland launched several pilot bus routes featuring low floor buses on selected routes free of charge to the public. As an integral partner and stakeholder in Sri Lanka's transport system, we are committed to putting forth and advocating smart transport solutions to revitalize the mass transit system in line with expectations of a 21st century cosmopolitan hub.

### A VISION FOR PUBLIC TRANSPORT IN SRI LANKA



Sri Lanka is on the move and the key challenge is to shed the stigma of public transport as a basic service and improve it in line with the expectations of an increasingly sophisticated and discerning middle class. Another key reason to improve the look and efficiency of the bus transport system is because bus transport infrastructure functions as key branding to a city which aims to showcase itself amongst the world's best.

First and foremost, the key problem to be addressed is the increasing congestion faced in increasingly urbanised areas.

To overhaul the bus service will require administrative leadership and a coordinated effort to effect back end changes. Key technologies such as GPS, Electronic Vehicle Inspection Reporting (EVIR), and centralised real time monitoring and data collection will lead to route optimization, fuel efficiencies, improved performance and maintenance. Bus modernization is self-evident and fundamental to attracting higher income commuters. Beyond an obvious facelift, facilities such as State of Art interior with comfortable seats, Air Suspension, Automatic Transmission, A/C, Wi-fi, and electronic payment

systems would be a substantial overhaul in making bus travel more palatable and convenient. Additionally, new standards and driver procedures have to be introduced and enforced to complement the rollout of the newer buses.

Aesthetic improvements to the bus stops and terminals, especially in Colombo given its economic importance should be another key component in the facelift process. Bus stops can be uniquely designed if they are done with a creative edge in mind. Adding to this, guidelines over the appearance and permissible paint jobs on the bus would add to the colour and consistency of the service in its entirety.

Further optimisation and operational efficiency can be achieved by deploying a product mix of A/C and non A/C double decker buses as well as low floor A/C buses. Double decker buses offer almost twice the seating capacity of regular buses and can be deployed on key routes during peak times where the seating advantage and fuel efficiency at lower speeds can be leveraged while more basic buses can be deployed during off-peak where their lower running cost can help offset reduced passenger numbers.

Double decker bus can replace 2 normal buses and up to 45 cars on the road. Operating these buses on crucial routes at peak travel times can have a positive compounding effect on the level of congestion. Additionally switching buses between peak and off peak will give enough time for fleet maintenance as opposed to the same vehicle running all throughout the day. Not to mention, these buses have a lower carbon footprint under the Euro 3 international standard.

### ACKNOWLEDGEMENTS

I would like to thank all our stakeholders for their contributions this year starting with our Board of Directors, Senior Management, Dealers and all the Employees at Lanka Ashok Leyland whose tireless efforts have propelled this Company to new heights. Their commitment and effort has been an inspiration this year.

While the strength of this Company has come from those within, we should be remiss to forget the invaluable support and guidance extended to us by our joint venture partners Lanka Leyland, our principal and partner Ashok Leyland India, and our auditors, bankers, suppliers and shareholders for their tireless support.

To our customers, the bedrock on which this Company revolves on, we cannot thank you enough for your enduring support, faith and trust you continue to place in us. We are humbled by your patronage and remain committed to rededicate our services to you in 2017.

**Umesh Gautam**  
Chief Executive Officer

Colombo  
27<sup>th</sup> May 2017

## 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 12th 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 KUMARAAGE**

*Independent Director*

Mr. Kumaraage 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. Kumaraage is the Vice President of the Asian Leasing and Finance Association.

Mr. Kumaraage has over 37 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 38 years of fulltime industrial experience in varied industries such as iron & steel, textiles, rubber, batteries, and transport, and has handled several international acquisitions, joint ventures, etc. He has also been a Senior Assessor of Business Excellence, and has been a member of several all-India Committees on General Insurance.



## BOARD OF DIRECTORS (CONTD.)



**MR. VINOD K DASARI**

*Non-Executive Director*

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

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

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

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

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



**MR. GOPAL MAHADEVAN**

*Non-Executive Director*

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

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

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

## 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 45 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 12th 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

The Board of Directors are pleased to present the 34th Annual Report of Lanka Ashok Leyland PLC to the shareholders together with the audited Financial Statements for the financial year ended 31 March 2017.

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

## PRINCIPAL ACTIVITIES 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 state of affairs of the Company during the year under review.

The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities that contravene laws and regulations.

## VISION, MISSION AND VALUE STATEMENT

The Company's vision and mission statements are available on page (i). The strategic directions are developed in line with the vision and the employees are guided according to the mission and values of the Company.

## REVIEW OF THE YEAR

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

## 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 Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No 7 of 2007, and the Listing Rules of the Colombo Stock Exchange. The Statement of Directors' Responsibility for Financial Reporting is given on page 30 which forms an integral part of the Annual Report of the Board of Directors.

## AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Auditor's Report on the Financial Statements is given on page 32.

The Statements of Profit & Loss and Comprehensive Income, Financial Position, Cash Flow, Accounting Policies and Notes to the Accounts are given on pages 33 to 69.

## 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 37 to 47 of this Annual Report. There were no changes in the accounting policies adopted compared to last year.

## PROFIT AND APPROPRIATIONS

	2016/17 Rs.	2015/16 Rs.
Profit after taxation	238,206,536	209,537,794
Other Comprehensive Income	(1,547,459)	5,180,278
Total Comprehensive Income for the year	236,659,077	214,718,072
Profit brought forward from previous year	1,865,188,687	1,794,921,794
Profit available for appropriation	2,101,847,764	2,009,639,866
<b>Appropriations</b>		
Unclaimed Dividend Reversed	60,851	382,541
Dividend paid for previous year	(90,521,075)	(144,833,720)
Un-appropriated profit carried forward	2,011,387,540	1,865,188,687

## DIVIDENDS

The Board of Directors recommended payment of a final dividend of Rs. 30.00 per share (300 %) (2015/16- Rs. 25.00 per share i.e. 250% on the paid-up value) for the year ended 31<sup>st</sup> March 2017.

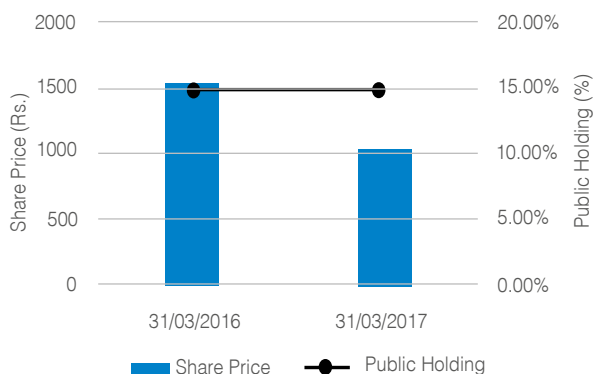
The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the final dividend proposed. The Solvency certificates have been obtained from the Auditors in respect of the final dividend proposed.

## PUBLIC HOLDING AND THE MARKET VALUE OF SHARES

The last transaction prior to close of business on 31<sup>st</sup> March 2017, on the trading floor of the Colombo Stock Exchange was at a price of LKR 1,062.00 per share. (Corresponding price on 31<sup>st</sup> March 2016 was LKR 1,513.40 per share)

The number of ordinary shares held by the public as at 31<sup>st</sup> March 2017 was 531,706 (31<sup>st</sup> March 2016 531,706) which amounted to 14.68% (31<sup>st</sup> March 2016 - 14.68%) of the issued Share Capital of the Company.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS (CONTD.)



### RATIOS AND MARKET PRICE INFORMATION

Ratios relating to equity and debt and the market price information are given on page 04 and 71.

### STATED CAPITAL AND RESERVES

The issued and paid up Stated Capital of the Company is Rs. 49,375,150 (3,620,843 shares) and there were no shares issued during the financial year.

Total Company reserves as at 31st March 2017 amounted to Rs. 2,898.87 Mn (31st March 2016 - Rs. 2,752.66 Mn) comprising General Reserve of Rs. 887.35 Mn (31st March 2016 - Rs. 887.35 Mn) and Revenue Reserve of Rs. 2,011.39 (31st March 2016 - Rs. 1,865.19 Mn). Movements are shown in the Statement of Changes in Equity in the Financial Statements.

### SHARE INFORMATION

Information relating to distribution of shareholdings, market value, public shareholding and top twenty shareholders are available on page 70 under 'Share Information'.

### PROPERTY PLANT & EQUIPMENT AND INTANGIBLE ASSETS

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 has been revalued by independent qualified valuers. The most recent valuation was conducted in the previous year and results have been disclosed under Note 13.1 to the Financial Statements in page 52.

### 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.

### DIRECTORS

The names of the Directors who held office at the end of the financial year are given below; their brief profiles appear on pages 08 to 10.

- 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 03 new appointments made to the Board during the financial year ended 31st March 2017.

Mr. Y L S Hameed and Mr. B M Riyaj ceased to be Directors of the Company with effect from 12th November, 2016.

Dr. M S Meerasahib, Mr. D A Abeyawardene and Mr. A K M Jahanser were appointed as new Directors to the Board with effect from the same date.

### 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 17 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. The details attendance of Directors at the respective meetings are given on page 16 of the Annual Report.

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

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

## ANNUAL REPORT OF THE BOARD OF DIRECTORS (CONTD.)

### INTEREST REGISTER

An Interest Register is maintained by the Company as per the requirements of the Companies Act No. 07 of 2007. All Directors have made necessary declarations as provided for in Section 192 (2) of the aforesaid Companies Act.

### DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interest in contracts and proposed contracts of the Company are disclosed in Note No. 31 "Related Party Disclosure" to the accounts. The details of Directors' interests in contracts of the Company have been disclosed at Board meetings.

### DIRECTORS' REMUNERATION AND FEES

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

### BOARD COMMITTEES

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

- **AUDIT COMMITTEE**

Mr. Gopal Mahadevan – Chairman  
Mr. D P Kumarage  
Mr. N Sundararajan  
Dr. M S Meerasahib (Appointed to the Committee with effect from 12th November 2016)  
Mr. D A Abeyawardene (Appointed to the Committee with effect from 12th November 2016)

\* Mr. Y L S Hameed (Ceased to be a Director and Member with effect from 12th November 2016)

- **REMUNERATION COMMITTEE**

Mr. Vinod K Dasari – Chairman  
Mr. D P Kumarage  
Mr. N Sundararajan  
Mr. A K M Jahanser (Appointed to the Committee with effect from 12th November 2016)  
Mr. D A Abeyawardene (Appointed to the Committee with effect from 12th November 2016)

\*Mr. B M Riyaj (Ceased to be a Director and Member with effect from 12th November 2016)

- **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

Mr. N Sundararajan – Chairman  
Mr. D P Kumarage  
Mr. Gopal Mahadevan  
Dr. M S Meerasahib (Appointed to the Committee with effect from 12th November 2016)  
Mr. D A Abeyawardene (Appointed to the Committee with effect from 12th November 2016)

\* Mr. Y L S Hameed (Ceased to be a Director and Member with effect from 12th November 2016)

### RELATED PARTY TRANSACTIONS

Related party transactions of the Company have been reviewed by the Related Party Transactions Review Committee. During the year there were no non-recurrent related party transactions which exceeded the lower of 10% of equity or 5% of the total assets of the Company. However, the Directors have disclosed the transactions that could be classified as related party transactions in terms of the Sri Lanka Accounting Standard (LKAS) 24, in note 31 on pages 60 to 63 to the Financial Statements.

### RISK MANAGEMENT

The Board has established an adequate risk management and internal control system. The categories of risks faced by the Company are identified and a detailed overview is given in the Risk Management Report on pages 25 to 28.

### CORPORATE GOVERNANCE

The Board of Directors is committed to maintain an effective corporate governance culture within the Company. A fuller report on corporate governance is provided on pages 15 to 21.

### COMPLIANCE WITH LAWS AND REGULATIONS

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

### FUTURE DEVELOPMENTS

Information on future developments are contained in the CEO's report including goals and strategies referred in pages 06 to 07.

### STATUTORY PAYMENTS

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

### DONATION

The donations made during this year by the Company amounted to Rs. 500,000 (2015/16 – Nil).

### EMPLOYMENT

The number of permanent employees as at 31<sup>st</sup> March 2017 was 182. (31<sup>st</sup> March 2016-193). There were no material issues pertaining to employees or industrial relations during the year.

### GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations. Accordingly, the Financial Statements are prepared based on the going concern concept.



## ANNUAL REPORT OF THE BOARD OF DIRECTORS (CONTD.)

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

### CONTINGENT LIABILITIES AND OUTSTANDING LITIGATION

Details of contingent liabilities and pending litigations are listed in Notes 33 and 34 to the Financial Statements. These will not have any material adverse impact on the financial results of the Company or its future operations.

### EVENTS OCCURRED AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date that would require adjustment to or other disclosure in, except disclosure given in Note 35 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 Accounts for the year ended 31<sup>st</sup> March 2017 and have expressed their opinion which appears on page 32 of this Annual Report.

A sum of Rs. 1,530,000 in addition to reimbursement of out of pocket expenses was payable at the year-end as audit fees for the year under review. In addition, they were paid Rs. 750,000 (2015/16 - Rs. 400,000) by the Company for non-audit related work.

M/s. KPMG offer themselves for re-appointment.

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.

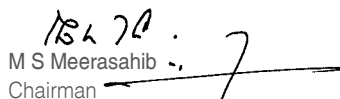
### NOTICE OF MEETING

Notice of thirty fourth Annual General Meeting is given on page 75.


### ACKNOWLEDGEMENT

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

  
M S Meerasahib  
Chairman

  
A K M Jahanser  
Director

  
D A Abeyawardene  
Director / Secretary

By order of the Board of Directors  
Colombo

27<sup>th</sup> May 2017

# CORPORATE GOVERNANCE

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

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

## BOARD OF DIRECTORS

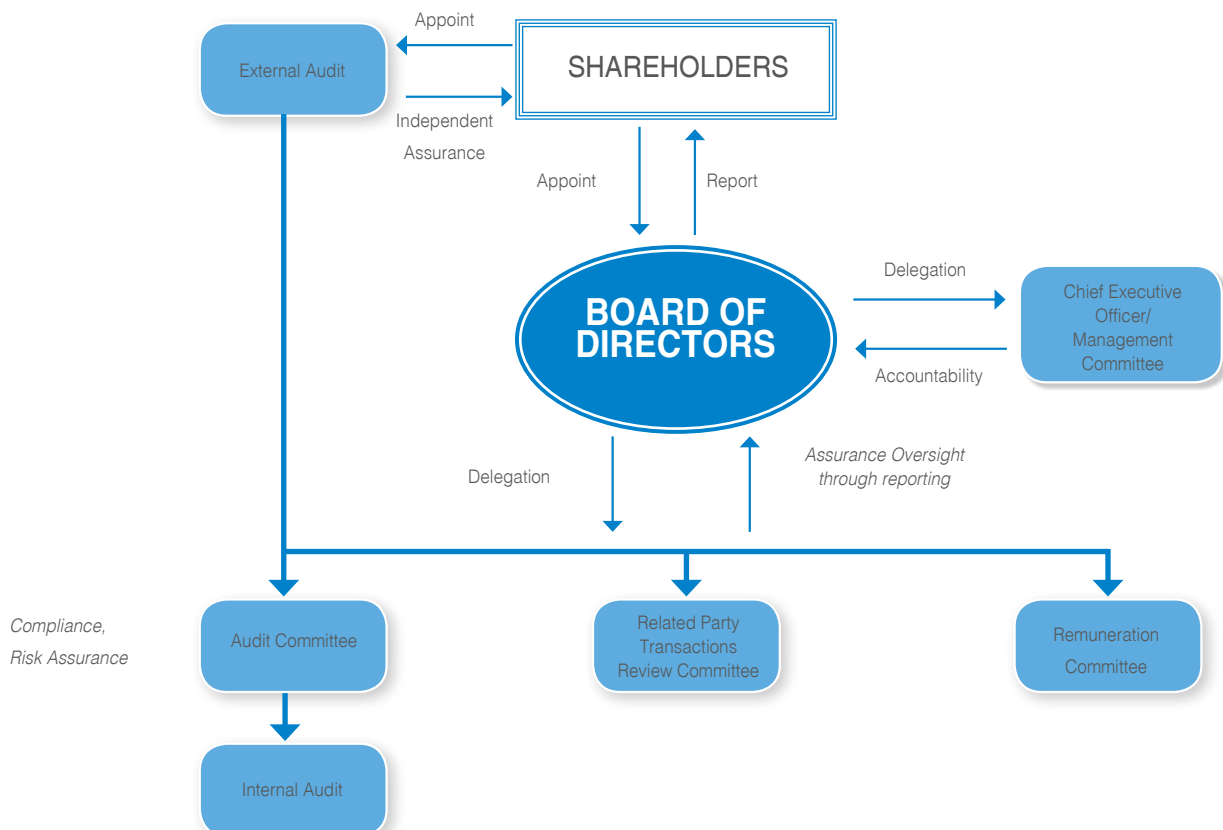
The Board of Directors of Lanka Ashok Leyland PLC is collectively responsible for the long term success of the Company. Its role is essentially threefold - to provide leadership, to oversee management and to ensure that the Company provides its stakeholders with a balanced and understandable assessment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

The Board has delegated appropriate responsibility 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 22 to 24. At the Board meetings, the Board reviews periodic updates presented by the Chairman of each of these Committees.

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 08 to 10.

### 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	-

\* Appointed as a Director and Chairman of the Board with effective from 12<sup>th</sup> November 2016.

\*\* Appointed as Director on the Board with effective from 12<sup>th</sup> November 2016.

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

Name of the Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Related Party Transactions Review Committee Meetings	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Dr. M S Meerasahib (Chairman)*	4	2	4	2	-	-	4	2
Mr. Y L S Hameed **	4	2	4	2	-	-	4	2
Mr. D P Kumarage	4	2	4	2	2	1	4	2
Mr. N Sundararajan	4	4	4	4	2	2	4	4
Mr. Vinod K Dasari	4	4	-	-	2	2	-	-
Mr. B M Riyaj***	4	2	-	-	2	1	-	-
Mr. Gopal Mahadevan	4	4	4	4	-	-	4	4
Mr. D A Abeyawardene****	4	2	4	2	2	1	4	2
Mr. A K M Jahanser *****	4	2	-	-	2	1	-	-

\* Appointed as the Chairman of the Board and Member to the Audit Committee with effective from 12<sup>th</sup> November 2016.

\*\* Ceased to be a Director and Chairman of the Board with effective from 12<sup>th</sup> November 2016.

\*\*\* Ceased to be a Director of the Board with effective from 12<sup>th</sup> November 2016.

\*\*\*\* Appointed as a Director of the Board and Member of the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee with effective from 12<sup>th</sup> November 2016.

\*\*\*\*\* Appointed as a Director of the Board and Member of the Remuneration Committee with effective from 12<sup>th</sup> November 2016.

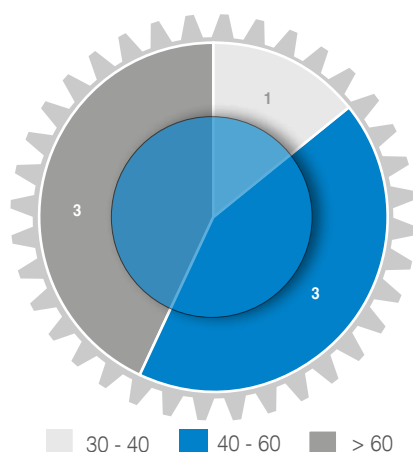
## CORPORATE GOVERNANCE (CONTD.)

### NEW APPOINTMENTS AND RESIGNATION OF DIRECTORS

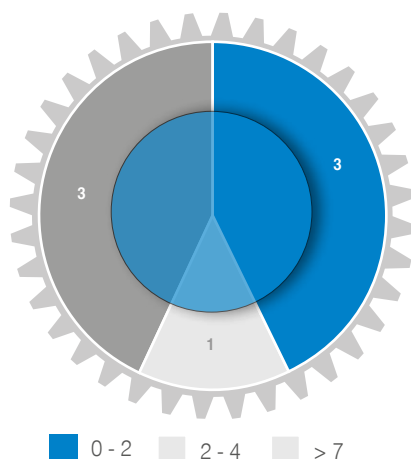
The Board collectively decides on the appointments of new members in line with the guidelines laid down in the Articles of Association of the Company.

Dr. M S Meerasahib, Mr. D A Abeyawardene and Mr. A K M Jahanser were appointed as Directors to the Board with effect from 12th November 2016; Mr. Y L S Hameed and Mr. B M Riyaj ceased to be Directors of the Company from the same date.

Directors' Age Diversity



Directorship Tenure Diversity



### DIRECTORS' INDEPENDENCE REVIEW

The Board carried out its annual evaluation of the independence of Directors and accordingly Mr. D P Kumaraage, 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. (Please refer the table given in page 16 for Committee composition and attendance details)

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

A separate report from the Chairman of the Audit Committee is given on page 22 of the Annual Report.

### REMUNERATION COMMITTEE

The Remuneration Committee is comprised of five Non-Executive Directors, three of whom are Independent Directors. (Please refer the table given in page 16 for Committee composition and attendance details)

Remuneration Committee is responsible for developing policies for executive remuneration, for 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 31.5 to the Financial Statements.

## CORPORATE GOVERNANCE (CONTD.)

A separate Report from the Chairman of the Remuneration Committee is given on page 23 of the Annual Report.

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee is comprised of five Non-Executive Directors, three of whom are Independent Directors. (Please refer the table given in page 16 for Committee composition and attendance details)

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 from the Chairman of the Related Party Transactions Review Committee is given on page 24 of the Annual Report.

### INTERNAL AUDIT

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

### EXTERNAL AUDIT

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

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

The following table shows the 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 31st March 2017.	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 31st March 2017.	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 12 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 08 to 10 to the Annual Report.	Complied



## CORPORATE GOVERNANCE (CONTD.)

Rule No.	Subject	Applicable Requirement	Details	Compliance Status
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.	Brief resumes of the Directors appointed during the year have been provided to the Colombo Stock Exchange, and were disclosed to the public.	Complied
7.10.5	Remuneration Committee	A listed Company shall have a Remuneration Committee.	Company has a Remuneration Committee. Refer page no 13 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 16. The report of the Remuneration Committee is given on page 23 and the Remuneration paid to Directors is given in the Note 31.5 to the Financial Statement on page 62.	Complied
7.10.6	Audit Committee	A listed Company shall have an Audit Committee.	Company has an Audit Committee. Refer page no 13 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 16 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.	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 22.	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 22 to the Annual Report.	Complied

## CORPORATE GOVERNANCE (CONTD.)

### REQUIREMENTS UNDER SECTION 9 OF THE LISTING RULES OF COLOMBO STOCK EXCHANGE (CSE) ON CODE OF BEST PRACTICE ON RELATED PARTY TRANSACTIONS

The following table shows the level of compliance under 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 24 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
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 24 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 24 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 24 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 31 to the Financial Statements.	Complied
9.3.2(c)	Report by the RPTRC	Committee report shall include; Name 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 24 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 13 of the Annual Report of the Board of Directors.	Complied

## CORPORATE GOVERNANCE (CONTD.)

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

Disclosures specified by Section 7.6 of Listing Rules of the Colombo Stock Exchange are contained in this Annual Report.

### 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.

### GOING CONCERN

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

### 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

27<sup>th</sup> May 2017

# 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 2016/17 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 Kumaraage - 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 Chief Financial Officer of Ashok Leyland, India.

Brief profiles of each member are provided on pages 08 to 10.

## ROLE OF THE AUDIT COMMITTEE

The Audit Committee with its main objective being to assist the Board of Directors in carrying out their responsibilities, is responsible for

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

## MEETINGS

The Audit Committee met four times during the year ended 31st March 2017 and the attendance details are given in page no 16 to the Corporate Governance report.

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

## INTERNAL AUDIT

The internal audit is outsourced to M/s. 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 25 to 28. 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 the independence and the objectivity of them. 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.

## FINANCIAL REPORTS

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

## CONCLUSION

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



**Gopal Mahadevan**  
Chairman - Audit Committee

Colombo  
27<sup>th</sup> May 2017

# REMUNERATION COMMITTEE REPORT

## COMPOSITION OF THE COMMITTEE

The Remuneration Committee consisted of the following Non-Executive Directors of the Board.

- Mr. Vinod K Dasari - Chairman  
Non-Executive Director
- Mr. J K M Jahanser - Member  
Non-Executive Director
- Mr. D P Kumaraage - Member  
Non-Executive Independent Director
- Mr. N Sundararajan - Member  
Non-Executive Independent Director
- Mr. D A Abeyawardene - Member  
Non-Executive Independent Director

Brief profiles of each member are given on pages 08 to 10.

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 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.

## DISCLOSURES

All Independent Directors receive a fee for attending Board meetings and for serving on sub-Board Committees. Details of Directors' emoluments are disclosed in on page 62.

## MEETINGS

The Committee held two meetings during the year under review and the attendance details are given on page no 16 to the Corporate Governance Report.



**Vinod K Dasari**  
Chairman - Remuneration Committee

Colombo  
27<sup>th</sup> May 2017



# RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

## CONSTITUTION OF THE COMMITTEE

Pursuant to the Code of Best Practices issued by the Securities and Exchange Commission of Sri Lanka and also in compliance with the requirements under LKAS 24, the Board of Directors constituted a Related Party Transactions Review Committee (RPTRC) with effect from 23rd October 2015. The Committee assists the Board in establishing and reviewing policies and procedures related to Related Party transactions; helps to ensure avoidance of conflict of interest and to make appropriate disclosures.

## COMPOSITION OF THE COMMITTEE

The Committee consisted of five Non-Executive Directors of whom three were Independent and 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 13 and a brief profile of each member is provided in pages 08 to 10.

## 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 has to establish guidelines for the senior management to follow.
- The Committee also reports and updates the Board of Directors about its review once in every quarter 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 16.

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 2016/17

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 31 to the Financial Statements.



**N Sundararajan**

Chairman - Related Party Transactions Review Committee

Colombo  
27<sup>th</sup> May 2017

# MANAGEMENT OF RISK

## OVERVIEW

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

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

## RISK GOVERNANCE AND OVERSIGHT

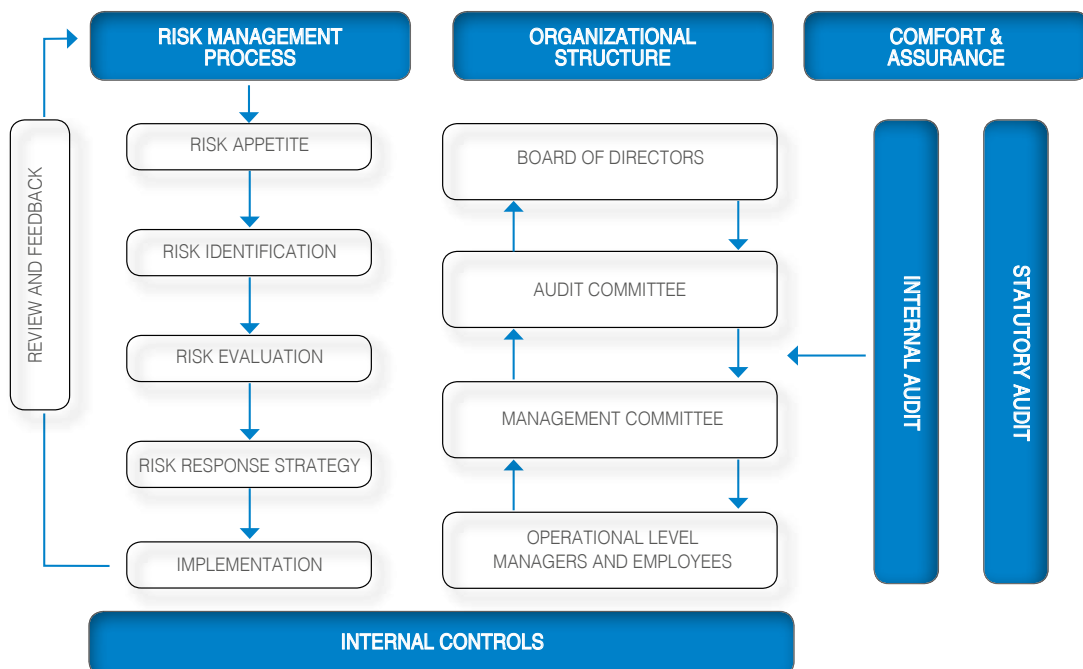
The Board being primarily responsible for the overall Risk Management of the Company, advises the strategy and approves the policies for effective Risk Management.

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

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

## RISK MANAGEMENT PROCESS

Risk Management process starts with deciding the risk appetite of the Company at the Board level and is a circular process. The Risk Management Framework of the Company is presented below.

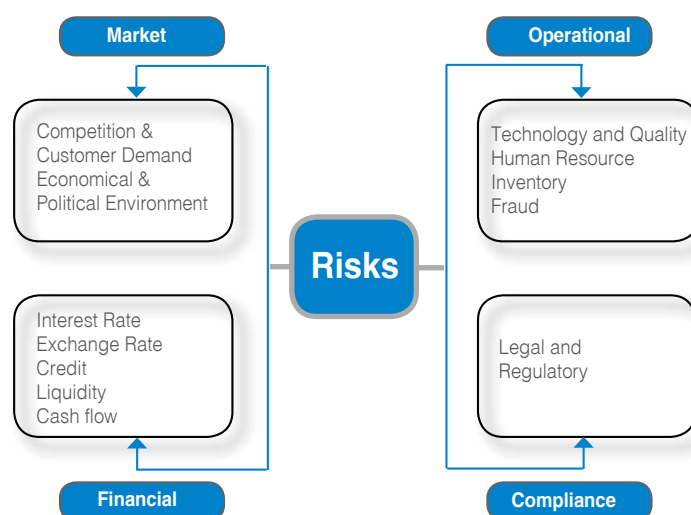


## MANAGEMENT OF RISK (CONTD.)

### RISK ASSESSMENT

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

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



### RISK RESPONSE

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

### MONITORING AND REVIEW OF RISK MANAGEMENT PROCESS

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

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

Risk	Potential Impact	Treatment
<b>Market Risk</b>		
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.  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.

## MANAGEMENT OF RISK (CONTD.)

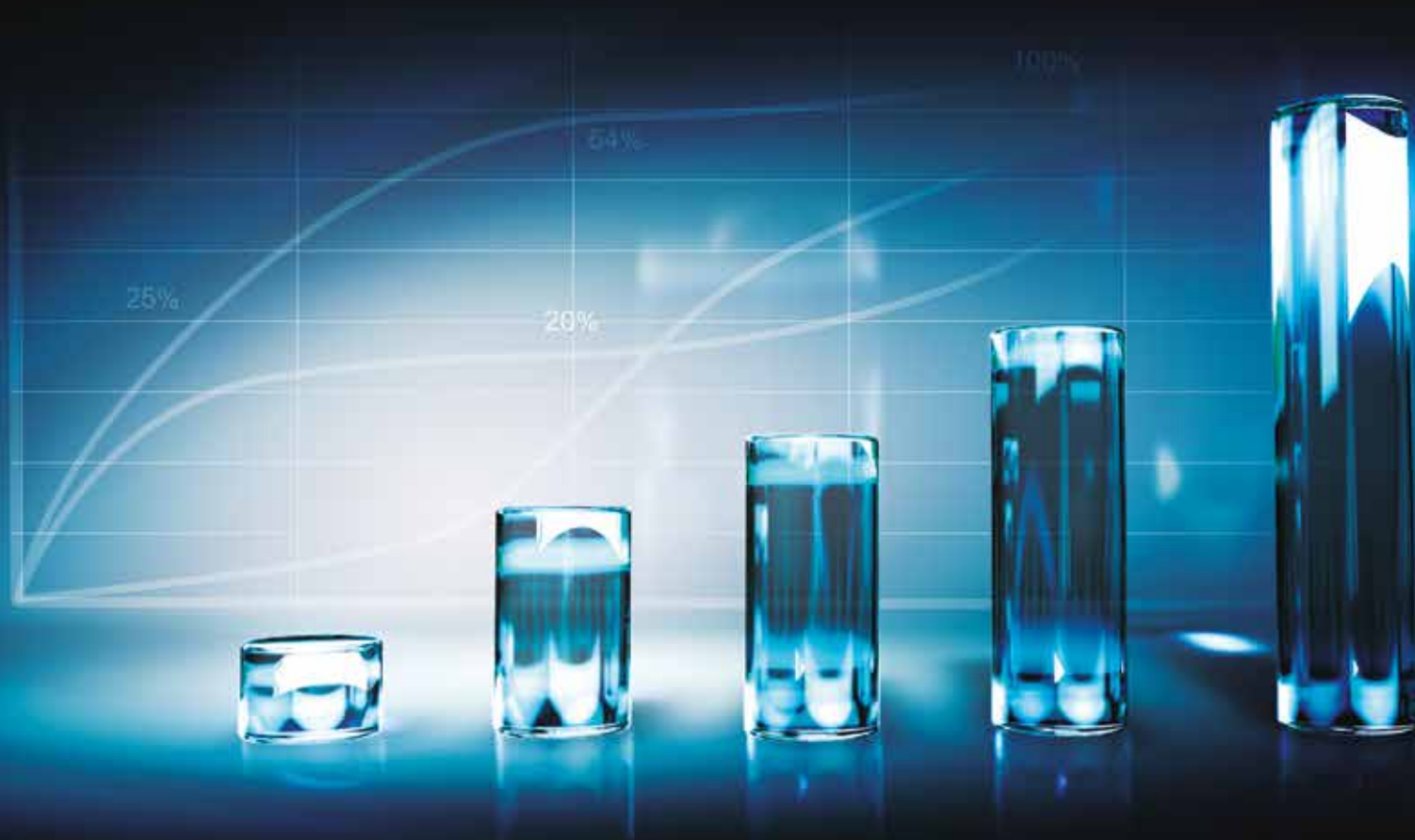
Risk	Potential Impact	Treatment
<b>Financial Risk</b>		
Interest Rate	Possibility of an adverse impact on cost of funds and profitability.	Regular monitoring of interest rate fluctuations to enable necessary back-up plans to be ready in advance to mitigate the risk.  Ensuring that the import loans are settled within a shortest possible period by improving the working capital cycle and negotiating best possible rates with the banks.
Exchange Rate	Possibility of Exchange rate volatility, 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.  Strict follow up of outstanding on ongoing basis.
Liquidity and Cash Flow	Possibility of risk that the Company encounters difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering Cash or another Financial Asset.	Ensuring that the Company always have sufficient liquidity to meet its liabilities by forecasting the cash flows.  Tight working capital management and periodic reviews to ensure cash flow alignment.
<b>Compliance Risk</b>		
Legal and Regulatory	Regulatory risk arises when the Company do not comply with regulatory requirements which are subject to change from time to time.	The Management reviews changes in regulations and assesses the business impact of such proposals.  A compliance statement is presented to every Board Meeting.  Company officials closely work with regulators to ensure that regulatory requirements are fully understood and complied with.  Seek professional advice from external consultants such as legal, and tax consultants as and when needed.
<b>Operational Risk</b>		
Technology and Quality	Possibility of products or processes being outdated or obsolete due to advanced technology.	Keep pace with current technological developments in the industry.  Upgrade knowledge of technical staff through trainings and seminars.  Ensure strong supplier and customer relationship to meet customers' changing requirements and supplier's new developments.

## MANAGEMENT OF RISK (CONTD.)

Risk	Potential Impact	Treatment
<b>Operational Risk (Cont.)</b>		
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.....	30
Financial Calendar .....	31
Independent Auditors' Report.....	32
Statement of Profit or Loss and Other Comprehensive Income.....	33
Statement of Financial Position.....	34
Statement of Changes in Equity.....	35
Statement of Cash Flows .....	36
Notes to the Financial Statements .....	37 - 69

# THE STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Financial Statements comprise of:

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

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

- Prepared using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- Presented in accordance with the Sri Lanka Accounting Standards; and that
- Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Provide the information required by and otherwise comply with the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

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

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

The Directors are also responsible for taking reasonable steps to

safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to prevent and detect frauds and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion. Further, as required by Section 56 (2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act no 7 of 2007, and have obtained a certificate from the auditors, prior to recommending a dividend of Rs. 30.00 per share as the first and final dividend for the financial year 2016/17.

The Directors were of the view that they have discharged their responsibilities as set out in this Statement.

## COMPLIANCE REPORT

The Directors confirmed 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 33 to the Financial Statements covering contingent liabilities.

By Order of the Board



**D A Abeyawardene**  
Director / Secretary

Colombo  
27<sup>th</sup> May 2017



## FINANCIAL CALENDAR 2016/17

	2016/17	2015/16
Annual Report	27 <sup>th</sup> May 2017	02 <sup>nd</sup> May 2016
Annual General Meeting to be held / held	04 <sup>th</sup> August 2017	08 <sup>th</sup> August 2016
Final dividend to be declared / declared	04 <sup>th</sup> August 2017	08 <sup>th</sup> August 2016
Final dividend to be paid / paid	16 <sup>th</sup> August 2017	15 <sup>th</sup> August 2016

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

	2016/17	2015/16
01 <sup>st</sup> Quarter Report	08 <sup>th</sup> August 2016	28 <sup>th</sup> July 2015
02 <sup>nd</sup> Quarter Report	15 <sup>th</sup> November 2016	26 <sup>th</sup> October 2015
03 <sup>rd</sup> Quarter Report	08 <sup>th</sup> February 2017	27 <sup>th</sup> January 2016
04 <sup>th</sup> Quarter Report	29 <sup>th</sup> May 2017	02 <sup>nd</sup> May 2016

# INDEPENDENT AUDITORS' REPORT



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

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+94 - 11 254 1249  
**Internet** : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LANKA ASHOK LEYLAND PLC

### Report on the Financial Statements

We have audited the accompanying Financial Statements of Lanka Ashok Leyland PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, changes in equity and, cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 33 to 69.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

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

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

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

**CHARTERED ACCOUNTANTS**

Colombo  
27<sup>th</sup> May 2017

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. Abeyratne 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 ACMA (UK)

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	2017 Rs.	2016 Rs.
<b>Revenue</b>	5	11,405,488,459	9,073,386,289
Cost of Sales		(10,347,126,291)	(8,298,622,916)
<b>Gross Profit</b>		1,058,362,168	774,763,373
Other Income	6	39,486,749	44,080,796
Selling and Distribution Expenses	7	(70,860,841)	(41,667,887)
Administrative Expenses		(502,356,049)	(345,228,221)
Other Operating Expenses		(85,301,673)	(63,149,942)
<b>Profit from Operations</b>		439,330,354	368,798,119
Net Finance Costs	8	(89,968,301)	(54,803,234)
<b>Profit before Tax</b>	9	349,362,053	313,994,885
Income Tax Expense	10	(111,155,517)	(104,457,091)
<b>Profit for the Year</b>		238,206,536	209,537,794
<b>Other Comprehensive Income</b>			
<i>Items that will never be reclassified to profit and loss</i>			
Defined Benefit Plan - Actuarial Gain/ (Losses)	25.1 (b)	(2,149,249)	7,194,831
Deferred Tax (charge) / reversal on Defined Benefit Plan	10.3	601,790	(2,014,553)
		(1,547,459)	5,180,278
<i>Items that are or may be reclassified to profit and loss</i>			
Net change in Fair Value of AFS Financial Assets		2,530	(19,915)
		2,530	(19,915)
<b>Total Other Comprehensive Income, net of Tax</b>		(1,544,929)	5,160,363
<b>Total Comprehensive Income for the Year</b>		236,661,607	214,698,157
Basic and Diluted Earnings Per Share	11	65.79	57.87
<b>Adjusted Earnings Before Interest, Tax, Depreciation and Amortization (Adjusted EBITDA)</b>	12	564,911,874	455,787,135

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



# STATEMENT OF FINANCIAL POSITION

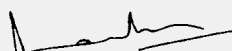
As at 31 March	Note	2017 Rs.	2016 Rs.
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	13	549,021,665	554,459,358
Intangible Assets	14	1,147,700	2,048,583
Financial Investments	15	138,855	136,326
Lease Rental Receivable	16.1	19,517,890	63,741,212
<b>Total Non Current Assets</b>		<b>569,826,110</b>	<b>620,385,479</b>
<b>Current Assets</b>			
Inventories	17	3,963,009,285	3,837,724,120
Trade and Other Receivables	18	860,106,411	537,992,991
Lease Rental Receivable	16.2	217,822,647	320,129,468
Deposits and Prepayments	19	16,164,798	14,274,256
Related Party Receivables	20	27,956,204	-
Cash & Cash Equivalents	21.1	38,841,064	52,011,927
<b>Total Current Assets</b>		<b>5,123,900,409</b>	<b>4,762,132,762</b>
<b>Total Assets</b>		<b>5,693,726,519</b>	<b>5,382,518,241</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	131,438	128,908
Retained Earnings		2,011,387,540	1,865,188,687
<b>Equity attributable to owners of the Company</b>		<b>2,948,241,628</b>	<b>2,802,040,245</b>
<b>Non Current Liabilities</b>			
Employee Benefits	25	67,098,858	58,037,628
Deferred Tax Liability	26	26,360,703	23,786,465
<b>Total Non Current Liabilities</b>		<b>93,459,561</b>	<b>81,824,093</b>
<b>Current Liabilities</b>			
Trade and Other Payables	27	852,008,095	513,120,416
Current Tax Liabilities	28	3,963,664	15,178,651
Provision for Warranty	29	5,051,234	4,287,773
Short-Term Borrowings	30	1,767,067,832	1,948,188,630
Bank Overdrafts	21.2	23,934,505	17,878,433
<b>Total Current Liabilities</b>		<b>2,652,025,330</b>	<b>2,498,653,903</b>
<b>Total Liabilities</b>		<b>2,745,484,891</b>	<b>2,580,477,996</b>
<b>Total Equity &amp; Liabilities</b>		<b>5,693,726,519</b>	<b>5,382,518,241</b>
<b>Net Assets per Share</b>		<b>814.24</b>	<b>773.86</b>

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

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



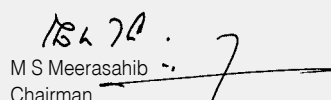
A R T Ranasinghe  
Chief Financial Officer



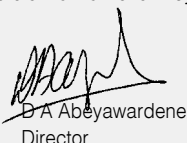
U Gautam  
Chief Executive Officer

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



D A Abeyawardene  
Director

Colombo, 27<sup>th</sup> May 2017.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Stated Capital	General Reserves	Financial Assets - Available for Sale Reserves	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April 2015</b>	49,375,150	887,347,500	148,823	1,794,921,794	2,731,793,267
<b>Total Comprehensive Income</b>					
Profit for the year	-	-	-	209,537,794	209,537,794
Other Comprehensive Income for the year	-	-	(19,915)	5,180,278	5,160,363
<b>Total Comprehensive Income</b>	-	-	(19,915)	214,718,072	214,698,157
<b>Transactions with owners of the Company</b>					
<b>Contribution / Distribution</b>					
Unclaimed Dividend Reversed	-	-	-	382,541	382,541
Dividends	-	-	-	(144,833,720)	(144,833,720)
<b>Total Transactions with owners of the Company</b>	-	-	-	(144,451,179)	(144,451,179)
<b>Balance as at 31 March 2016</b>	<b>49,375,150</b>	<b>887,347,500</b>	<b>128,908</b>	<b>1,865,188,687</b>	<b>2,802,040,245</b>
<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>

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

# STATEMENT OF CASH FLOWS

For the year ended	Note	2017 Rs.	2016 Rs.
<b>Cash flows from Operating Activities</b>			
Profit Before Tax		349,362,053	313,994,885
<b>Adjustment For :</b>			
Depreciation of Property, Plant and Equipment	13	124,680,637	86,085,665
Amortization of Intangible Assets	14	900,883	903,351
Provision for Employee Benefits	25.1	9,581,461	8,839,840
Impairment Provision on Trade & Other Receivables	7	44,729,480	4,194,511
(Reversal) / Charge for Provision for Inventory	17.1	(45,328,618)	10,329,030
Finance Costs	8.2	124,437,493	81,505,148
Interest Income	8.1	(213,521)	(120,996)
Lease Interest Income	6	(12,349,783)	(19,416,956)
Gain on Sale of Property, Plant and Equipment	6	(7,326,000)	(50,901)
Charge / (Reversal) for Provision for Free Service	9	6,446,490	(3,174,098)
Provision for Warranty	9	763,461	466,715
Write-down of Inventory to Net Realizable Value	9	61,234,250	-
		307,556,233	169,561,309
<b>Operating Profit before Working Capital Changes</b>			
		656,918,286	483,556,194
<b>Working Capital Changes in</b>			
Inventories		(183,430,537)	(705,305,625)
Trade and Other Receivables		(209,853,515)	626,225,207
Related Party Receivables		(27,956,204)	475,749,632
Trade and Other Payables		332,186,971	(66,569,946)
		(89,053,285)	330,099,268
<b>Cash Generated from Operations</b>			
		567,865,001	813,655,462
Interest Paid		(124,122,424)	(81,505,148)
Employee Benefits paid	25	(2,669,480)	(76,650)
Payments / Set off of Income Taxes	28	(119,194,476)	(231,468,215)
		(245,986,380)	(313,050,013)
<b>Net Cash Generated from Operating Activities</b>			
		321,878,621	500,605,448
<b>Cash flows from Investing Activities</b>			
Interest received	8	213,521	120,996
Proceeds from Sale of Property, Plant and Equipment		7,326,000	50,901
Acquisition of Property, Plant & Equipment		(77,003,204)	(57,653,749)
<b>Net Cash Flows Used in Investing Activities</b>			
		(69,463,683)	(57,481,852)
<b>Cash Flows from Financing Activities</b>			
Short Term Loans Obtained during the year	30.1	8,158,248,315	7,399,175,560
Short Term Loans repaid during the year	30.1	(8,344,003,803)	(8,486,997,662)
Net movement in Import Loans		4,634,690	821,017,076
Dividends paid		(90,521,075)	(144,833,720)
<b>Net Cash Flows Used in Financing Activities</b>			
		(271,641,873)	(411,638,746)
<b>Net (Decrease) / Increase in Cash &amp; Cash Equivalents</b>			
		(19,226,935)	31,484,850
Net Cash & Cash Equivalents at the beginning of the year		34,133,494	2,648,644
Net Cash & Cash Equivalents at the end of the year	21	14,906,559	34,133,494
<b>Analysis of Cash &amp; Cash Equivalents at the end of the year</b>			
Cash at Bank and in Hand	21.1	38,841,064	52,011,927
Bank Overdrafts	21.2	(23,934,505)	(17,878,433)
		14,906,559	34,133,494

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

Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

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

### 1.2 Principal Activities and Nature of Operations

The Company is involved in selling of commercial vehicles, diesel generators, 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 182. (2016 -193)

### 1.3 Financial Year

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

### 1.4 Date of Authorization for Issue

The Financial Statements were approved for issue by the Directors on 27<sup>th</sup> May 2017.

### 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 Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flows together with the notes to the Financial Statements.

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (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;

- Non-Derivative financial instruments classified as "Loans and Receivables" and "Other Financial Liabilities" measured at amortized cost.

- Available for sale financial assets are measured at fair value;
- Defined benefit obligations are measured at its present value, based on an actuarial valuation as explained in Note 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.

### 2.4 Comparative Information

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

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

### 2.5 Materiality and Aggregation

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

### 2.6 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;

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

Management's judgment is used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

actual results may differ, resulting in future changes to the allowance made. Trade Receivables that are significant are individually assessed for impairment. Remaining Trade Receivables that are not significant when individually taken, are assessed collectively for impairment. The collective assessment takes account of data from the historical payment patterns and judgment on the effect of concentrations of risks and economic environment.

- **Deferred Taxation**  
Deferred Tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences.
- **Defined Benefit Plans**  
The cost of the defined benefit obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates, etc. Due to the long term nature of this obligation, such estimates are subject to significant uncertainty.
- **Current Taxation**  
Current tax liabilities are provided for in the Financial Statements applying the relevant tax statutes and regulations which the management believes reflect the actual liability. There can be instances where the stand taken by the Company on transactions is contested by revenue authorities. Any additional costs on account of these issues are accounted for as a tax expense at the point the liability is confirmed.
- **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.

### 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 respective functional currency applying exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of the functional currency prevailing at the reporting date. Foreign 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
- There is no unconditional 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 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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.

### (a) Held-to-Maturity Financial Assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise fixed deposits.

### (b) Loans and Receivables

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

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

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and fixed deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

### (c) Available-for-Sale Financial Assets

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

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

Available-for-sale financial assets comprise equity securities.

### 3.3.2 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 recognised 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 recognised 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 amortised 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 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

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

#### a) Cost

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

### b) Subsequent Expenditure

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

### c) Depreciation

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

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

*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.

### d) Derecognition

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

item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

### e) Capital Work-In-Progress

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

## 3.7 Intangible Assets

### a) Cost

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

### b) Subsequent Expenditure

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

### c) Amortization

Intangible assets 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 32 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 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 Provident Fund & Employees Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes.

Employer's contribution to the defined contribution plans are recognized as an expense in the profit or loss when incurred.

### 3.12 Trade and Other Payables

Trade and Other Payables are stated at their cost.

### 3.13 Provisions

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

### 3.14 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.

### 3.15 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.

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

#### 3.16.1 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

### c) 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 Income Statement.

### h) Other Income

All other income is recognized on an accrual basis.

### 3.16.2 Expenditure Recognition

Expenses are recognized in the Income Statement 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.

### 3.16.3 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.

### 3.16.4 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,



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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

### (ii) Deferred Taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

### (iii) Tax Exposures

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

### 3.17 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.

### (a) Property, Plant and Equipment

The fair value of items of property, plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

### (b) Investments in Equity and Debt Securities

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

### (c) Trade Receivables

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

### 3.18 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 the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 3.19 Earnings per Share

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

### 3.20 Related Party Transactions

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

### 3.21 Events after the Reporting Period

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

### 3.22 Cash Flow Statement

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 'Cash Flow Statements.' Interest paid and dividend paid are classified as financing cash flows while interest received and dividend received are classified as investing cash flows, for the purpose of presentation of Cash Flow Statement.

### 3.23 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders.

### 3.24 Presentation

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

#### Offsetting Income and Expenses

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

#### Offsetting Assets and Liabilities

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

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

## 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 1st January 2018. Accordingly, the Company has not applied the following new standards in preparing these Financial Statements.

### 4.1 SLFRS 9-Financial Instruments

SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company currently plans to apply SLFRS 9 initially on 1 April 2018.

The actual impact of adopting SLFRS 9 on the Company's Financial Statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgments that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete. However, the Company has performed a preliminary assessment of the potential impact of adoption of SLFRS 9 based on its positions at 31 March 2017.

#### a) Classification - Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

SLFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing LKAS 39 categories of held to maturity, loans and receivables and available for sale.

Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its preliminary assessment, the Company does not believe that the new classification requirements, if applied at 31 March 2017, would have had a material impact on its accounting for trade receivables, loans and investments in equity securities that are managed on a fair value basis. At 31 March 2017, the Company had equity investments classified as available-for-sale with a fair value of Rs. 138,855 that are held for long-term strategic purposes. If these investments continue to be held for the same purpose at initial application of SLFRS 9, the Company may elect then to classify them as FVOCI or FVTPL. The Company has not yet made a decision in this regard. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Company's profits.

### b) Impairment - Financial Assets

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments,

Under SLFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL

measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; an entity may choose to apply this policy also for trade receivables with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the SLFRS 9 impairment model. However, the Company has not yet finalized the impairment methodologies that it will apply under SLFRS 9.

### c) Classification - Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Company has not designated any financial liabilities at FVTPL and the Company has no current intention to do so. The Company's preliminary assessment did not indicate any material impact if SLFRS 9's requirements regarding the classification of financial liabilities were applied at 31 March 2017.

### d) Disclosures

SLFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's preliminary assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

### e) Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 will generally be applied retrospectively, except as described below.

- The Company plans to take advantage of the exemption allowing it not to restate comparative Information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

and financial liabilities resulting from the adoption of SLFRS 9 generally will be recognized in retained earnings and reserves as at 1 April 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

### 4.2 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, with early adoption permitted.

The Company has completed an initial assessment of the potential impact of the adoption of SLFRS 15 on its 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 xx.

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.

The Company has performed an initial assessment on these transactions and does not expect that there will be a significant impact on its Financial Statements.

#### c) Transition

The Company plans to adopt SLFRS 15 in its Financial Statements for the year ending 31 March 2019, using the retrospective approach. As a result, the Company will apply all of the requirements of SLFRS 15 to each comparative period presented.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March	2017 Rs.	2016 Rs.
<b>5 REVENUE</b>		
New Vehicle Sales	11,102,863,309	8,743,106,311
Diesel Generator Set Sales	44,301,318	53,481,274
Vehicle / Generator Set Repair Income	157,417,536	123,502,571
Spare Parts Sales	93,489,418	108,318,117
Local Agency Commission	7,416,878	44,978,016
<b>TOTAL GROSS REVENUE</b>	<b>11,405,488,459</b>	<b>9,073,386,289</b>
<i>In respect of Commission, Management considers that the following factors indicate that the Company acts as an agent;</i>		
<ul style="list-style-type: none"> <li>- Company neither takes title to nor is exposed to inventory risk related to the goods, and has no significant responsibility in respect of the goods sold.</li> <li>- Company collects the revenue from the supplier and all the risk related to the transaction is also borne by the supplier of the goods.</li> </ul>		
For the year ended 31 March	2017 Rs.	2016 Rs.
<b>6 OTHER INCOME</b>		
Vehicle Hiring Income	11,106,741	14,622,100
Profit on Sale of Property, Plant and Equipment	7,326,000	50,901
Lease Interest Income	12,349,783	19,416,956
Sundry Income	8,704,225	9,990,839
	<b>39,486,749</b>	<b>44,080,796</b>
<b>7 SELLING AND DISTRIBUTION EXPENSES</b>		
Distribution Expenses comprise of the following;		
Commission	4,446,000	3,750,000
Discounts	5,769,237	6,281,466
Advertising	3,720,311	2,368,293
Impairment loss on Trade Receivables (Note 7.1)	44,729,480	4,194,511
Other Selling Expenses	12,195,813	25,073,617
	<b>70,860,841</b>	<b>41,667,887</b>
<b>7.1 Impairment Loss on Trade Receivables</b>		
Impairment loss on Lease Rental Receivables (Note 16.5)	52,165,925	8,686,751
Impairment (reversal) / charge on Trade Receivables (Note 18.2)	(7,436,446)	(4,492,240)
	<b>44,729,480</b>	<b>4,194,511</b>
<b>8 NET FINANCE COSTS</b>		
<b>8.1 Finance Income</b>		
Interest Income	213,521	120,996
Net Foreign Exchange Gain	34,255,671	26,580,918
	<b>34,469,192</b>	<b>26,701,914</b>
<b>8.2 Finance Costs</b>		
Interest Expense on Short Term Borrowings	(123,147,020)	(80,801,649)
Interest Expense on Bank Overdraft Interest	(1,290,473)	(703,499)
	<b>(124,437,493)</b>	<b>(81,505,148)</b>
<b>NET FINANCE COSTS</b>	<b>(89,968,301)</b>	<b>(54,803,234)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March	2017 Rs.	2016 Rs.
<b>9 PROFIT BEFORE TAX</b>		
Profit before tax is stated after charging all the expenses including followings;		
Directors' Emoluments	2,516,667	2,160,000
Auditors' Remuneration - Audit services	1,530,000	1,530,000
- Non Audit Services	750,000	400,000
Staff Cost	226,884,337	211,830,147
EPF	14,900,165	13,053,027
ETF	3,725,041	3,263,287
Provision for Employee Benefits	9,581,461	8,839,840
Depreciation of Property, Plant and Equipment	124,680,637	86,085,665
Amortization of Intangible Assets	900,883	903,351
Impairment loss on Trade & Other Receivables	44,729,480	4,194,511
(Reversal) / Provision for Slow Moving and obsolete stocks -General	(45,328,618)	10,329,029
Provision / (Reversal) of Provision for Free Service	6,446,490	(3,174,098)
Provision for Warranty	763,461	466,715
Write-down of Inventory to Net Realizable Value	61,234,250	-

### 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 March	2017 Rs.	2016 Rs.
<b>10.1 Tax Expense</b>		
Income Tax on Profits for the Year (Note 10.2)	107,979,489	83,819,622
Deferred Tax (Note 10.3)	3,176,028	20,637,469
	111,155,517	104,457,091
<b>10.2 Reconciliation of the Accounting Profit and Taxable Profit</b>		
Profit before Tax	349,362,053	313,994,885
Income from other sources and exempt income	(276,895)	(170,901)
Aggregated Expenses Disallowed for Taxation	230,006,520	111,589,353
Aggregated Deductible Expenses for Taxation	(189,901,797)	(125,752,903)
Total Statutory Income	389,189,881	299,660,434
Interest Income	273,664	120,000
Taxable Income	389,463,545	299,780,434
<b>Taxation</b>		
Income Tax at 12%	802,729	89,175
Income Tax at 28%	107,176,759	83,730,447
Income Tax on Profits for the Year	107,979,489	83,819,622
<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 26.1 / 26.2)	3,176,028	20,637,469
Other Comprehensive Income (Note 26.1 / 26.2)	(601,790)	2,014,553
	2,574,238	22,652,022
<b>10.4 Effective Tax Rate</b>		
Effective Tax Rate excluding Deferred Tax	30.91%	26.69%
Effective Tax Rate including Deferred Tax	31.82%	33.27%



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31 March	2017		2016	
	Rate	Rs.	Rate	Rs.
<b>10.5 Reconciliation of Effective Tax Rate</b>				
Profit before tax from operations		<b>349,362,053</b>		313,994,885
Tax using the Company's tax rate	<b>28.00%</b>	<b>97,821,375</b>	28.00%	87,918,568
Exempted income	<b>0.00%</b>	<b>(905)</b>	(0.005%)	(14,252)
Disallowed Expenses	<b>18.43%</b>	<b>64,401,827</b>	9.95%	31,245,019
Deductible Expenses	<b>(15.22%)</b>	<b>(53,172,503)</b>	(11.21%)	(35,210,860)
Effect of tax rates in Export Sales	<b>(0.31%)</b>	<b>(1,070,305)</b>	(0.04%)	(118,852)
<b>Effective Tax Rate excluding Deferred Tax</b>	<b>30.91%</b>	<b>107,979,489</b>	26.69%	83,819,622
Temporary Differences	<b>0.91%</b>	<b>3,176,028</b>	6.57%	20,637,469
<b>Effective Tax Rate including Deferred Tax</b>	<b>31.82%</b>	<b>111,155,517</b>	33.27%	104,457,091

## 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.

The following reflects the Basic & Diluted Earnings Per Share computation;

	2017	2016
Profit Attributable to Ordinary Shareholders (Rs.)	<b>238,206,536</b>	209,537,794
Weighted Average Number of Ordinary Shares	<b>3,620,843</b>	3,620,843
Basic and Diluted Earnings per Share (Rs.)	<b>65.79</b>	57.87
<b>11.3 Dividend Per Share</b>		
Dividend for the Year (Rs.)	<b>108,625,290</b>	90,521,075
Weighted Average Number of Ordinary Shares	<b>3,620,843</b>	3,620,843
Dividend per Share (Rs.)	<b>30.00</b>	25.00

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 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 to Intangible Assets, Property, Plant and Equipment.

Adjusted EBITDA is not a defined performance measure in IFRS. 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 March

	Note	2017 Rs.	2016 Rs.
<b>Profit from continuing operations</b>		<b>238,206,536</b>	209,537,794
Income tax expense	10	<b>111,155,517</b>	104,457,091
<b>Profit before tax</b>		<b>349,362,053</b>	313,994,885
Adjustments for:			
- Net finance costs	8	<b>89,968,301</b>	54,803,234
- Depreciation	13	<b>124,680,637</b>	86,085,665
- Amortisation	14	<b>900,883</b>	903,351
<b>Adjusted EBITDA</b>		<b>564,911,874</b>	455,787,135

### 13 PROPERTY, PLANT & EQUIPMENT

<b>COST</b>	As at 1st April 2016 Rs.	Additions Rs.	Disposals / Transfers Rs.	<b>As at 31st March 2017 Rs.</b>
Freehold Land	10,700,810	-	-	<b>10,700,810</b>
Freehold Factory & Building	106,745,377	89,086,988	-	<b>195,832,365</b>
Data Processing Equipment	28,629,222	369,350	-	<b>28,998,572</b>
Machinery & Equipment	17,341,295	-	-	<b>17,341,295</b>
Factory Equipment	23,212,508	1,743,161	-	<b>24,955,669</b>
Office Equipment	6,411,126	624,425	-	<b>7,035,551</b>
Furniture & Fittings	21,063,682	473,393	-	<b>21,537,075</b>
Motor Vehicles	586,900,039	42,239,740	(13,216,260)	<b>615,923,519</b>
	801,004,059	134,537,057	(13,216,260)	<b>922,324,856</b>
Work In Progress - Building	51,253,223	73,792,875	(89,086,988)	<b>35,959,110</b>
	852,257,282	208,329,932	(102,303,248)	<b>958,283,966</b>
<b>ACCUMULATED DEPRECIATION</b>	As at 1st April 2016 Rs.	Charge for the year Rs.	On Disposals Rs.	<b>As at 31st March 2017 Rs.</b>
Freehold Factory & Building	24,296,863	4,252,539	-	<b>28,549,402</b>
Data Processing Equipment	22,526,421	2,879,495	-	<b>25,405,916</b>
Machinery & Equipment	8,396,352	864,689	-	<b>9,261,041</b>
Factory Equipment	7,228,064	1,103,752	-	<b>8,331,816</b>
Office Equipment	3,573,964	478,805	-	<b>4,052,769</b>
Furniture & Fittings	12,075,326	1,753,723	-	<b>13,829,049</b>
Motor Vehicles	219,700,934	113,347,634	(13,216,260)	<b>319,832,308</b>
	297,797,924	124,680,637	(13,216,260)	<b>409,262,301</b>
<b>Carrying Value</b>	554,459,358			<b>549,021,665</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

**13.3** Property, Plant & Equipment included fully depreciated assets that are still in use having a gross amount of Rs. 63,253,835 as at 31st March 2017 (2015/16 - Rs. 37,017,857).

**13.4** Rs. 42,239,740 (2015/16 - Rs. 243,950,576) has been capitalized as Motor Vehicles from Vehicle Stock.

**13.5** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 77,003,203 (2016- Rs. 57,653,749) 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 (2015/16 - Nil).

## 14 INTANGIBLE ASSETS

COST	As at 1st April 2016 Rs.	Additions Rs.	Disposals Rs.	As at 31st March 2017 Rs.
Computer Software	14,361,928	-	-	14,361,928
	14,361,928	-	-	14,361,928
ACCUMULATED AMORTIZATION	As at 1st April 2016 Rs.	Amortization for the year Rs.	Disposals Rs.	As at 31st March 2017 Rs.
Computer Software	12,313,345	900,883	-	13,214,228
	12,313,345	900,883	-	13,214,228
<b>Carrying Value</b>	2,048,583			<b>1,147,700</b>

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

**14.2** Intangible Asset included fully amortized assets that are still in use having a gross amount of Rs. 10,758,397 as at 31st March 2017 (2015/16 - Rs. 10,758,397).

## 15 FINANCIAL INVESTMENTS

As at 31 March	Rs. Cost	2017 Rs. Market Value	2016 Rs. Cost	Rs. Market Value
<b>15.1 Investment in Shares - Available For sale</b> Diesel & Motor Engineering PLC (Quoted) (248 Ordinary shares of Rs. 10/- each)	7,417	138,855	7,417	136,326
<b>Total Investments</b>		<b>138,855</b>		136,326

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	2017 Rs.	2016 Rs.
<b>16 LEASE RENTAL RECEIVABLE</b>		
Opening Balance	412,491,782	543,254,500
Granted during the year	-	52,747,200
Total Rental Receivable	412,491,782	596,001,700
Less : Payment received during the year	(106,714,000)	(183,509,918)
Total Rental outstanding	305,777,782	412,491,782
Less - Interest In Suspense	(7,584,568)	(19,934,351)
Unearned Rental Income	298,193,214	392,557,431
Less : Provision for Impairment Loss (Note 16.3)	(60,852,676)	(8,686,751)
Balance as at 31 March	237,340,537	383,870,680
<b>16.1 Receivable after one year</b>		
Total Rental Receivable	21,978,000	71,325,782
Less - Interest In Suspense	(2,460,110)	(7,584,570)
Unearned Rental Income	19,517,890	63,741,212
Less : Provision for Impairment Loss (Note 16.4)	-	-
Balance as at 31 March	19,517,890	63,741,212
<b>16.2 Receivable within one year</b>		
Total Rental Receivable	283,799,782	341,166,000
Less - Interest In Suspense	(5,124,459)	(12,349,782)
Unearned Rental Income	278,675,323	328,816,218
Less : Provision for Impairment Loss (Note 16.4)	(60,852,676)	(8,686,751)
Balance as at 31 March	217,822,647	320,129,468
<b>16.3 Movement for Impairment Loss</b>		
Opening Balance	8,686,751	-
Impairment loss recognized on Individual Assessment (Note 16.5)	52,135,059	8,686,751
Impairment loss recognized on Collective Assessment (Note 16.5)	30,866	-
Balance as at 31 March	60,852,676	8,686,751
<b>16.4 Impairment Loss on Non- Current and Current Receivables</b>		
Impairment Loss on Non- Current Receivables	-	-
Impairment Loss on Current Receivables	60,852,676	8,686,751
Balance as at 31 March	60,852,676	8,686,751
<b>16.5 Impairment Loss recognized in Profit &amp; Loss</b>		
Impairment loss recognized on Individual Assessment	52,135,059	8,686,751
Impairment loss recognized on Collective Assessment	30,866	-
	52,165,925	8,686,751

### 16.6 Maturity Analysis of Lease Receivables

	Less than 06 Months Rs.	06 - 12 Months Rs.	01 - 05 Years Rs.	Total Rs.
Lease Rental Receivables - 2017	205,933,950	11,888,697	19,517,890	237,340,537
Lease Rental Receivables - 2016	306,025,672	22,292,778	55,552,230	383,870,680

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	2017 Rs.	2016 Rs.
<b>17 INVENTORIES</b>		
Vehicle Stock	2,932,622,031	3,374,290,232
Generators	49,096,824	30,720,604
Cab / Bodies & Work In Progress	25,562,076	17,917,635
Spare Parts & Consumables	361,217,781	323,259,933
	<b>3,368,498,712</b>	3,746,188,404
Goods In Transit	870,590,175	412,943,936
	<b>4,239,088,887</b>	4,159,132,340
Provision for Slow Moving & Obsolete Stocks (Note 17.1)	(276,079,602)	(321,408,220)
	<b>3,963,009,285</b>	3,837,724,120
<b>17.1 Provision for Slow Moving &amp; Obsolete Stocks</b>		
Balance at the beginning of the year	321,408,220	311,079,190
(Reversal) / Charge for the period	(45,328,618)	10,329,030
Balance at the end of the year	<b>276,079,602</b>	321,408,220
17.2 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 31st March	2017 Rs.	2016 Rs.
<b>18 TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables	381,368,360	238,116,740
Receivables from Related Parties (Note 31)	468,831,842	366,343,520
Less: Provision for Impairment Loss (Note 18.1)	(83,200,627)	(137,152,452)
	<b>766,999,575</b>	467,307,808
Advances to Staff	9,256,046	6,425,754
VAT Receivable	45,472,149	61,856,816
Other Receivables	38,378,641	2,402,613
	<b>860,106,411</b>	537,992,991
<b>18.1 Provision for Impairment Loss</b>		
Balance at the beginning of the year	137,152,452	141,644,692
Impairment loss recognized on Individual Assessment (Note 18.2)	(2,660,672)	20,064,847
Impairment loss recognized on Collective Assessment (Note 18.2)	(4,775,774)	(24,557,087)
Write-off Against the Provision	(46,515,379)	-
Balance at the end of the year	<b>83,200,627</b>	137,152,452
<b>18.2 Impairment Loss recognized in Profit &amp; Loss</b>		
Impairment loss recognized on Individual Assessment	(2,660,672)	20,064,847
Impairment loss recognized on Collective Assessment	(4,775,774)	(24,557,087)
	<b>(7,436,446)</b>	(4,492,240)
<b>18.3 Receivables from Related Parties</b>		
Sri Lanka Transport Board	114,648,805	273,263,187
Other Government related entities	131,792,037	32,915,681
Government Financial Institutions	222,391,000	60,164,652
	<b>468,831,842</b>	366,343,520

18.4 Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables, is included in Note 41.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March		2017 Rs.	2016 Rs.
<b>19 DEPOSITS AND PREPAYMENTS</b>			
Deposits and Advances		10,238,800	13,126,797
Prepayments		5,925,998	1,147,459
		<b>16,164,798</b>	<b>14,274,256</b>
<b>20 RELATED PARTY RECEIVABLES</b>			
Receivables from Ashok Leyland Limited - India (Note 31)		27,956,204	-
		<b>27,956,204</b>	<b>-</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		11,131,612	26,558,122
Cash at Banks		25,409,452	23,153,805
		<b>38,841,064</b>	<b>52,011,927</b>
<b>21.2 Unfavorable Balances</b>			
Bank Overdraft		(23,934,505)	(17,878,433)
Cash & cash equivalents for the purpose of Cash Flow Statement		<b>14,906,559</b>	<b>34,133,494</b>
<b>21.3 Bank Overdraft Facility details</b>			
<b>Bank</b>	<b>Interest Rate (%)</b>	<b>Approved Facility (Rs.)</b>	<b>Security</b>
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
As at 31st March	No of Shares	2017 Rs.	2016 Rs.
<b>22 STATED CAPITAL</b>			
Issued & Fully Paid			
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 was no change in the no of shares in issue during the period.

**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 31st March	2017 Rs.	2016 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	131,438	128,909
	131,438	128,909

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 31st March	2017 Rs.	2016 Rs.
Balance as at the beginning of the year	58,037,628	56,469,269
Current Service Cost	5,803,763	3,475,259
Interest Cost for the year	3,777,698	5,364,581
Net Actuarial (Gain) / Loss	2,149,249	(7,194,831)
Payments during the year	(2,669,480)	(76,650)
Balance as at the end of the year	67,098,858	58,037,628
<b>25.1 Recognized in ;</b>		
<i>a) Income Statement</i>		
Current Service Cost	5,803,763	3,475,259
Interest Cost for the Year	3,777,698	5,364,581
	9,581,461	8,839,840
<i>b) Other Comprehensive Income</i>		
Net Actuarial (Gain)/Loss	2,149,249	(7,194,831)
	11,730,710	1,645,009

Employee Benefit liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Limited, Actuaries, on 31 March 2017. The principal assumptions used in are as follows;

Discount rate	11.50%	10.00%
Expected annual average salary increment	9.00%	9.00%
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

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

As at 31st March	2017		2016	
	PVODBO Rs.	Benefit (Expense) Rs.	PVODBO Rs.	Benefit (Expense) Rs.
1% Increase in discount rate	62,898,539	4,200,319	53,917,584	4,120,044
1% decrease in discount rate	71,829,249	(4,730,391)	62,705,171	(4,667,543)
1% increase in salary increment rate	72,023,983	(4,925,125)	62,800,322	(4,762,694)
1% decrease in salary increment rate	62,649,855	4,449,003	53,755,584	4,282,044

The above provision is not externally funded.

#### 25.3 Maturity Profile of the Defined Benefit Obligation

As at 31st March	2017 Rs.	2016 Rs.
<b>Expected Future Working Life</b>		
Within the Next Twelve Months	10,979,693	6,905,607
Between One to Five Years	11,804,267	11,136,694
Between Five to Ten Years	20,042,674	14,536,977
More than Ten Years	24,272,224	25,458,350
	<b>67,098,858</b>	<b>58,037,628</b>
Weighted Average duration of Defined Benefit Obligation	<b>7.46 Years</b>	<b>7.98 Years</b>

### 26 DEFERRED TAX LIABILITIES

#### Temporary Difference

Property, Plant & Equipment	161,244,227	142,989,290
Defined Benefit Plan	(67,098,858)	(58,037,628)
	<b>94,145,369</b>	<b>84,951,662</b>
<b>Tax effect on Temporary difference</b>	<b>28%</b>	<b>28%</b>
Property, Plant & Equipment	45,148,383	40,037,001
Defined Benefit Plan	(18,787,680)	(16,250,536)
	<b>26,360,703</b>	<b>23,786,465</b>
Balance as at the beginning of the year	23,786,465	1,134,443
Provision for the year	2,574,238	22,652,022
Balance as at the end of the year (Note 26.1)	<b>26,360,703</b>	<b>23,786,465</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 26 DEFERRED TAX LIABILITIES (Cont.)

#### 26.1 Movement in Deferred Tax Liability - 2017

	As at 1st April 2016 Rs.	Recognition in Profit or Loss Rs.	Recognized in OCI Rs.	As at 31 March 2017 Rs.
Property, Plant & Equipment - Deferred Tax Liability	40,037,001	5,111,382	-	<b>45,148,383</b>
Defined Benefit Plan - Deferred Tax Asset	(16,250,536)	(1,935,354)	(601,790)	<b>(18,787,680)</b>
	<b>23,786,465</b>	<b>3,176,028</b>	<b>(601,790)</b>	<b>26,360,703</b>

#### 26.2 Movement in Deferred Tax Liability - 2016

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

As at 31st March	2017 Rs.	2016 Rs.
<b>27 TRADE AND OTHER PAYABLES</b>		
Trade Payables	<b>279,139,365</b>	320,159,125
Accruals	<b>33,289,375</b>	24,969,785
Import Duty Payable	<b>214,869,015</b>	72,019,374
Refundable Deposits	<b>182,916,664</b>	72,461,104
Unclaimed Dividend	<b>5,895,837</b>	5,071,489
Deferred Income (Note 27.1)	<b>12,800,653</b>	6,354,162
ESC Payable	<b>18,891,865</b>	-
EPF Payable	<b>2,363,514</b>	1,892,764
ETF Payable	<b>354,527</b>	283,915
Unclaimed Wages	<b>495,271</b>	460,001
Other Liabilities	<b>100,992,011</b>	9,448,697
	<b>852,008,095</b>	<b>513,120,416</b>

#### 27.1 Movement of Deferred Income

Balance at the beginning of the year	<b>6,354,162</b>	9,528,260
Provision for the year	<b>90,251,133</b>	91,748,244
Reversed during the year	<b>(83,804,642)</b>	(94,922,342)
Balance at the end of the year	<b>12,800,653</b>	6,354,162

Deferred Income represent the Free Service Provision as per IFRS / LKAS 18 - Revenue.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	2017 Rs.	2016 Rs.
<b>28 CURRENT TAX LIABILITIES</b>		
Balance at the beginning of the year	15,178,651	162,827,244
Income Tax Liability for the year (Note 10.1)	107,979,489	83,819,622
Paid / set off during the year	(119,173,124)	(231,454,771)
WHT Recoverable	(21,352)	(13,444)
Balance at the end of the year	3,963,664	15,178,651
<b>29 PROVISION FOR WARRANTY</b>		
Provision for warranty	5,051,234	4,287,773
	5,051,234	4,287,773

The provision for warranties relates mainly to vehicles sold during the last six months of 2016 and 2017. 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.

As at 31st March	2017 Rs.	2016 Rs.
<b>30 SHORT TERM BORROWINGS</b>		
Import Loan (Note 30.1)	940,192,000	1,125,947,488
Payable on Imports	826,875,832	822,241,142
	1,767,067,832	1,948,188,630

### 30.1 Movement of Short Term Borrowings - 2017

Lender	Purpose	Rate of Interest %	As at 01st April 2016 Rs.	Obtained during the year Rs.	Repayments during the year Rs.	As at 31st March 2017 Rs.
Seylan Bank PLC	Import/Financing	AWPLR	598,171,000	3,906,069,000	(4,064,048,000)	440,192,000
Indian Bank	Import/Financing	AWPLR	-	1,269,975,643	(769,975,643)	500,000,000
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)	940,192,000

### 30.1 Movement of Short Term Borrowings - 2016

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 31 RELATED PARTY TRANSACTIONS

**31.1** 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	Amount (Rs.)
<b>a) Transactions with Lanka Leyland (Pvt) Ltd</b>				
Lanka Leyland (Pvt) Ltd 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	<b>37,812,500</b>
	Mr. A K M Jahanser	Director of Lanka Leyland (Pvt) Ltd		
<b>b) Transactions and Outstanding balance with Ashok Leyland Ltd, India</b>				
Ashok Leyland Ltd, India Holds 27.8 % of Share Capital of the Company by virtue of the joint venture agreement with Lanka Leyland (Pvt) Ltd	Mr.Vinod K Dasari	Managing Director of Ashok Leyland Ltd, India	Opening Balance as at 1st April 2016 (Import bills payable on GIT)	822,241,142
			Purchase of Motor Vehicle	7,425,113,738
	Mr. Gopal Mahadeven	Chief Financial Officer of Ashok Leyland Ltd, India	Purchase of Spare Parts / Power Generators	131,740,127
			Settlement of Purchases	(7,552,219,175)
			Closing Balance as at 31st March 2017 (Import bills payable on GIT)	<b>826,875,832</b>
			Local agency commission to be received (LAC) on direct supply of engines to SLTB	7,416,878
			Reimbursable expenses incurred on directly supplied engines to SLTB	20,539,326
			Closing Receivable Balances as at 31st March 2017	<b>27,956,204</b>
			Dividend Payment to Ashok Leyland Limited - India	<b>25,208,300</b>
			Aggregate Value of Related Party Transactions during the period	<b>7,584,810,069</b>
			Aggregate Value of Related Party Transactions as a % of Net Revenue	<b>66.50%</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 31 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 (Pvt) 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	Amount (Rs.)
<b><i>i) Non-Recurring Transaction - Trading Nature</i></b>			
Sri Lanka Transport Board	Supply of Vehicles on Finance Lease Terms and Payment on Delivery Term	Balance as at 1st April 2016	291,486,000
		Facilities granted during the year	-
		Payment received during the period	(53,515,000)
		Balance receivable as at 31st March 2017	237,971,000
Sri Lankan Airlines	Supply of Vehicles on Finance Lease Terms and Payment on Delivery Term	Balance as at 1st April 2016	121,005,782
		Facilities granted during the year	-
		Payment received during the period	(53,199,000)
		Balance receivable as at 31st March 2017	67,806,782
<b>Total Lease Rentals receivable as at 31st March 2017</b>			<b>305,777,782</b>
Sri Lankan Airlines	Hiring of Buses	Hiring Income received during the year	<b>7,031,000</b>
<b><i>ii) Recurring Transaction - Trading Nature</i></b>			
Sri Lanka Transport Board	Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term	Balance as at 1st April 2016	273,263,195
		Sale of Vehicles, Spares parts and Gen sets and Services rendered during the year	31,817,881
		Payment received during the period	(183,058,292)
		Write-off during the year	(7,373,978)
		Balance receivable as at 31st March 2017	114,648,805
Other Government related entities	Sale of Vehicles / Spare Parts and Repair services provided under Payment on Delivery Term	Balance as at 1st April 2016	32,858,659
		Sale of Vehicles, Spares parts and Gen sets and Services rendered during the year	408,701,934
		Payment received during the period	(295,280,866)
		Write-off during the year	(14,487,690)
		Balance receivable as at 31st March 2017	131,792,037
Government Financial Institutions	Finance provided to Lanka Ashok Leyland PLC's customers	Balance as at 1st April 2016	55,652,000
		Finance provided during the year	3,474,716,540
		Payment received during the period for the sale of vehicles	(3,307,977,540)
		Balance receivable as at 31st March 2017	222,391,000
<b>Total Related Party Receivable as at 31st March 2017</b>			<b>468,831,842</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 31 RELATED PARTY TRANSACTIONS (Cont.)

Name of Related Party	Nature of Transaction	Description	Amount (Rs.)
Sri Lanka Transport Board	Dividend Payment to Sri Lanka Transport Board	Payment during the year	<b>781,250</b>
Government Institutions	Statutory Payments made to government institutions	Balance as at 1st April 2016	36,641,877
		Taxes and Other Statutory expenses	2,764,004,288
		Payment made	(2,591,259,566)
		Balance payable as at 31st March 2017	<b>209,386,598</b>
<b>Impairment provision recognized on Related Parties</b>			
Sri Lanka Transport Board - Lease Rentals Receivables			60,821,809
Sri Lankan Airlines - Lease Rentals Receivables			30,866
Sri Lanka Transport Board - Trade Receivables			21,161,193
Other Government related entities - Trade Receivables			10,507,564
Government Financial Institutions - Trade Receivables			224,990
			<b>92,746,422</b>

#### 31.2 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.

#### 31.3 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.

#### 31.4 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 31 to the Financial Statements.

#### 31.5 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 Boards of Directors and the Chief Executive Officer of the Company, total amounts paid as salaries and reimbursement of expenses amounts to Rs. 17,745,833 (2015/16 - Rs.15,929,025).

As at 31st March	2017 Rs.	2016 Rs.
Key Management Personnel payments		
a. Short term employee benefits	<b>16,792,538</b>	15,106,425
b. Post-employment benefits	<b>953,295</b>	822,600
c. Termination benefits	-	-
d. Share-based payments	-	-
	<b>17,745,833</b>	15,929,025

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 31 RELATED PARTY TRANSACTIONS (Cont.)

#### 31.6 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.

#### 31.7 Loans to Directors

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

#### 31.8 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 on an arm's length basis.

### 32 CAPITAL COMMITMENTS

There has been no significant capital commitments approved or contracted by the Company as at the reporting date.

### 33 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 stated 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 31st March 2017 is Rs. 133.1 Mn.

### 34 LITIGATION

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

### 35 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. 30/= per share (300%) amounting to Rs. 108,625,290/= for the year ended 31st March 2017 (2015/16- Rs 25/= per share (250%) amounting to Rs 90,521,075/=), which will be declared at the Annual General Meeting to be held on 04th August 2017. Accordingly, the income tax consequence of dividends to shareholders would be Rs. 10,862,529/= (2015/16 – Rs. 9,052,107/=).

In accordance with Sri Lanka Accounting Standard (LKAS 10) "Events after the reporting period" this proposed first and final dividend has not been recognised as a liability as at 31st March 2017. Subsequent to the reporting period, no circumstance have arisen which would require adjustments to or disclosure in the Financial Statements, other than the above.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 36 COMPARATIVE FIGURES

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

### 37 ULTIMATE HOLDING COMPANY

The Company is a joint venture between Lanka Leyland (Pvt) Ltd., holding 41.8% of the share capital, and Ashok Leyland Ltd. India, holding 27.8% of the stated capital of the Company.

### 38 SEGMENTAL REPORTING

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

### 39 NUMBER OF EMPLOYEES

The number of employees as on 31st March was ;	2017	2016
Executives	44	47
Non Executives	138	146
	182	193

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 40 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 2017

	Net Carrying Amount				Fair Value			
	Fair Value through P&L Designated at Fair Value	Held-for-Trading	Held-to-Maturity	Loans and Receivables	Available-for-sale	Other Financial Liabilities	Total	
<b>Financial Assets measured at Fair Value</b>	-	-	-	-	138,855	-	138,855	
Equity Securities	-	-	-	-	<b>138,855</b>	-	<b>138,855</b>	
<b>Financial Assets not measured at Fair Value</b>	-	-	-	766,999,575	-	-	766,999,575	
Trade Receivable	-	-	-	237,340,537	-	-	237,340,537	
Lease Rental Receivable	-	-	-	27,956,204	-	-	27,956,204	
Related Party Receivable	-	-	-	38,841,064	-	-	38,841,064	
Cash & Cash Equivalents	-	-	-	<b>1,071,137,380</b>	-	-	<b>1,071,137,380</b>	
<b>Financial Liabilities not measured at Fair Value</b>	-	-	-	-	-	2,070,141,702	2,070,141,702	
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	
Payable on Imports	-	-	-	-	-	826,875,832	826,875,832	
	-	-	-	-	-	<b>2,070,141,702</b>	<b>2,070,141,702</b>	

As at 31 March 2016

	Net Carrying Amount				Fair Value			
	Fair Value through P&L Designated at Fair Value	Held-for-Trading	Held-to-Maturity	Loans and Receivables	Available-for-sale	Other Financial Liabilities	Total	
<b>Financial Assets measured at Fair Value</b>	-	-	-	-	136,326	-	136,326	
Equity Securities	-	-	-	-	<b>136,326</b>	-	<b>136,326</b>	
<b>Financial Assets not measured at Fair Value</b>	-	-	-	467,307,808	-	-	467,307,808	
Trade Receivable	-	-	-	383,870,680	-	-	383,870,680	
Lease Rental Receivable	-	-	-	52,011,927	-	-	52,011,927	
Related Party Receivable	-	-	-	<b>903,190,415</b>	-	-	<b>903,190,415</b>	
Cash & Cash Equivalents	-	-	-	-	-	-	-	
<b>Financial Liabilities not measured at Fair Value</b>	-	-	-	-	-	320,159,125	320,159,125	
Trade Payable	-	-	-	-	-	1,125,947,488	1,125,947,488	
Interest Bearing Borrowings - Import Loans	-	-	-	-	-	17,878,433	17,878,433	
Interest Bearing Borrowings - Overdrafts	-	-	-	-	-	822,241,142	822,241,142	
Payable on Imports	-	-	-	-	-	<b>2,286,226,188</b>	<b>2,286,226,188</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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 41 FINANCIAL RISK MANAGEMENT

#### Overview

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

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

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

#### Risk management framework

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

The 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 counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

#### Exposure to credit risk

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

As at 31st March	2017 Rs.	2016 Rs.
Trade Receivables	766,999,575	467,307,808
Other Receivables	109,271,634	84,959,439
Lease Rental Receivable	237,340,537	383,870,680
Related Party Receivables	27,956,204	-
Cash and cash Equivalents	38,841,064	52,011,927
<b>Total</b>	<b>1,180,409,014</b>	<b>988,149,855</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 2016/17, approximately 1.7% (2015/16 : 3.8%) of the Company's revenue was attributable to sales transactions with the largest single customer.

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

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

	0 - 60 Days Rs.	61 - 90 Days Rs.	91 - 120 Days Rs.	121 - 180 Days Rs.	More than 180 Days Rs.	Total Rs.
Trade Receivables - 2017	496,660,131	51,211,652	24,798,554	43,598,027	150,731,212	766,999,575
Trade Receivables - 2016	205,623,535	6,363,761	1,973,489	10,106,626	243,240,397	467,307,808

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 41 FINANCIAL RISK MANAGEMENT (Cont..)

At 31 March 2017, the maximum exposure to credit risk for trade and other receivables by type of counter party was as follows;

Carrying Amount as at 31 March	2017 Rs.	2016 Rs.
Government Entities	437,238,095	300,877,405
Corporates and Institutions	319,690,597	148,654,898
End-user Customers	10,071,283	17,775,505
	<b>766,999,975</b>	<b>467,307,808</b>

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

As at 31st March 2017	Individual Impairment Rs.	Collective Impairment Rs.	Total Rs.
Balance as at 1st 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 31st March 2017	<b>58,161,138</b>	<b>85,892,165</b>	<b>144,053,303</b>

As at 31st March 2016	Individual Impairment Rs.	Collective Impairment Rs.	Total Rs.
Balance as at 1st April 2015	-	141,644,692	141,644,692
Provision / (Reversal ) for the year	8,686,751	(4,492,240)	4,194,511
Balance as at 31st March 2016	<b>8,686,751</b>	<b>137,152,452</b>	<b>145,839,203</b>

### Cash and cash equivalents

The Company held cash and cash equivalents of Rs. 38,841,064 as at 31 March 2017 (2015/16: Rs. 52,011,927), which represents its maximum credit exposure on these assets.

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

Bank	Credit Rate	2017 Rs.	Cash at Bank 2016 Rs.
Peoples Bank	AA + (lka)	16,238,987	13,521,396
Bank of Ceylon	AA + (lka)	1,975	1,669,219
Commercial Bank of Ceylon PLC	AA - (lka)	9,113,461	6,266,362
Sampath Bank PLC	A + (lka)	-	1,115,319
Seylan Bank PLC	A - (lka)	20,000	20,000
Indian Bank	BBB -	35,029	561,509
		<b>25,409,452</b>	<b>23,153,805</b>

### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 41 FINANCIAL RISK MANAGEMENT (Cont..)

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 31st March 2017	Carrying Amount Rs.	0 - 30 Days Rs.	31 - 90 Days Rs.	More than 90 Days Rs.
Trade & Other Payables	852,008,095	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	-	-
Payable on Imports	826,875,832	826,875,832	-	-
<b>Total</b>	<b>2,643,010,432</b>	<b>1,128,009,903</b>	<b>1,515,000,529</b>	<b>-</b>

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

The Financial Instruments denominated in US Dollars as on 31st March 2017 are;

As at 31st March	2017	
	LKR	US \$
Payable on Import bills	826,875,832	5,378,621
<b>Total</b>	<b>826,875,832</b>	<b>5,378,621</b>

As at 31st March	2016	
	LKR	US \$
Payable on Import bills	822,241,142	5,574,414
<b>Total</b>	<b>822,241,142</b>	<b>5,574,414</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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### 41 FINANCIAL RISK MANAGEMENT (Contd.)

	Profit before Tax Strengthening Rs.	Profit before Tax Weakening Rs.
2016-17 LKR (5% movement)	41,343,792	(41,343,792)
2015-16 LKR (5% movement)	41,112,057	(41,112,057)

#### 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.

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

The following table demonstrate the sensitivity to a reasonably possible change in the interest rate with all other variables held constant. The impact on the Company's Profit before tax due to the change in the interest rate is as follows;

#### Variable-rate instruments

Import Loans	Profit before Tax Favorable Rs.	Profit before Tax Un-Favorable Rs.
2016-17 Interest Rate (1% movement)	10,978,931.92	(10,978,931.92)
2015-16 Interest Rate (1% movement)	10,932,684.45	(10,932,684.45)

#### 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 March 2017 was as follows;

	2017 Rs.	2016 Rs.
Interest Bearing Borrowings	1,767,067,832	1,948,188,630
Total Equity	2,948,241,628	2,802,040,245
Equity and Debts	4,715,309,459	4,750,228,875
Gearing Ratio	37%	41%

## SHARE INFORMATION

There were 634 registered shareholders as at 31st March 2017 distributed as follows;

CATEGORY	NO. OF SHAREHOLDERS		SHAREHOLDING		%	
	2017 (Mar)	2016 (Mar)	2017 (Mar)	2016 (Mar)	2017 (Mar)	2016 (Mar)
1 - 1,000	614	595	41,638	42,740	1.15	1.18
1,001 - 5,000	13	12	20,684	18,954	0.57	0.52
5,001 - 10,000	1	1	5,843	5,086	0.16	0.14
10,001 - 50,000	1	1	31,250	31,250	0.86	0.86
50,001 - 100,000	-	-	-	-	-	-
100,001 - 500,000	2	3	432,291	433,676	11.94	11.98
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>634</b>	<b>615</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

CATEGORY	NO. OF SHARES HELD		SHARE HOLDING %	
	2017 (Mar)	2016 (Mar)	2017 (Mar)	2016 (Mar)
Lanka Leyland (Pvt) 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	115,506	6.31	3.19
Commercial Trust Technologies (Pvt) Ltd	203,935	205,320	5.63	5.67
Perpetual Capital (Pvt) Ltd	-	112,850	-	3.12
Sri Lanka Central Transport Board	31,250	31,250	0.86	0.86
J G De Mel	5,843	5,086	0.16	0.14
R P T Adams	2,700	2,700	0.07	0.07
N J Perera	2,600	2,600	0.07	0.07
Bansei Securities Capital (PVT) LTD / M A U Gnanathilaka	2,098	-	0.06	-
Sampath Bank PLC / M A U Gnanathilaka	-	2,249	-	0.06
U I Suriyabandara	2,089	1,732	0.06	0.05
F M Asaf Khan	1,514	1,204	0.04	0.03
Nation Lanka Capital LTD / Nedagamuwage Indika Padma Kumara	1,450	-	0.04	-
N I P Kumara	-	1,450	-	0.04
R A Y T Perera	1,300	1,300	0.04	0.04
B Periyasamy	1,250	1,250	0.03	0.03
Bansei Securities Capital (PVT) LTD/ C J Gunarathna	1,205	-	0.03	-
L A P Perera	1,200	1,200	0.03	0.03
T S G Jayathilake	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	-
C J Gunarathna	-	1,045	-	0.03

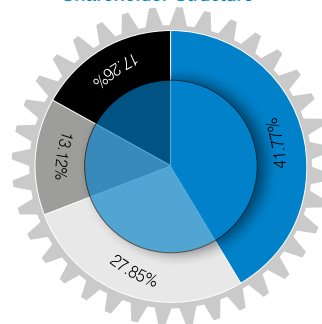
Public Holding	No. of Shareholders	No. of Shares	% Holding
Shares held by public as at 31st Marh 2017	631	531,706	14.68%
Shares held by public as at 31st Marh 2016	612	531,706	14.68%

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

	2016/17	2015/16
Highest	1,548.00	1,600.00
Lowest	1,006.00	1,200.00
Year end	1,062.00	1,513.40

Overview of Lanka Ashok Leyland PLC shareholder structure by Ownership

### Shareholder Structure



- Lanka Leyland (Pvt) Ltd
- Ashok Leyland - India
- Institutional Investors
- Individual Investors

## DECADE AT A GLANCE

### TRADING RESULTS

TRADING RESULTS		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Turnover	Rs 000'	2,800,907	2,595,585	3,408,648	11,524,020	16,830,583	10,533,066	6,976,829	8,217,864	9,073,386	11,405,488
Net Trading Profit /(Loss) Before Interest	Rs 000'	168,507	189,317	289,748	1,131,770	1,575,480	376,615	354,229	528,334	351,419	434,313
Interest Paid	Rs 000'	(59,799)	(112,132)	(87,162)	(42,526)	(17,850)	(313,781)	(332,748)	(87,032)	(81,505)	(124,437)
Net Trading Profit /(Loss) After Interest	Rs 000'	108,708	77,185	202,586	1,089,244	1,557,630	62,834	21,481	441,302	269,914	309,875
Other Income	Rs 000'	3,181	5,272	4,868	30,201	88,708	390,289	234,636	92,120	44,081	39,487
Profit/(Loss) Before Tax	Rs 000'	111,889	82,457	207,454	1,119,445	1,646,338	453,123	256,117	533,422	313,995	349,362
Taxation	Rs 000'	(41,536)	(23,921)	(117,624)	(470,553)	(464,330)	(100,085)	(92,147)	(203,447)	(104,457)	(111,156)
Profit/(Loss) After Tax	Rs 000'	70,353	58,536	89,830	648,892	1,182,008	353,038	163,970	329,975	209,538	238,207
Other Comprehensive Income	Rs 000'	-	-	-	-	(2,887)	(4,591)	(1,505)	(4,438)	5,180	(1,547)
Profit B/F	Rs 000'	85,430	92,765	90,092	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189
Effect of Transitinoal Provision	Rs 000'	-	-	-	-	(33,310)	-	-	-	-	-
Prior year adjustments	Rs 000'	(1,810)	-	-	(4,495)	-	-	-	-	-	-
Profit Available for Appropriations	Rs 000'	153,973	151,301	179,922	797,163	1,738,662	1,678,484	1,523,698	1,813,026	2,009,640	2,101,848
Dividend paid	Rs 000'	(36,208)	(36,208)	(27,156)	(54,312)	(108,625)	(217,250)	(36,208)	(18,104)	(144,834)	(90,521)
Transfers to Reserves	Rs 000'	(25,000)	(25,000)	-	(150,000)	(300,000)	(100,000)	-	-	-	-
Unclaimed Dividend Reversed	Rs 000'	-	-	-	-	-	-	-	-	383	61
Retained Earnings	Rs 000'	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189	2,011,388

### INVESTORS' FUNDS

Share Capital	Rs 000'	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208	36,208
Retained Earnings	Rs 000'	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922	1,865,189	2,011,388
Reserves	Rs 000'	325,514	350,514	350,514	467,560	800,747	900,631	900,631	900,664	900,643	900,646
Shareholders Fund	Rs 000'	454,487	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

### ASSETS & LIABILITIES

Property, Plant & Equipment	Rs 000'	85,694	77,144	67,257	119,484	145,413	331,487	407,136	340,686	554,459	549,022
Other Non Current Assets	Rs 000'	3,507	3,507	3,507	52,950	510,776	561,712	174,085	62,708	65,926	20,804
Current Assets	Rs 000'	936,639	1,179,235	1,286,732	2,774,286	5,655,044	5,032,168	4,351,212	5,363,668	4,762,133	5,123,900
Short - Term Borrowings	Rs 000'	(403,084)	(544,981)	(313,504)	(907,301)	(3,238,635)	(3,249,257)	(2,131,483)	(2,214,994)	(1,948,189)	(1,767,068)
Other Current Liabilities	Rs 000'	(144,872)	(219,945)	(484,812)	(922,178)	(877,533)	(338,369)	(333,536)	(762,671)	(550,465)	(884,957)
Working Capital	Rs 000'	388,683	414,309	488,416	944,807	1,538,876	1,444,542	1,886,193	2,386,003	2,263,479	2,471,875
Non Current Liabilities	Rs 000'	(23,397)	(18,145)	(19,692)	(20,622)	(28,073)	(39,670)	(43,087)	(57,604)	(81,824)	(93,460)
Net worth of Company	Rs 000'	454,487	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

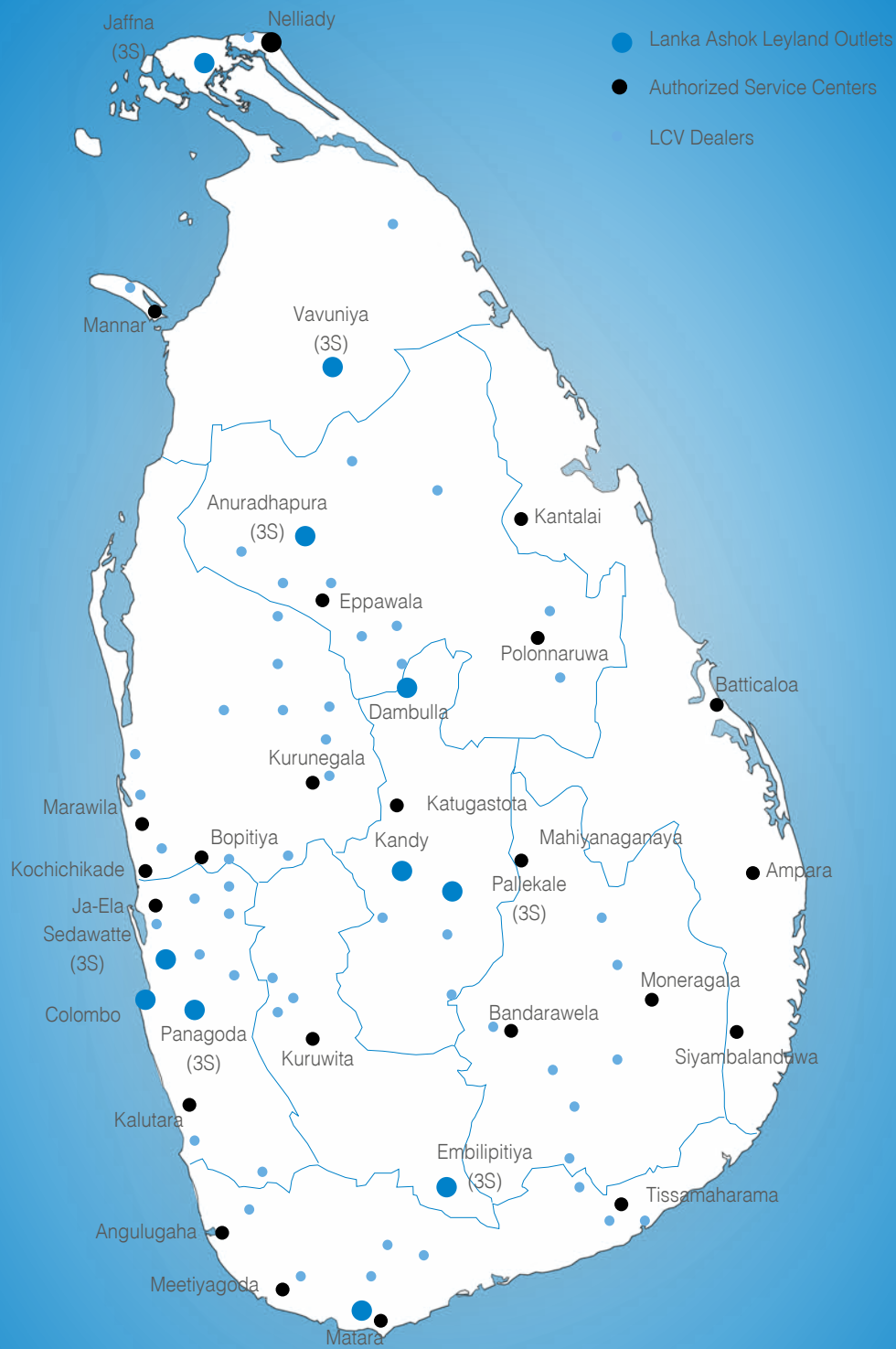
### CASH FLOW ANALYSIS

Investments in Property, Plant and Equipment	Rs 000'	20,799	1,190	1,809	62,320	48,333	225,991	14,231	34,540	57,654	77,003
Depreciation and Amortization	Rs 000'	8,431	9,741	11,695	10,094	21,635	39,069	61,581	80,855	86,989	125,582
Net Cash generated from / (used in)											
Operating Activities	Rs 000'	(153,385)	(291,709)	376,957	19,168	(2,104,274)	(333,771)	1,164,145	(54,445)	500,605	321,879
Investing Activities	Rs 000'	(20,205)	1,113	(28,041)	(234,081)	39,334	(23,760)	(47,831)	(28,496)	(57,482)	(69,464)
Financing Activities	Rs 000'	156,663	261,876	(231,477)	231,963	2,331,334	10,622	(1,117,774)	83,511	(411,639)	(271,642)
Net Increase / (Decrease) in Cash and Cash Equivalents	Rs 000'	(16,927)	(28,720)	117,439	17,050	266,395	(346,909)	(1,460)	570	31,485	(19,227)

### RATIOS & STATISTICS

Issued Share Capital	Nos.	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843	3,620,843
Net Assets per Share	Rs.	125.52	131.69	149.00	302.86	598.48	634.68	669.55	754.46	773.86	814.24
Dividend per Share	Rs.	10.00	7.50	15.00	30.00	60.00	10.00	5.00	40.00	25.00	30.00
Market Price per Share	Rs.	360.00	355.00	1,075.00	2,650.00	2,069.70	1,717.80	1,292.00	1,300.00	1,513.40	1,062.00
Market Capitalisation	Rs 000'	1,303,503	1,285,399	3,892,406	9,595,234	7,494,059	6,219,884	4,678,129	4,707,096	5,479,784	3,845,335
Earnings per Share	Rs.	19.43	16.17	24.81	179.21	326.45	97.50	45.29	91.13	57.87	65.79
Dividend Payout	%	51.47	46.39	60.46	16.74	18.38	10.26	11.04	43.89	43.20	45.60
Price Earning Ratio	Rs.	18.53	21.96	43.33	14.79	6.34	17.62	28.53	14.27	26.15	16.14
Current Ratio	No of Times	1.71	1.54	1.61	1.52	1.37	1.40	1.77	1.80	1.91	1.93
Quick Ratio	No of Times	0.78	0.89	0.71	0.41	0.33	0.25	0.67	0.66	0.37	0.44
Interest Cover	No of Times	2.87	1.74	3.38	27.32	93.23	2.44	1.77	7.13	4.85	3.81
Trading Profit Before Int. / Net Turnover.	%	6.01	7.29	8.50	9.82	9.36	3.58	5.08	6.43	3.87	3.81
Trading Profit After Int. / Net Turnover.	%	3.88	2.97	5.94	9.45	9.25	0.60	0.31	5.37	2.97	2.72
Return on Net Assets & ROCE	%	15.40	12.28	16.65	59.17	54.55	15.36	6.76	12.08	7.48	8.08
Asset Turnover	%	32.68	33.65	50.68	96.45	115.74	31.78	17.14	24.12	16.36	20.77
Gearing	%	0.47	0.53	0.37	0.45	0.60	0.59	0.47	0.45	0.41	0.37

# 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 Fourth Annual General Meeting of Lanka Ashok Leyland PLC will be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on 04th August 2017 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 31st March 2017.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect Directors
  - a) To elect Mr. M S Meerasahib as a Director of the Company in place of Mr. Y L S Hameed,
  - b) To elect Mr. A M Jahanser as a Director of the Company in place of Mr. B M Riyaj,
  - c) To elect Mr. D A Abeyawardene as a Director of the Company
  - d) To appoint a Director in place of Mr. Gopal Mahadevan who retires by rotation in terms of Article 84 of the Articles of Association of the Company and who being eligible, offers himself for re-appointment.
4. \*\*To pass the following as a special resolution.  
Article no. 72(a) of the Articles of Association of the Company, the figures 28% and 42% be and are hereby amended as 27.85% and 41.77% respectively."
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. 1,530,000/=(Rupees One Million Five Hundred and Thirty 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**  
Secretary  
Colombo

27<sup>th</sup> May 2017

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

**\*\*SHAREHOLDING PERCENTAGE OF ASHOK LEYLAND LTD, INDIA AND LANKA LEYLAND (PVT) LTD IN LANKA ASHOK LEYLAND PLC**

As per the Articles of Association of Lanka Ashok Leyland PLC, the investment by Ashok Leyland Ltd, India and Lanka Leyland (Pvt) Ltd was expected to be 28% and 42% respectively. However after the actual allotment of equity shares, the respective investments have remained only at 27.85% and 41.77% respectively, for the past several decades..

In order to reflect the arithmetically correct fractional figures in the Articles of Association, the Board has approved, subject to the approval of the shareholders at the forthcoming Annual General Meeting, to amend the article no. 72(a) of Articles of Associations of the Company to the above effect.

Accordingly, the above resolution is proposed to be passed as a Special Resolution.

## CORPORATE INFORMATION

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

## NOTES

## FORM OF PROXY

\*I/We .....  
holder of NIC No: ..... of .....  
.....  
.....

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

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, 4th August 2017 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 Seventeen.

.....  
Signature

\* Note :

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

#### **Instructions**

1. Kindly perfect the form of proxy by filling in legibly your full name and address by deleting one or other of the alternative words indicated by an asterisk in the body of the form overleaf in order to indicate clearly your voting instructions by signing in the space provided and filling in the date of signature.
2. If there is any doubt as to which way the proxy should vote by reason of the way in which instructions under (1) above have been carried out, no vote will be recorded by the proxy.
3. A proxy need not be a member of the Company.
4. The completed form of proxy should be deposited at the registered office of the Company, Panagoda, Homagama, before 3.30 p.m on 2nd August 2017 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, certified copy of such power of Attorney should accompany the complete form of proxy for registrations if such power of attorney has not already been registered with the Company.







**LAL LANKA ASHOK LEYLAND PLC**

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