

Annual Report 2014/15

LANKA ASHOK LEYLAND PLC



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LANKA ASHOK LEYLAND PLC



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Corporate Information

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

Notice of Meeting

Notice is hereby given that the Thirty Second Annual General Meeting of Lanka Ashok Leyland PLC, will be held at Hotel Taj Samudra, Galle Face Center Road, Colombo 03 on Monday, 27th July 2015 at 3.30 p.m. to transact the following business.

1. To consider the report of the Directors' and the audited Financial Statements for the year ended 31st March 2015.
2. To declare a dividend as recommended by the Board of Directors.
3. To elect a Director in place of Mr. Y L S Hameed who retires by rotation in terms of Article 84 of the Articles of Association of the Company and who being eligible, offers himself for re-election.
4. To appoint Auditors and fix their remuneration, M/s. KPMG Chartered Accountants are eligible for re-appointment.

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

"RESOLVED THAT M/s KPMG Chartered Accountants are hereby appointed as Statutory Auditors of the Company, for the Financial Year 2015/16, on a remuneration of Rs. 1,530,000/= (Rupees One Million Five Hundred and Thirty only), in addition to reimbursement of out of pocket expenses."

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

By order of the Board



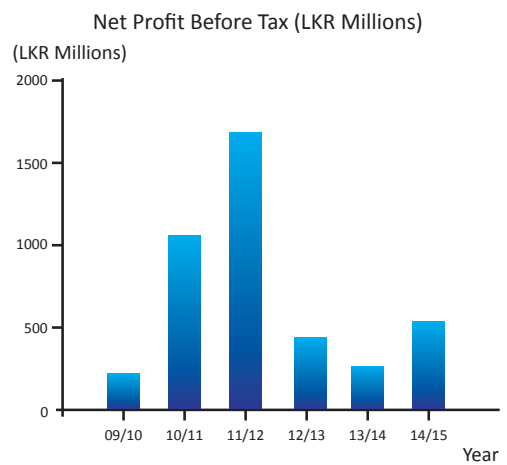
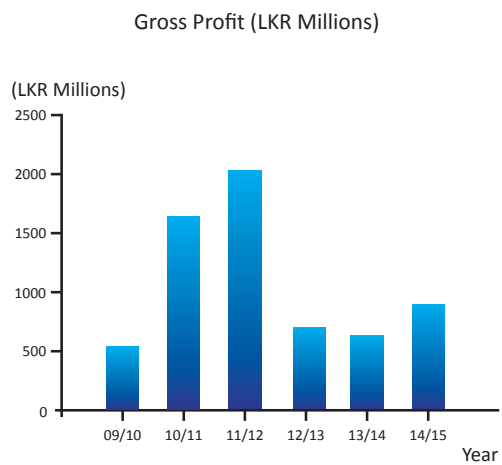
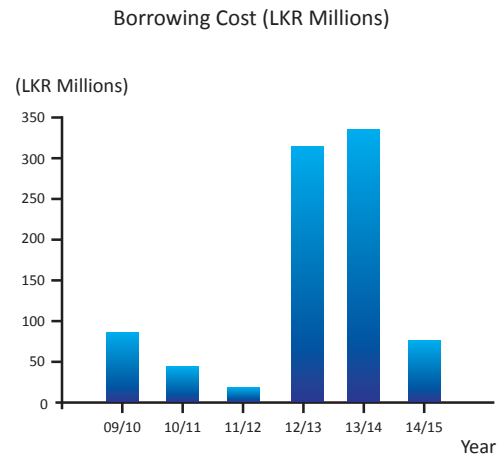
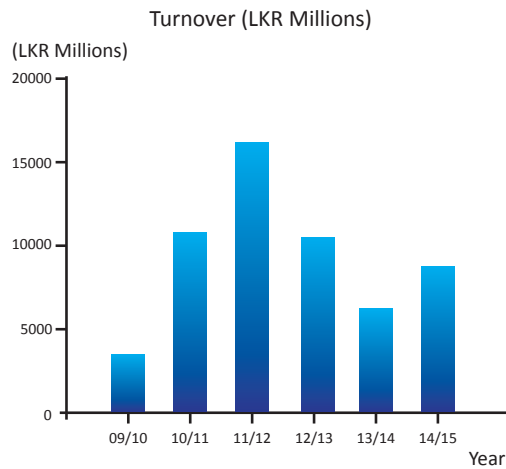
D A Abeyawardene
Secretary

Colombo

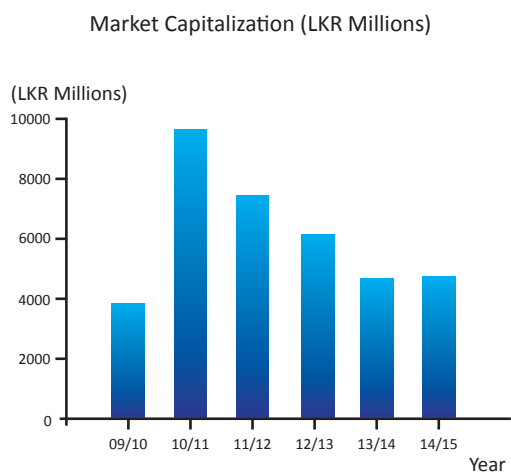
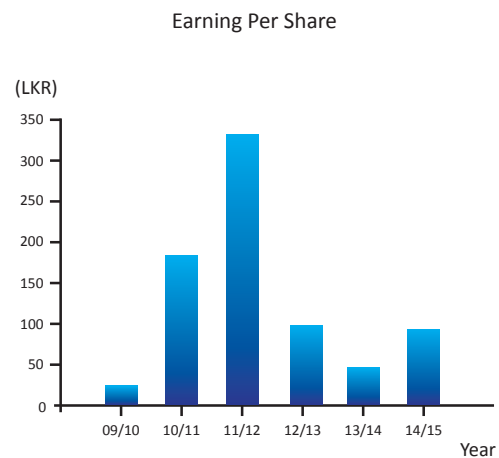
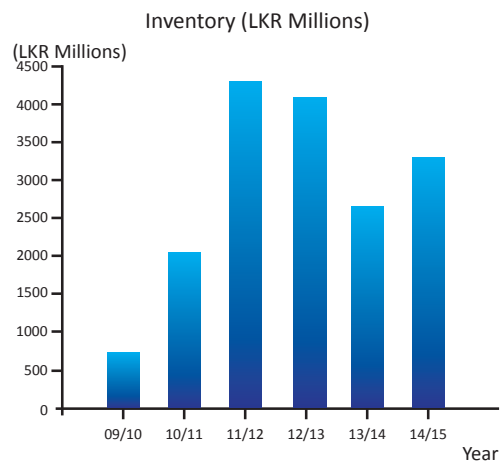
Date: 30th April 2015

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

Financial Highlights



Financial Highlights



Directors' Report

TO THE SHAREHOLDERS:

The Directors have pleasure in presenting the 32nd Annual Report of the Company, together with the Audited Accounts, for the year ended 31st March 2015.

REVIEW OF THE YEAR:

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

PRINCIPAL ACTIVITIES OF THE COMPANY:

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

PROFIT AND APPROPRIATIONS:

	2014/15 Rs.	2013/14 Rs.
Net profit for the year after providing all expenses, Known liabilities and depreciation of property, Plant and Equipment amounted to:	331,700,102	164,556,091
Other comprehensive income	(6,163,656)	(2,091,325)
	<u>325,536,446</u>	<u>162,464,766</u>
To which balance of previous year, added	1,487,489,563	1,361,233,227
Dividend Paid (Year 13/14 & 12/13)	(18,104,215)	(36,208,430)
Amount available to the Company for Appropriation	<u>1,794,921,794</u>	<u>1,487,489,563</u>

A final dividend of Rs. 40/- per share (400%) amounting to total of Rs. 144,833,720/- is recommended for the financial year 2014/15.

MARKET VALUE OF THE COMPANY'S SHARES:

The last transaction prior to close of business on 31st March 2015, on the trading floor of the Colombo Stock Exchange was a price of LKR 1300.00 per share. (Corresponding price on 31st March 2014 was LKR 1,292.00 per share)

PROPERTY PLANT & EQUIPMENT:

An analysis of the Company's property, plant & equipment, and intangible assets are given in note 12 & 13 to the Financial Statements.

DIRECTORS:

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

DIRECTORS' SHAREHOLDING:

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

INTEREST REGISTER

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

DIRECTORS' INTERESTS IN CONTRACTS:

The Directors' interest in contracts and proposed contracts of the company are disclosed in note No.30 "Related Party Disclosure" to the accounts. The details of Directors' interests in contracts of the company have been disclosed at Board meetings.

BOARD COMMITTEES:

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

Directors' Report

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.

EMPLOYEES:

The number of permanent employees as at 31st March 2015 was 180. (31st March 2014-133).

GOING CONCERN:

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

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

CONTINGENT LIABILITIES & OUTSTANDING LITIGATION:

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

INTERNAL CONTROLS:

The Directors have reviewed the internal controls covering Financial, operational and compliance controls, and are satisfied that they are adequate.

In keeping with the guidelines for Accounting and Auditing practices M/s. KPMG is responsible for auditing the accounts.

APPOINTMENT OF AUDITORS:

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

NOTICE OF MEETING:

Notice of meeting relating to the Thirty Second Annual General Meeting is given on page 05.

ACKNOWLEDGEMENT:

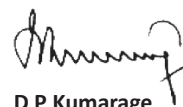
The Directors wish to express their appreciation for the Government of Sri Lanka, bankers, financial institutions, shareholders, valued

customers, and joint venture partner M/s. Ashok Leyland Ltd. India for the co-operation, valuable guidance, assistance and the continued support.

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



Y L S Hameed
Director



D P Kumarage
Director



D A Abeyawardana
Secretary

By order of the Board of Directors
30th April 2015

The Chief Executive Officer's Report

As we conclude another fiscal year, it is with immense pride and pleasure that I present the following performance review for Lanka Ashok Leyland for the year 2014. Hailed as a transitional period where economies would get back to prosperity and growth, what transpired instead was a markedly uneven resurgence of the world economy dampened by the increasingly volatile geopolitics of the Middle East. Closer to home, Sri Lanka's economy continued to make steady progress with sound fundamental data being reported over the course of the year enabling Lanka Ashok Leyland to progress unhindered.

The economy in 2014

According to the IMF, global output grew at an estimated 3.3% in 2014 driven again by the Asian and South Asian countries. Commodity prices continue to decline on weak demand while oil remain considerably low owing to oversupply despite disruptions. Europe continues to grapple with contagion surrounding the individual member debt crises which continue to threaten the stability of the economic union. In contrast, the United States of America showcased a robust and resurgent economy in 2014 growing at 2.4%.

Asian economies continue to be the focus of growth opportunity in the world. As China's growth begins to taper falling to 7.4% from 7.8% in 2013. India, having concluded an election ushering a new prime minister, has seen economic activity spring to life again as the economy grew at 5.8% in 2014, up from 5.0% a year earlier. India's growth is projected to outpace China by 2016.

The Sri Lankan economy fared well in 2014 as fundamental economic data came out positive and built on the progress of previous years. GDP growth stood at 7.8% for 2014 driven largely by the Industry and Service sector of the economy. Inflation continued in low single digits while GDP per capita rose to USD 3630. Sri Lankan exports fared well helping reduce the trade deficit for the fourth consecutive year while the government continued the trend of narrowing the budget deficit to 5.2%, an impressive 6 straight years of deficit reduction. With an economy on the move, Sri Lanka saw the political landscape shift in January of 2015 as the incumbent president called and lost a snap presidential election. With another general election to be called towards the end of the first quarter of 2015, an element of political uncertainty will negatively affect market confidence for a period in the year to come.

2014 saw key infrastructure projects in relation to transport progress such as the outer circular highway around Colombo which will connect to every major road radiating from the capital, while extensions to the Southern expressway proceed smoothly. Despite a dearth in the required number of buses for public transport, as of the first half of 2014, the average number of buses operated fell marginally by 71 to 4393 buses. The average bus fleet operated in the private sector also fell 3% to 17,142 buses for the same period.

With regard to new vehicle registrations, while 2013 witnessed a significant dip in overall registrations, 2014 saw a significant resurgence growing 32% year on year. The most significant increase in new registrations came in the bus segment which grew 113% to 3,851 new vehicles. Lorry registrations fell 13% to 5,121 for the year.

Financial Performance

Lanka Ashok Leyland recorded an impressive LKR 8.2bn revenue driven by demand for new vehicles. This 18% increase in revenue over 2014 led to a 33% increase in gross profit which stood at LKR 919.9mn. The gross profit margin fell marginally to 9% from 10% last year as a result of an increased buildup of inventory in the last quarter of the year.

Operational expenses remained flat at LKR 303.8mn while an impairment charge of LKR 64.9mn was recognized during the year resulting in a profit before interest and tax of LKR 701.3mn, an 8% increase year on year. One of the key improvements this year has been the 74% reduction in finance expense which stood at LKR 87mn from LKR 332.7mn a year earlier. While low interest rates prevailed during the financial year, this significant improvement is a culmination of the management's efforts over the last few years to deleverage our balance sheet which has been a success by any measure. As of 31st March 2015, our inventory has grown 25% to LKR 3.4bn while our borrowing has increased by a mere 4% to LKR 2.2bn demonstrating the purposeful decoupling that management has pursued.

Unburdened by a substantial interest component, Lanka Ashok Leyland was able to post a net profit after tax of LKR 332mn, a 102% increase from 2014's net profit of LKR 164.6mn.

Looking Ahead

Despite any political uncertainty that may play into 2015, Lanka Ashok Leyland has already begun an aggressive expansion strategy that will continue into the new fiscal year. The company is aiming to seek customers by opening new showrooms in key interior population centres across the island namely in the South and the North East while several key distributor agreements are being signed to further expand our reach. The company believes that the core economic fundamentals will support our expansion in the medium to long term. Our hope is to make inroads into the Light commercial vehicle segment where we offer the Dost, Partner and Mittr Ac and Non Ac Buses, the most luxurious fuel efficient vehicles in the segment, to augment any volatility in demand for our higher tier products in the heavy commercial and passenger transport segment.

The Chief Executive Officer's Report

Having facilitated one of the largest government purchases for 2,200 nos buses from our parent company Ashok Leyland, India, we do not foresee public sector demand to increase and political uncertainty in the coming months may dampen demand from the private sector, albeit temporarily. Sri Lanka is expected to grow around 7% in 2015 while maintaining its low interest rate environment supported by low inflation and unemployment. FDI has fallen behind targets over the last few years which is most likely to be the case this year however we believe that ongoing improvements and new investments will facilitate larger amounts of FDI in the years to come and the increase in quality and quantity of the road networks will positively impact demand for Lanka Ashok Leyland products.

Corporate Social Responsibility

Lanka Ashok Leyland continues to play its part as a responsible stake holder in Sri Lanka by providing environment friendly fuel efficient vehicles. Now in its third year we continue our ongoing project of supplying specially equipped School Buses with extra safety features to transporting school children at no profit no loss basis.

Acknowledgements

The company has had a very good year and would like to unequivocally praise the efforts and commitment of our Board of Directors, Management and all the staff at Lanka Ashok Leyland. Their loyalty and work ethic has seen the company through rough waters over the years and their hard work has paved the way for an exciting new chapter for the company in the years to come.

We extend our appreciation to M/s Ashok Leyland India, our auditors, bankers, shareholders and suppliers for their faith and trusted service.

Finally we thank our valued customers for their patronage, the customer has always been the heart of our business and it is this cherished bond that has consistently kept us afloat in trying times and set us apart in the good years and we are forever humbled by the faith you continue to show in us.



Umesh Gautam
Chief Executive Officer

Board of Directors

S.No.	Name Of Director	Whether Non-Executive	Whether Independent	Brief Resume
1.	MR. Y L S HAMEED	Yes	No (Represents GOSL. Majority shareholder of the company)	Chairman of Lanka Leyland Ltd.
2.	MR. VINOD K DASARI	Yes	No (Represents Ashok Leyland India, major share holder and supplier to the Company)	Engineer by profession and the Managing Director of Ashok Leyland, India
3.	MR. D P KUMARAGE	Yes	Yes	Banker by Profession. Currently Chief Executive Officer of People's Leasing Company and Director of several other financial institutions.
4.	MR. G MAHADEVAN	Yes	No (Represents Ashok Leyland India, major share holder and supplier to the Company)	Chartered Accountant by profession and the Chief Financial Officer of Ashok Leyland, India.
5.	MR. B M RIYAJ	Yes	No (Represents GOSL. Majority shareholder of the company)	Coordinating Secretary to Ministry of Industries, Commerce and Director of Lanka Leyland Ltd.
6.	MR. N SUNDARARAJAN	Yes	Yes	Company Secretary and a Business Management professional. Has over 37 years of work experience, in industry. Was formerly Executive Director and Company secretary of Ashok Leyland, India.

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; and
- A Statement of Comprehensive Income of the company which presents a true and fair view of the profit and loss of the company for the financial year; and
- A Statement of Changes in Equity and a Cash Flow Statement for the financial year and notes there to.

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.40/- per share for this year, to be paid on 3rd August 2015.

The directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the company and all other known statutory dues as were due and payable by the company, as at the statement of financial position date have been paid, or where relevant provided for, except as specified in Note 32 to the financial statements covering contingent liabilities.

By Order of the Board



D A Abeyawardene
Secretary

30th April 2015

Remuneration Committee Report

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

Mr. Vinod K Dasari – Chairman

Mr. D P Kumarage

Mr. N Sundararajan

Mr. B M Riyaj

Chief Executive Officer of the Company assists the remuneration committee by providing market survey data and key result area reports except on the occasions where conflict of interest arises.

The scope of the committee is to give recommendations to the Board in deciding compensations of the Chief Executive Officer and the senior executives of the Company who constitute the management committee of the company and propose guidelines and parameters for the compensations of all other employees.

The committee meets from time to time to review and ensure the alignment of the Companies compensation structure and human resource requirements with the strategic decisions taken by the Board.

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

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



Vinod K Dasari
Chairman
Remuneration Committee

30th April 2015

Audit Committee Report

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

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

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

Role of the Audit Committee

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

Meetings

The Audit Committee has met four times during the year ended 31st March 2015 and the attendance is as follows.

Mr. G Mahadevan	3/4
Mr. D P Kumarage	4/4
Mr. N Sundararajan	3/4
Mr. Y L S Hameed	4/4

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

Internal Audit

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

Statutory Audit

The Company has appointed M/s. KPMG, Chartered Accountants as its statutory auditors and the Audit Committee reviewed their observations and recommendations.

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

Conclusion

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



G Mahadevan
Chairman
Audit Committee

Colombo
30th April 2015

Financial Statements

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



Independent Auditors' Report



KPMG
(Chartered Accountants)
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Mawatha,
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Colombo 00300,
Sri Lanka.

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LANKA ASHOK LEYLAND PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Ashok Leyland PLC ("the Company"), which comprise the statement of financial position as at March 31, 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 18 to 44 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 risk of material misstatement of the financial statement, 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 circumstance, 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 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 company as at March 31, 2015 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, 30th April 2015.

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 st March	Note	2015 Rs.	2014 Rs.
Revenue	5	8,217,864,344	6,976,828,507
Cost of Sales		(7,297,937,275)	(6,285,564,145)
Gross Profit		919,927,069	691,264,362
Other Income	6	92,120,392	234,635,703
Administrative Expenses		(312,462,804)	(297,286,401)
Selling and Distribution Expenses	7	(101,681,167)	(38,064,958)
Other Operating Expenses		(35,452,519)	(32,733,645)
Profit from Operations		562,450,971	557,815,060
Net Finance Cost	8	(29,029,460)	(301,698,463)
Profit before Tax	9	533,421,511	256,116,598
Tax Expenses	10	(201,721,409)	(91,560,507)
Profit for the year		331,700,102	164,556,091
Other Comprehensive Income			
Defined Benefit plan- Actuarial Losses	25	(6,163,656)	(2,091,325)
Net change in Fair Value of AFS Financial Assets		33,021	-
Total Comprehensive Income for the Year		325,569,467	162,464,766
Earnings Per Share	11.1	91.61	45.45

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

Statement of Financial Position

As at 31 st March	Note	2015 Rs.	2014 Rs.
ASSETS			
Non Current Assets			
Property, Plant & Equipment	12	340,685,968	407,136,161
Intangible Asset	13	2,951,934	-
Financial Investments	14	156,240	123,219
Lease Rental Receivable	15.1	59,599,622	173,962,392
Total Non Current Assets		403,393,764	581,221,772
Current Assets			
Inventories	16	3,384,952,829	2,698,884,891
Trade and Other Receivables	17	1,015,162,854	1,060,573,422
Lease Rental Receivable	15.2	456,623,571	551,006,108
Deposits and Prepayments	18	15,754,643	16,611,538
Related Party Receivables	19	475,749,632	489,309
Cash & Cash Equivalents	20.1	15,424,709	23,647,480
Total Current Assets		5,363,668,238	4,351,212,748
Total Assets		5,767,062,002	4,932,434,520
EQUITY & LIABILITIES			
Equity			
Stated Capital	21	49,375,150	49,375,150
General Reserve	22	887,347,500	887,347,500
Financial Assets- Available for Sale Reserves	23	148,823	115,802
Retained Earnings		1,794,921,794	1,487,489,563
Equity attributable to owners of the Company		2,731,793,267	2,424,328,015
Non Current Liabilities			
Deferred Tax Liability	24	1,134,443	284,024
Employee Benefits	25	56,469,269	42,803,374
Total Non Current Liabilities		57,603,712	43,087,398
Current Liabilities			
Trade and Other Payables	26	583,247,000	273,239,123
Current Tax Liabilities	27	162,827,244	36,212,742
Provision for Warranty	28	3,821,058	2,515,596
Short-Term Borrowings	29	2,214,993,656	2,131,482,635
Bank Overdrafts	20.2	12,776,065	21,569,011
Total Current Liabilities		2,977,665,023	2,465,019,107
Total Liabilities		3,035,268,735	2,508,106,505
Total Equity & Liabilities		5,767,062,002	4,932,434,520
Net Assets per Share		754.46	669.55

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

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



A R T Ranasinghe
Deputy General Manager - Finance

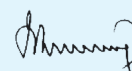


U Gautam
Chief Executive Officer



Y L S Hameed
Chairman

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.



D P Kumaraage
Director

Colombo, 30th April 2015.

Statement of Changes In Equity

For the year ended 31 st March	Stated Capital	General Reserves	Financial Assets - Available for Sale Reserves	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2013	49,375,150	887,347,500	115,802	1,361,233,227	2,298,071,679
Profit for the year	-	-	-	164,556,091	164,556,091
Other Comprehensive Income for the year	-	-	-	(2,091,325)	(2,091,325)
Dividend Paid 12/13	-	-	-	(36,208,430)	(36,208,430)
Balance as at 31 March 2014	49,375,150	887,347,500	115,802	1,487,489,563	2,424,328,015
Profit for the year	-	-	-	331,700,102	331,700,102
Other Comprehensive Income for the year	-	-	33,021	(6,163,656)	(6,130,635)
Dividend Paid 13/14	-	-	-	(18,104,215)	(18,104,215)
Balance as at 31 March 2015	49,375,150	887,347,500	148,823	1,794,921,794	2,731,793,267

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

Cash Flow Statement

For the year ended 31 st March	Note	2015 Rs.	2014 Rs.
Cash flows from Operating Activities			
Profit before Tax		533,421,511	256,116,598
Adjustment For:			
Depreciation of Property, Plant and Equipment	12	80,203,447	61,404,097
Amortization of Intangible Assets	13	651,597	177,387
Provision for Employee Benefits	25.1	7,502,239	6,624,814
Impairment Provision I Reversal on Trade & Other Receivables	6	64,909,264	(31,509,126)
Provision for Inventory	9	142,850,928	58,309,643
Interest Expense	8	87,031,900	332,749,054
Interest Income	8	(147,610)	(908,106)
Lease Interest Income	6	(56,650,193)	(106,499,817)
Gain on Sale of Property, Plant and Equipment	6	(6,817,131)	(12,610,220)
Reversal of VAT Accumulation	6	-	(41,436,515)
Provision for Warranty	9	3,821,058	2,515,596
		<u>323,355,500</u>	<u>268,816,807</u>
Operating Profit before Working Capital Changes		856,777,011	524,933,404
Working Capital Changes			
Decrease / (Increase) in Inventories		(828,918,865)	1,227,063,294
(Increase) / Decrease in Trade and Other Receivables		246,753,696	(171,088,655)
Increase in Related Party Receivables		(475,260,323)	-
Decrease in Trade and Other Payables		307,492,284	(39,345,850)
		<u>(749,933,207)</u>	<u>1,016,628,789</u>
Cash Generated from Operations		106,843,804	1,541,562,193
Interest Paid	8	(87,031,900)	(332,749,054)
Employee Benefits Paid	25	-	(5,582,463)
Payment of Income Taxes	27	(74,256,489)	(39,085,687)
		<u>(161,288,389)</u>	<u>(377,417,204)</u>
Net Cash Generated (Used in) / from Operating Activities		(54,444,585)	1,164,144,989
Cash flows from Investing Activities			
Dividends Paid		(18,104,215)	(36,208,430)
Proceeds from Sale of Property, Plant and Equipment		24,000,000	1,700,000
Interest received	8	147,610	908,106
Acquisition of Property, Plant & Equipment		(34,539,655)	(14,230,529)
Net Cash Flows Used in Investing Activities		(28,496,260)	(47,830,853)
Cash Flows from Financing Activities			
Short Term Loans obtained during the year	29.1	8,453,956,055	7,274,259,541
Short Term Loans repaid during the year	29.1	(7,764,038,115)	(8,583,144,846)
Net movement in Import Loans		(606,406,919)	191,110,881
Net Cash Flows Generated from / (Used in) Financing Activities		83,511,021	(1,117,774,424)
Net Increase in Cash & Cash Equivalents		570,176	(1,460,288)
Net Cash & Cash Equivalents at the beginning of the year		2,078,469	3,538,757
Net Cash & Cash Equivalents at the end of the year	20	<u>2,648,644</u>	<u>2,078,469</u>
Analysis of Cash & Cash Equivalents at the end of the year			
Cash at Bank and in Hand	20.1	15,424,709	23,647,480
Bank Overdrafts	20.2	(12,776,065)	(21,569,011)
		<u>2,648,644</u>	<u>2,078,469</u>

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

Figures in brackets indicate deductions.

Significant Accounting Policies

1 CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

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

The number of employees at the end of the year was 180 (2014- 133)

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 30th April 2015.

2 Basis of Preparation

2.1 Statement of Compliance

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

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

2.2 Basis of measurement

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

- Available for sale financial assets are measured at fair value;

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

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with 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 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.

Significant Accounting Policies

• 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, expected rates of return on assets, future salary increases, and mortality rates. Due to the long term nature of this obligation, such estimates are subject to significant uncertainty.

• 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.

Foreign exchange differences arising on translation of foreign exchange transactions are recognized as a profit or a loss in the Income Statement.

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.

• Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies as set out in this note to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 April 2014.

• Fair value measurement

In accordance with the transitional provisions of SLFRS 13, the Company has applied the new definition of fair value, as set out in Note 3.11 prospectively. The change had no significant impact on the measurements of the Company's assets and liabilities, but the company has included new disclosures in the financial statements, which are required under SLFRS 13.

These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of SLFRS 13, the Company has provided the relevant comparative disclosures under those standards.

2.5 Materiality and aggregation

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

2.6 Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of the functional currency prevailing at the reporting date.

3.1

Financial Instruments

3.1.1

Non-Derivative Financial Assets

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

Significant Accounting Policies

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

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

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

(a) Held-to-maturity financial assets

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

Held-to-maturity financial assets comprise fixed deposits.

(b) Loans and receivables

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

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

Cash and cash equivalents

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

(c) Available-for-sale financial assets

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

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

Available-for-sale financial assets comprise equity securities.

3.1.2

Non-Derivative Financial Liabilities

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

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

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

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

3.1.2.1

Stated Capital

Ordinary shares

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

3.2

Property, Plant & Equipment

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

Significant Accounting Policies

a) Cost

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

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

b) Subsequent Expenditure

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

c) Depreciation

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

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 Balance Sheet date are shown as Capital Work-In-Progress, whilst the capital assets which have been completed during the year and put to use have been transferred to property, Plant & Equipment.

g) Software

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

3.3

Intangible Assets

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 Income Statement as an expense incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

b) Subsequent Expenditure

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

c) Amortization

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

Significant Accounting Policies

3.4 Inventories

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

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

Cost is determined on the First in First out (FIFO) basis, and includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.

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

3.5 Goods-in-Transit

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

3.6 Impairment

3.6.1 Non-derivative financial assets

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

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

3.6.1.1 Financial assets measured at amortized cost

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

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

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

3.6.1.2 Available-for-sale financial assets

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

Significant Accounting Policies

3.6.2 Non-financial assets

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

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 Employee Benefits

3.7.1 Defined Benefit Plan- Gratuity

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

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

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

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

3.7.2 Defined Contribution Plans- Employees Provided Fund & Employees Trust Fund

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

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

statutes. Employer's contribution to the defined contribution plans are recognized as an expense in the income statement when incurred.

3.8

Provisions

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

3.8.1

Warranties

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

3.9

Contingent liabilities and contingent assets

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

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

3.10

Income Statement

3.10.1

Revenue Recognition

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

a) Sale of Goods

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

Significant Accounting Policies

b) Sale of Goods under Finance Lease

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

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

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

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

d) Free Services Income Bundled With Vehicle Sales

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

e) Other Income

All other income is recognized on an accrual basis.

3.10.2 Expenditure Recognition

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

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

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

(a)

Borrowing Costs

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

3.10.3

Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income.

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Dividend income is recognized in profit or loss on the date that the Company’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, and overdraft interest expenses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.10.4

Income tax expense

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

(i) Current taxation

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

Significant Accounting Policies

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

(ii) Deferred taxation

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

Deferred tax is not recognized for:

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

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

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

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

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

(iii) Tax exposures

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

3.10.5 Earnings per share

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

3.10.6 Related party transactions

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

3.10.7 Events after the Reporting Period

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

3.10.8 Cash flow

The cash flow statement is prepared using the "Indirect Method".

3.10.9 Dividends on ordinary Shares

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

3.10.10 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Significant Accounting Policies

Where appropriate, the significant accounting policies are disclosed in the succeeding notes.

Offsetting Income and Expenses

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

Offsetting Assets and Liabilities

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

- A current enforceable legal right to offset the asset and the liability; and
- An intention to settle the liability simultaneously

3.10.11 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 phrasers have been re-arranged wherever necessary to confirm to the current year's presentation.

3.11 Determination of fair values

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

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

- | | |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identifiable assets and liabilities |
| Level 2 | Inputs other than quoted prices included in Level 1 that are observable from the asset or liability either directly (as prices) or indirectly (derived prices) |

- | | |
|---------|---|
| Level 3 | Inputs from the asset or liability that are not based on observable market data (unobservable inputs) |
|---------|---|

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

(a) Property, plant and equipment

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

(b) Investments in equity and debt securities

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

(c) Trade and other receivables

The fair values of trade and other 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.

(d) Other non-derivative financial liabilities

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

Significant Accounting Policies

4 New Accounting Standards Issued But Not Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 2017/18. Accordingly, the Company has not applied the following new standards in preparing these financial statements.

4.1 SLFRS 9-Financial Instruments

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

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

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

4.2 SLFRS 15 – Revenue Recognition from Customer Contracts

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

SLFRS 15 is effective for annual reporting period beginning on or after 1st January 2017, with early adoption permitted.

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

Notes to the Financial Statements

For the year ended 31 st March	2015 Rs.	2014 Rs.
5 REVENUE		
New Vehicle Sales	7,807,437,129	6,687,786,523
Diesel Generator Set Sales	61,325,472	49,389,685
Vehicle Repair Income	106,434,319	112,346,658
Spare Parts Sales	80,532,881	127,305,640
Local Agency Commission	162,134,543	-
Total Gross Turnover	<u>8,217,864,344</u>	<u>6,976,828,507</u>
6 OTHER INCOME		
Vehicle Hiring Income	17,796,213	36,728,782
Profit on Sale of Property, Plant and Equipment	6,817,131	12,610,220
Lease Interest Income	56,650,193	106,499,817
Reversal of Bad Debts Provision	-	31,509,126
Reversal of VAT Accumulation	-	41,436,515
Sundry Income	10,856,855	5,851,243
	<u>92,120,392</u>	<u>234,635,703</u>
7 SELLING AND DISTRIBUTION EXPENSES		
Distribution Expenses comprise of the following;		
Commission	6,834,400	7,641,545
Discounts	12,274,154	6,890,409
Advertising	2,347,404	3,606,778
Impairment Provision for Trade Receivable	64,909,264	-
Other Selling Expenses	15,315,945	19,926,226
	<u>101,681,167</u>	<u>38,064,958</u>
8 FINANCE INCOME & FINANCE COST		
Interest Income	147,610	908,106
Exchange Rate Gain	57,854,830	30,142,485
Finance Income	<u>58,002,440</u>	<u>31,050,591</u>
Interest on Short Term Borrowings	(86,545,051)	(326,860,698)
Overdrafts Interest	(486,849)	(5,888,356)
Finance Cost	<u>(87,031,900)</u>	<u>(332,749,054)</u>
Net Finance Income	<u>(29,029,460)</u>	<u>(301,698,463)</u>

Notes to the Financial Statements

For the year ended 31 st March		2015 Rs.	2014 Rs.
9	PROFIT BEFORE TAX		
	Profit before tax is stated after charging all the expenses including followings;		
	Directors' Fees	1,010,000	990,000
	Auditors' Remuneration- Audit Services	1,392,000	1,237,500
	Staff Cost	143,758,969	121,069,590
	EPF	11,362,550	10,335,329
	ETF	2,840,637	2,583,832
	Provision for Employee Benefits	7,502,239	6,624,814
	Donation	-	16,701,573
	Depreciation of Property, Plant and Equipment	80,203,447	61,404,097
	Amortization of Intangible Assets	651,597	177,387
	Impairment Provision on Trade & Other Receivables	64,909,264	-
	Bad Debts written-off	7,600,000	-
	Provision for Slow Moving and Obsolete Stocks- General	142,850,928	58,309,643
	Provision for Warranty	3,821,058	2,515,596
10	TAX EXPENSE		
	The Company is liable to taxation at the rate of 28% on its taxable income in accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to. The composition of income tax expense is as follows ;		
	10.1 Tax Expense		
	Income Tax on Profits for the Year (Note 10.2)	200,870,990	72,748,211
	Deferred Tax (Note 24)	850,419	18,812,296
		<u>201,721,409</u>	<u>91,560,507</u>
	10.2 Reconciliation of the Accounting Profit and Taxable Profit		
	Profit before Tax	533,421,511	256,116,598
	Income from Other Sources and Exempt Income	(6,817,131)	(83,055,860)
	Aggregated Expenses Disallowed for Taxation	305,840,375	153,430,855
	Aggregated Deductible Expenses for Taxation	(87,958,245)	(66,676,555)
	Total Statutory Income	744,486,510	259,815,038
	Interest Income	-	-
	Taxable Income	<u>744,486,510</u>	<u>259,815,038</u>
	Tax at 28%	208,456,222	72,748,211
	Prior Year Over Provision Adjustment	(7,585,232)	-
	Income Tax on Profits for the Year	<u>200,870,990</u>	<u>72,748,211</u>
11	EARNINGS PER SHARE & DIVIDEND PER SHARE		
	11.1 Earnings Per Share		
	The calculation of Earnings Per Share is based on the profit for the year attributable to equity holders of Company and the weighted average number of ordinary shares outstanding during the year.		
		2015	2014
	Profit Attributable to Ordinary Shareholders (Rs.)	331,700,102	164,556,091
	Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
	Earnings Per Share (Rs.)	<u>91.61</u>	<u>45.45</u>
	11.2 Dividend Per Share		
	Dividend for the Year (Rs.)	144,833,720	18,104,215
	Weighted Average Number of Ordinary Shares	3,620,843	3,620,843
	Dividend per Share (Rs.)	<u>40.00</u>	<u>5.00</u>

Notes to the Financial Statements

12 PROPERTY, PLANT & EQUIPMENT

COST	As at 1st April 2014	Additions	Disposals / Transfers	As at 31st March 2015
Freehold Land	10,700,810	-	-	10,700,810
Freehold Factory Building	106,745,377	-	-	106,745,377
Data Processing Equipment	22,750,578	2,428,644	-	25,179,222
Machinery & Equipment	13,941,295	3,400,000	-	17,341,295
Factory Equipment	20,181,595	741,406	-	20,923,001
City Office Equipment & Fittings	1,960,874	7,500	-	1,968,374
Office Equipment	4,016,286	277,066	-	4,293,352
Furniture & Fittings	20,130,075	421,988	-	20,552,063
Motor Vehicles	360,146,685	23,659,520	(25,772,482)	358,030,723
	<u>560,573,574</u>	<u>30,936,124</u>	<u>(25,775,482)</u>	<u>565,734,216</u>
ACCUMULATED DEPRECIATION	As at 1st April 2014	Charge for the year	Depreciation on disposals	As at 31st March 2015
Freehold Factory Building	18,952,758	2,668,159	-	21,620,917
Data Processing Equipment	17,469,933	1,980,384	-	19,450,317
Machinery & Equipment	6,825,661	700,785	-	7,526,446
Factory Equipment	5,163,108	975,071	-	6,138,179
City Office Equipment & Fittings	565,584	196,476	-	762,060
Office Equipment	2,299,696	316,780	-	2,616,476
Furniture & Fittings	8,792,513	1,542,389	-	10,334,902
Motor Vehicles	93,368,160	71,823,403	(8,592,613)	156,598,950
	<u>153,437,413</u>	<u>80,203,447</u>	<u>(8,592,613)</u>	<u>225,048,248</u>
Net Book Value	<u>407,136,161</u>			<u>340,685,968</u>

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

Market Value of the Free Hold Land & Building Property

	Market Value	Valuation Surveyor	Date Of Valuation	Land Extent
Freehold Land & Building at Panagoda, Homagama	Rs. 380.40 Mn	Mr. D.N D Baranage	31.03.2014	18 Acres and 32 Perches

Notes to the Financial Statements

13	INTANGIBLE ASSETS COST	As at 1st April 2014	Additions	Disposals	As at 31st March 2015	
	Computer Software	10,758,397	3,603,531	-	14,361,928	
		<u>10,758,397</u>	<u>3,603,531</u>	<u>-</u>	<u>14,361,928</u>	
	ACCUMULATED AMORTIZATION	As at 1st April 2014	Amortization for the year	Disposals	As at 31st March 2015	
	Computer Software	10,758.397	651,597	-	11,409,994	
		<u>10,758,397</u>	<u>651,597</u>	<u>-</u>	<u>11,409,994</u>	
	NET BOOK VALUE	<u>-</u>			<u>2,951,934</u>	
	As at 31 st March		2015		2014	
14	FINANCIAL INVESTMENTS		Rs. Cost	Rs. Market Value	Rs. Cost	Rs. Market Value
	14.1 Investment in Shares - Available For sale		7,417	156,240	7,417	123,219
	Diesel & Motor Engineering PLC (Quoted) (244 Ordinary shares of Rs. 10/- each)					
	Total Investments			<u>156,240</u>		<u>123,219</u>
	As at 31 st March			2015 Rs.		2014 Rs.
15	LEASE RENTAL RECEIVABLE					
	Opening Balance			809,280,000		945,420,000
	Granted/Adjustments during the year			<u>18,898,000</u>		<u>307,560,000</u>
	Total Rental Receivable			828,178,000		1,252,980,000
	Less- Payment Received during the year			<u>(284,923,500)</u>		<u>(443,700,000)</u>
	Total Rental Outstanding			543,254,500		809,280,000
	Less- Interest In Suspense			<u>(27,031,307)</u>		<u>(84,311,500)</u>
	Unearned Rental Income			<u>516,223,193</u>		<u>724,968,500</u>
	15.1 Receivable after one year					
	Total Rental Receivable			69,000,000		201,548,196
	Less- Interest In Suspense			<u>(9,400,378)</u>		<u>(27,585,804)</u>
	Unearned Rental Income			<u>59,599,622</u>		<u>173,962,392</u>
	15.2 Receivable within one year					
	Total Rental Receivable			474,254,500		607,731,804
	Less- Interest In Suspense			<u>(17,630,929)</u>		<u>(56,725,696)</u>
	Unearned Rental Income			<u>456,623,571</u>		<u>551,006,108</u>

Notes to the Financial Statements

As at 31 st March		2015	2014
		Rs.	Rs.
16	INVENTORIES		
	Vehicle Stock	3,287,652,148	1,834,066,743
	Generators	41,272,950	79,378,900
	Cab/Bodies & Work in Progress	36,393,139	12,405,168
	Spare Parts & Consumables	323,597,622	263,906,442
		3,688,915,859	2,189,757,254
	Goods In Transit	7,116,160	677,355,901
		3,696,032,019	2,867,113,155
	Provision for Slow Moving & Obsolete Stocks- (General)	(311,079,190)	(168,228,263)
		3,384,952,829	2,698,884,891
<i>Stocks have been pledged against the trust loan and revolving import loans obtained from Seylan Bank PLC and Commercial Bank of Ceylon PLC.</i>			
		2015	2014
		Rs.	Rs.
17	TRADE AND OTHER RECEIVABLES		
	Trade Receivables	1,070,207,734	1,056,441,938
	Less: Impairment provision (Note 17.1)	(141,644,692)	(76,735,888)
		928,563,042	979,706,050
	Advances to Staff	9,771,000	5,638,455
	VAT Receivable	72,144,338	67,192,067
	Other Receivables	4,684,474	8,036,850
		1,015,162,854	1,060,573,422
17.1 PROVISION FOR BAD AND DOUBTFUL DEBTS			
	Balance at the beginning of the year	76,735,888	108,245,014
	Provision for the Year	65,162,480	-
	Reversal during the year	(253,676)	(31,509,126)
	Balance at the end of the year	141,644,692	76,735,888
18 DEPOSITS AND PREPAYMENTS			
	Deposits and Advances	9,360,788	8,701,909
	Prepayments	6,393,855	7,909,629
		15,754,643	16,611,538
19 RELATED PARTY RECEIVABLES			
	Receivables from Ashok Leyland	475,749,632	489,309
		475,749,632	489,309

Notes to the Financial Statements

As at 31 st March				2015 Rs.	2014 Rs.
20	CASH & CASH EQUIVALENTS				
	20.1 FAVOURABLE BALANCES				
	Fixed Deposits			2,300,000	2,300,000
	Cash in Hand			171,195	6,131,121
	Cash at Banks			12,953,514	15,216,359
				<u>15,424,709</u>	<u>23,647,480</u>
	20.2 UNFAVOURABLE BALANCES				
	Bank Overdraft			(12,776,065)	(21,569,011)
	Cash & Cash Equivalents for the Purpose of Cash Flow Statement			<u>2,648,644</u>	<u>2,077,469</u>
	20.3 Overdraft Facilities	Limit	Security		
	Seylan Bank PLC	100,000,000	Land /Building /Inventory		
21	STATED CAPITAL		No of Shares	2015 Rs.	2014 Rs.
	Issued & Fully Paid				
	Ordinary Shares		3,620,843	36,208,430	36,208,430
	Share Premium			13,166,720	13,166,720
	Stated Capital			<u>49,375,150</u>	<u>49,375,150</u>
	A premium of Rs. 40/- per share was received for 329,168 ordinary shares issued as rights in 1992.			2015	2014
22	GENERAL RESERVES			Rs.	Rs.
	Opening Balance			887,347,500	887,347,500
	Transferred during the year			-	-
	Closing Balance			<u>887,347,500</u>	<u>887,347,500</u>
	The General Reserve relates to retained earnings set aside by the Company.				
23	FINANCIAL ASSETS - AVAILABLE FOR SALE RESERVE				
	Available for Sale Reserve			148,823	115,802
				<u>148,823</u>	<u>115,802</u>
	Available for sale reserve comprises the net change in the fair value of available for sale financial asset until the investments are derecognized or impaired. The movement of the above reserves are given in the Statement of Changes in the Equity.				
24	DEFERRED TAX ASSET / LIABILITIES			2015 Rs.	2014 Rs.
	24.1 Temporary Difference				
	Property Plant & Equipment			60,520,851	43,817,745
	Employee Benefits			(56,469,269)	(42,803,374)
				<u>4,051,582</u>	<u>1,014,371</u>
	Tax effect on Temporary Difference			28%	28%
	Property Plant & Equipment			16,945,838	12,268,969
	Employee Benefits			(15,811,395)	(11,984,945)
				<u>1,134,443</u>	<u>284,024</u>
	Balance as at the beginning of the year			284,024	(18,528,272)
	(Provision) / Reversal for the year			850,419	18,812,296
	Balance as at the end of the year			<u>1,134,443</u>	<u>284,024</u>

Notes to the Financial Statements

As at 31 st March	2015 Rs.	2014 Rs.
25 EMPLOYEE BENEFITS		
Balance as at the beginning of the year	42,803,374	39,669,698
Current Service Cost	3,221,902	2,459,496
Interest Cost for the year	4,280,337	4,165,318
Net Actuarial Gain Loss	6,163,656	2,091,325
Payments during the year	-	(5,582,463)
Balance as at the end of the year	<u>56,469,269</u>	<u>42,803,374</u>
25.1 Recognized in ;		
a) Income Statement		
Interest Cost	4,280,337	4,165,318
Current Service Cost	3,221,902	2,459,496
	<u>7,502,239</u>	<u>6,624,814</u>
b) Other Comprehensive Income		
Actuarial Loss	6,163,656	2,091,325
	<u>13,665,895</u>	<u>8,716,139</u>
Employee Benefit liability is based on the actuarial valuation carried out by Messrs. Actuarial and Management Consultants(Pvt) Limited, Actuaries, on 31 March 2015. The principal assumptions used in are as follows:		
The Discount Rate	9.50%	10.00%
Expected Annual Average Salary Increment	10.00%	10.00%
Staff Turnover Factor	2%	2%
Retiring Age	58 years	58 years
	2015 Rs.	2014 Rs.
26 TRADE AND OTHER PAYABLES		
Trade Payables	411,403,733	136,681,955
Accruals	31,999,428	38,558,206
Refundable Deposits	84,998,510	54,487,806
Unclaimed Dividend	8,669,536	3,093,847
Deferred Income (Note 26.1)	9,528,260	5,460,666
Other Payables	36,647,533	34,956,643
	<u>583,247,000</u>	<u>273,239,123</u>
26.1 MOVEMENT OF DEFERRED INCOME		
Balance at the beginning of the year	5,460,666	5,588,330
Provision for the year	72,576,589	55,682,193
Reversed during the year	(68,508,995)	(55,809,857)
Balance at the end of the year	<u>9,528,260</u>	<u>5,460,666</u>

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

Notes to the Financial Statements

As at 31 st March		2015 Rs.	2014 Rs.
27	CURRENT TAX LIABILITIES		
	Balance as at beginning of the year	36,212,742	2,575,213
	Income Tax Liability for the year (Note 10.2)	200,870,990	72,748,211
	Paid/set off during the year	(74,241,728)	(39,085,687)
	WHT Recoverable	(14,760)	(24,995)
	Current Tax Liability	<u>162,827,244</u>	<u>36,212,742</u>
28	PROVISION FOR WARRANTY		
	Provision for Warranty	3,821,058	2,515,596
		<u>3,821,058</u>	<u>2,515,596</u>
The provision for warranties relates mainly to vehicles sold during the last six months of 2014 and 2015. The provision is based on estimates made from historical warranty data associated with similar products and services. The company expects to settle the majority of the liability over the next year.			
29	SHORT TERM BORROWINGS		
	Import Loan (Note 29.1)	2,213,769,590	1,523,851,650
	Payable on Imports	1,224,066	607,630,985
		<u>2,214,993,656</u>	<u>2,131,482,635</u>

29.1 Movement of Short Term Borrowings

Lender	Purpose	Rate of Interest %	As at 31st March 2014 Rs.	Obtained during the year Rs.	Repayments Rs.	As at 31st March 2015 Rs.
Seylan Bank PLC	Import/Financing	AWPLR+0.5%	724,242,000	3,945,654,000	(4,056,781,000)	613,115,000
Indian Bank	Import/Financing	AWPLR	575,000,000	191,269,880	(766,269,880)	-
Commercial Bank	Import/Financing	AWPLR+1.5%	187,559,027	4,299,640,875	(2,886,545,312)	1,600,654,590
Sampath Bank	Import/Financing	AWPLR	37,050,623	17,391,300	(54,441,923)	-
			<u>1,523,851,650</u>	<u>8,453,956,055</u>	<u>(7,764,038,115)</u>	<u>2,213,769,590</u>

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

30 RELATED PARTY DISCLOSURE

30.1 Related Party Transactions

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

Name of Related Party & Relationship	Name of the Director	Position	Nature of Transaction	Amount Rs.
Ashok Leyland Limited- India Holds 27.8 % of share capital of the Company by virtue of the joint venture agreement with Lanka Leyland Ltd.	Mr.Vinod K Dasari	Managing Director of Ashok Leyland Ltd	Purchase of Motor Vehicles Net of Warranty	6,343,309,352
	Mr. G.Mahadeven	Chief Financial Officer of Ashok Leyland Ltd	Purchase of Spare Parts/Generators	99,455,639
			Settlement of Motor Vehicles & Spares Purchased	(6,441,540,925)
			Dividend Payment to Ashok Leyland	4,537,494
Lanka Leyland Ltd Holds 41.8% of the Share Capital of the Company.	Mr.Y.L.S Hameed	Chairman of Lanka Leyland Ltd	Dividend Payment to Lanka Leyland	6,806,250
	Mr.B.M.Riyaj	Director of Lanka Leyland Ltd		
Sri Lanka Transport Board Major Customer			Receivable on account of sale of vehicles and Spares	1,674,965,670
			Payments received during the year	(847,749,080)
			Closing receivable balance	827,216,590

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

30.2 Compensation of Key Management Personnel

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

Key management personnel include members of the Boards of Directors, and the Chief Executive Officer of the Company. The total compensation paid as salaries and reimbursements are as follows,

	2015 Rs.	2014 Rs.
a. Short term employee benefits	12,673,468	8,530,287
b. Post-employment benefits	741,600	498,600
c. Termination benefits	-	-
d. Share-based payments	-	-
	<u>13,415,068</u>	<u>9,028,887</u>

Notes to the Financial Statements

31 CAPITAL COMMITMENTS

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

32 CONTINGENT LIABILITIES

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

However the management is of the opinion that the assessment is incorrect on several grounds and a petition of appeal to the Tax Appeals Commission was made on 30th March 2015 and the outcome of the assessment will not have a material liability to the company and hence no provisions have been made in the financial statement.

There were no contingent liabilities as at reporting date other than disclosed above.

33 LITIGATION AND CLAIMS

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

34 EVENTS OCCURED AFTER THE REPORTING DATE

After satisfying the Solvency Test in accordance with Section 57 of the Companies Act, No 07 of 2007, the Directors have recommended the payment of first and final dividend of Rs.40 per share (400%) amounting to Rs.144,833,720/= for the year ended 31st March 2015 (2013/14- Rs 5/= per share (50%) amounting to Rs 18,104,215/=, which will be declared at the Annual General Meeting to be held on 27th July 2015. 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 2015. Subsequent to the reporting period, no circumstance have arisen which would require adjustments to or disclosure in the financial statements, other than the above.

35 COMPARATIVE FIGURES

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

36 ULTIMATE HOLDING COMPANY

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

37 NUMBER OF EMPLOYEES

The number of employees as on 31st March was;

	2015	2014
Executives	44	41
Non Executives	136	92
	<u>180</u>	<u>133</u>

38 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The company do not designate any of its Financial Assets/Liabilities at fair value. Given below is a comparison of the carrying amounts and fair value of the companies financial instruments as stipulated by SLFRS- 13-Fair Value Measurement.

	2015		2014	
	Carring Amount - Rs	Fair Value - Rs	Carring Amount - Rs	Fair Value - Rs
Financial Assets				
Trade Receivable	928,563,042	928,563,042	979,706,050	979,706,050
Lease Rental Receivable	516,223,192	516,223,192	724,968,500	724,968,500
Related Party Receivable	475,749,632	475,749,632	489,309	489,309
Cash & Cash Equivalents	15,424,709	15,424,709	23,647,480	23,647,480
	<u>1,935,960,575</u>	<u>1,935,960,575</u>	<u>1,728,811,339</u>	<u>1,728,811,339</u>
Financial Liabilities				
Trade & Other Payable	443,403,161	443,403,161	175,240,161	175,240,161
Interest Bearing Borrowings	2,227,769,721	2,227,769,721	2,153,051,646	2,153,051,646
	<u>2,671,172,882</u>	<u>2,671,172,882</u>	<u>2,328,291,807</u>	<u>2,328,291,807</u>

39 FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Risk management framework

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

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

Notes to the Financial Statements

Credit risk

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

Exposure to credit risk

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

As at 31 March	2015 Rs	2014 Rs
Trade Receivables	928,563,042	979,706,050
Lease Rental Receivable	543,254,500	809,280,000
Related Party Receivables	475,749,632	489,309
Cash and Cash Equivalents	15,424,709	23,647,480
Total	<u>1,962,991,883</u>	<u>1,813,122,839</u>

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry as these factors may have an influence on credit risk. During 2015, approximately 2.7% (2014: 15%) 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 and other receivables. The main components of this allowance are determined based on historical data of payment statistics for similar financial assets.

The aging of the Trade Receivables as at 31st March 2015.

	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	342,522,934	61,191,326	85,654,360	39,272,445	399,921,977	928,563,042

Cash and Cash equivalents

The Company held cash and cash equivalents of LKR 15,424,709 as at 31 March 2015 (2014: LKR. 23,647,480), which represents its maximum credit exposure on these assets.

Liquidity risk

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

The Company also monitors the level of expected cash inflows from trade and other receivables together with expected cash outflows on trade and other payables. In addition, the Company maintains LKR 150 million overdraft facility that is unsecured. Interest would be payable at the market rate.

The following are the contractual maturities of Financial Liabilities at its Carrying Value;

As at 31 st March 2015	Carrying Amount - Rs	0-30 Days Rs	31-90 Days Rs	More than 91 Days - Rs
Trade & Other Payables	443,403,161	43,574,468	399,828,693	-
Amounts due to Related Parties	1,224,066	1,224,066	-	-
Interest Bearing Borrowings	2,213,769,590	-	2,213,769,590	-
Bank Overdraft	12,776,065	12,776,065	-	-
Total	<u>2,671,172,882</u>	<u>57,574,599</u>	<u>2,613,598,283</u>	<u>-</u>

Market risk

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

Foreign Currency risk

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

The Financial Instruments denominated in US Dollars as on 31st March 2015 are;

	LKR	US \$
Related Party Payable for Import bills	(1,224,066)	(9,300)
Related Party Receivables	<u>475,749,632</u>	<u>3,635,390</u>
Total	<u>474,525,566</u>	<u>3,626,090</u>

Operational Risk

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

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

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

Decade at a Glance

TRADING RESULTS

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Turnover	Rs 000'	4,315,004	4,153,166	2,800,907	2,595,585	3,408,648	11,524,020	16,830,583	10,533,066	6,976,829	8,217,864
Net Trading Profit /(Loss) Before Interest	Rs 000'	294,868	238,555	168,507	189,317	289,748	1,131,770	1,575,480	376,615	354,229	528,334
Interest Paid	Rs 000'	(42,525)	(38,602)	(59,799)	(112,132)	(87,162)	(42,526)	(17,850)	(313,781)	(332,748)	(87,032)
Net Trading Profit /(Loss) After Interest	Rs 000'	252,343	199,953	108,708	77,185	202,586	1,089,244	1,557,630	62,834	21,481	441,302
Other Income	Rs 000'	17,766	5,920	3,181	5,272	4,868	30,201	88,708	390,289	234,636	92,120
Profit/(Loss) before tax	Rs 000'	270,109	205,873	111,889	82,457	207,454	1,119,445	1,646,338	453,123	256,117	533,422
Taxation	Rs 000'	(87,469)	(83,738)	(41,536)	(23,921)	(117,624)	(470,553)	(463,207)	(98,300)	(91,561)	(201,721)
Profit/(Loss) after tax	Rs 000'	182,640	122,135	70,353	58,536	89,830	648,892	1,183,131	354,823	164,556	331,701
Other Comprehensive Income	Rs 000'	-	-	-	-	-	-	(4,010)	(6,376)	(2,091)	(6,164)
Profit B/F	Rs 000'	41,773	74,503	85,430	92,765	90,092	152,766	592,851	1,330,037	1,361,233	1,487,490
Effect of Transitory Provision	Rs 000'	-	-	-	-	-	-	(33,310)	-	-	-
Prior year adjustments	Rs 000'	89	-	(1,810)	-	-	(4,495)	-	-	-	-
Profit Available for Appropriations	Rs 000'	224,502	196,638	153,973	151,301	179,922	797,163	1,738,662	1,678,484	1,523,698	1,813,027
Dividend Paid	Rs 000'	(36,208)	(36,208)	(36,208)	(36,208)	(27,156)	(54,312)	(108,625)	(217,250)	(36,208)	(18,104)
Transfers to Reserves	Rs 000'	(150,000)	(75,000)	(25,000)	(25,000)	-	(150,000)	(300,000)	(100,000)	-	-
Retained Earnings	Rs 000'	38,294	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922

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'	38,294	85,430	92,765	90,093	152,766	592,851	1,330,037	1,361,233	1,487,489	1,794,922
Reserves	Rs 000'	225,514	300,514	325,514	350,514	350,514	467,560	800,747	900,631	900,631	900,664
Proposed Dividend	Rs 000'	36,208	-	-	-	-	-	-	-	-	-
Shareholders Fund	Rs 000'	336,225	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072	2,424,328	2,731,794

ASSETS & LIABILITIES

Property, Plant & Equipment	Rs 000'	55,703	73,326	85,694	77,144	67,257	119,484	145,413	331,487	407,136	340,686
Non Current Assets	Rs 000'	1,007	1,007	3,507	3,507	3,507	52,950	510,776	561,712	174,085	62,708
Current Assets	Rs 000'	810,347	777,492	936,639	1,179,235	1,286,732	2,774,286	5,655,044	5,032,168	4,351,212	5,363,668
Current Liabilities	Rs 000'	(520,319)	(409,475)	(547,956)	(764,926)	(798,316)	(1,829,479)	(4,116,168)	(3,587,626)	(2,465,019)	(2,977,665)
Working Capital	Rs 000'	290,028	368,017	388,683	414,309	488,416	944,807	1,538,876	1,444,542	1,886,193	2,386,003
Non Current Liabilities	Rs 000'	(10,513)	(20,199)	(23,397)	(18,145)	(19,692)	(20,622)	(28,073)	(39,670)	(43,087)	(57,604)
Net worth of Company	Rs 000'	336,225	422,152	454,487	476,815	539,488	1,096,619	2,166,992	2,298,072	2,424,328	2,731,794

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.	92.86	116.59	125.52	131.69	149.00	302.86	598.48	634.68	669.55	754.46
Dividend per Share	Rs.	10.00	10.00	10.00	7.50	15.00	30.00	60.00	10.00	5.00	40.00
Market price per Share	Rs.	290.00	170.00	360.00	355.00	1,075.00	2,650.00	2,069.70	1,717.80	1,292.00	1,300.00
Market Capitalisation	Rs 000'	1,050,044	615,543	1,303,503	1,285,399	3,892,406	9,595,234	7,494,059	6,219,884	4,678,129	4,707,096
Earnings per Share	Rs.	50.44	33.73	19.43	16.17	24.81	179.21	326.76	97.99	45.45	91.61
Dividend Payout	%	0.20	0.30	0.51	0.46	0.60	0.17	0.18	0.10	0.11	0.44
Price Earning Ratio	Rs.	5.75	5.04	18.53	21.96	43.33	14.79	6.33	17.53	28.43	14.19
Current Ratio	No of Times	1.56	1.90	1.71	1.54	1.61	1.52	1.37	1.40	1.77	1.80
Quick Ratio	No of Times	0.50	1.05	0.78	0.89	0.71	0.41	0.33	0.25	0.67	0.66
Interest Cover	%	6.93	6.18	2.82	1.69	3.32	26.61	88.26	1.20	1.06	6.07
Trading profit before Int. / Net Turnover.	%	6.83	5.74	6.01	7.29	8.50	9.82	9.36	3.58	5.08	6.43
Trading profit after Int. / Net Turnover.	%	5.85	4.81	3.88	2.97	5.94	9.45	9.25	0.60	0.31	5.37
Return on Net Assets	%	54.32	28.93	15.40	12.28	16.65	59.17	54.60	15.44	6.79	12.14

Share Holders Information

There were 570 registered shareholders as at 31st March 2015 distributed as follows

Category	No. Of Shareholders		Shareholding		%	
	2015(Mar)	2014(Mar)	2015(Mar)	2014(Mar)	2015(Mar)	2014(Mar)
1- 1000	554	551	34,504	33,646	0.95	0.93
1001-5000	9	9	18,650	14,304	0.52	0.40
5001-10000	-	-	-	-	-	-
10001-50000	1	2	31,250	49,050	0.86	1.35
50001-100000	-	-	-	-	-	-
100001-500000	3	1	447,302	452,506	12.35	12.50
500001-1000000	1	1	568,305	550,505	15.70	15.20
OVER 1000000	2	2	2,520,832	2,520,832	69.62	69.62
Total	570	566	3,620,843	3,620,843	100.00	100.00

List of 20 Major Shareholders as on 31st March				
MAJOR SHAREHOLDERS	No. of shares held		Shareholding %	
	2015	2014	2015	2014
Lanka Leyland Ltd	1,512,500	1,512,500	41.77	41.77
Ashok Leyland Ltd	1,008,332	1,008,332	27.85	27.85
N Thirimanne	568,305	17,800	15.70	0.49
L S I Perera	-	550,505	-	15.20
Commercial Trust Technologies (Pvt)Ltd	218,946	-	6.05	-
Union Bank of Colombo PLC/Perpetual Equities (Pvt)Ltd	115,506	-	3.19	-
Perpetual Capital (Pvt) Ltd	112,850	452,506	3.12	12.50
Sri Lanka Central Transport Board	31,250	31,250	0.86	0.86
J G De Mel	4,551	1,601	0.13	0.04
R P T Adams	2,700	2,700	0.07	0.07
N J Perera	2,600	2,600	0.07	0.07
People`s Leasing & Finance PLC/ M A U Gnanathilaka	2,232	2,020	0.06	0.06
U.I Suriyabandara	1,717	1,268	0.05	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
L A P Perera	1,200	1,200	0.03	0.03
P L Perera	1,100	1,100	0.03	0.03
R R Jayasundara /L J M A Jayasundara	800	800	0.02	0.02
M J V K Jayasuriya	800	800	0.02	0.02
L H L M Chandralal	753	753	0.02	0.02
N H Uduwela	725	725	0.02	0.02

Public Share Holding as on 31st March	2015	2014
No of Share Holders	567	562
Share Holding %	14.68%	2.68%
The Highest and lowest Market value per share recorded during the year,		
Highest	1,550	1,675
Lowest	1,300	1,202

Form of Proxy

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

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

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

as my/ our* proxy to represent me/ us* and on my/ our* behalf at the Annual General Meeting of the Company to be held at Hotel Taj Samudra on 27th July 2015 at 3.30 p.m and at any adjournment thereof and at every poll which may be taken consequence thereof.

In witness my/ our hand/ hands thisday of Two Thousand and Fifteen.

.....
Signature

*** Note :**

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

Form of Proxy

Instructions

1. Kindly perfect the form of proxy by filling in legibly your full name and address by deleting one or other of the alternative words indicated by an asterisk in the body of the form overleaf in order to indicate clearly your voting instructions by signing in the space provided and filling in the date of signature.
2. If there is any doubt as to which way the proxy should vote by reason of the way in which instructions under (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 25th July 2015 being forty-eight hours before the time appointed for the holding of the meeting.
5. If the form of proxy is signed by an Attorney, the relative power of Attorney of notarially certified copy of such power should accompany the complete form of proxy for registrations if such power of attorney has not already been registered with the Company.



LAL

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