

**LANKA LEYLAND LIMITED**

**YEAR ENDED 31ST MARCH 2013**

**ANNUAL REPORT**

## Report of the directors

Your Directors have pleasure in presenting to the members their report together with the Audited Accounts of the company for the year ended 31<sup>st</sup> march 2013

### COMPANY ACTIVITIES

The principal function of the company at present is to supervise & guide the activities at Lanka Ashok Leyland PLC where it has a major investment

### REVIEW FOR THE YEAR

<u>Year Ended 31<sup>st</sup> March</u>	<u>2013</u>
<b>Revenue</b>	
Interest Income	7,070,242.20
Administration Expenses	1,658,738.40
Fair value Gain/(Loss) on Investment in Associates Company	(532,248,750.00)
Other Expenses	<u>(2540.69)</u>
Operating Profit/(Loss)	<b>(526,248,750.00)</b>
Finance Income	<u>81,675,000.00</u>
Profit/(Loss) Before Tax	(445,164,786.89)
Tax Expenses	<u>1,553,669.00</u>
<b>Profit/(Loss) for the Year</b>	<b><u>(446,718,455.89)</u></b>
Other Comprehensive In come	
Total Comprehensive Income for the Year	<b><u>(446,718,455.89)</u></b>

## **DIRECTORATE**

Mr.Y.L.S Hameed	Chairaman
Mr.B.M Riyaj	Director
Mr. S Liyaudeen	Director
Mr.S Anadarasa	Director
Mr.K.M Risvi	Director
Mr.Noor Nizam	Director
Mr.A.H.M.Anwer	Director

## **DIVIDENDS**

Your directors have pleasure in informing you that they paid a dividend of Rs .80, 000,000.00 during the year ended 31<sup>st</sup> March 2013

## **DIRECTORS,S INTEREST IN CONTRACT WITH THE COMPANY**

Director's interest in contract with the company is disclosed note 17 to the financial statements

## **AUDITORS**

The accounts for the year have been audited by M/S Kreston MNS & Co, Chartered Accountants who offer themselves for re-appointment

There being no other business ,the meeting concluded with a vote of thanks to the chair

By Order of the Board

Chairman

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LANKA LEYLAND (PVT) LIMITED

### Report on the Financial Statements

We have audited the accompanying Financial Statements of **LANKA LEYLAND (PVT) LIMITED**, which comprise the Statement of Financial Position as at 31<sup>st</sup> March 2013, and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory notes, exhibited on pages 2 to 16.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standard applicable to Small and Medium – sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31<sup>st</sup> March 2013, and the Financial Statements give a true and fair view of the Company's Financial Position as at 31<sup>st</sup> March 2013 and its financial performance and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standard applicable to Small and Medium - sized Entities.



**Emphasis of Mater**

Without qualifying our opinion, we draw attention to Note 4 to these Financial Statements and as explained in the said Note the Land is presently not in the possession of the Company.

**Report on Other Legal and Regulatory Requirements**

These Financial Statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.

Kreston MNS & Co  
**CHARTERED ACCOUNTANTS**  
**COLOMBO**  
**7<sup>TH</sup> OCTOBER 2013**  
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## LANKA LEYLAND (PVT) LIMITED

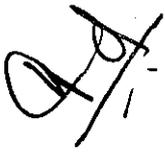
## STATEMENT OF FINANCIAL POSITION AS AT

		31.03.2013 Rs.	31.03.2012 Rs.
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4	634,452.00	629,306.00
Investment in Associate	5	2,598,172,500.00	3,130,421,250.00
		<u>2,598,806,952.00</u>	<u>3,131,050,556.00</u>
<b>Current Assets</b>			
Investments	6	58,954,171.79	56,869,404.13
Trade & Other Receivables	8	5,227,231.36	65,550.00
Cash at Bank			1,341,866.54
		<u>64,181,403.15</u>	<u>58,276,820.67</u>
<b>Total Assets</b>		<u>2,662,988,355.15</u>	<u>3,189,327,376.67</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Stated Capital	9	8,958,600.00	8,958,600.00
General Reserve	10	9,800,924.00	9,800,924.00
Retained Earnings		2,643,089,324.38	3,169,807,780.27
		<u>2,661,848,848.38</u>	<u>3,188,567,304.27</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	11	68,460.00	27,000.00
Income Tax Liability	12	1,071,046.77	733,072.40
		<u>1,139,506.77</u>	<u>760,072.40</u>
		<u>1,139,506.77</u>	<u>760,072.40</u>
<b>Total Equity and Liabilities</b>		<u>2,662,988,355.15</u>	<u>3,189,327,376.67</u>

I certify that the Financial Statements are in compliance with the requirement of the Companies Act No. 07 of 2007.

  
Financial Controller

The Financial Statements for the year ended 31st March 2013 (including comparatives) were approved by the Board of Directors.

1.   
Directors

2.   
7th October 2013



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

		31.03.2013 Rs.	31.03.2012 Rs.
	Note		
<b>Revenue</b>			
Interest Income		7,070,242.20	5,920,643.20
<b>Administrative Expenses</b>			
Fair Value Gain / (Loss) on Investment in Associate Company		(1,658,738.40)	(1,663,477.71)
Other Expenses		(532,248,750.00)	331,993,750.00
		(2,540.69)	(3,360.00)
<b>Operating Profit / (Loss)</b>		(526,839,786.89)	336,247,555.49
Finance Income	13	81,675,000.00	40,837,500.00
<b>Profit / (Loss) before tax</b>	14	(445,164,786.89)	377,085,055.49
Tax Expense	15	(1,553,669.00)	(1,185,747.69)
<b>Profit / (Loss) for the year</b>		(446,718,455.89)	375,899,307.80
<b>Other Comprehensive Income</b>			
<b>Total Comprehensive Income for the year</b>		(446,718,455.89)	375,899,307.80



STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST MARCH 2013

	Stated Capital Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Restated Balance as at 1st April 2011</b>	8,958,600.00	9,800,924.00	2,832,939,842.48	2,851,699,366.48
Dividend	-	-	(39,031,370.01)	(39,031,370.01)
Transactions with owners	8,958,600.00	9,800,924.00	2,793,908,472.47	2,812,667,996.47
Profit for the year	-	-	375,899,307.80	375,899,307.80
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	375,899,307.80	375,899,307.80
<b>Restated Balance as at 31st March 2012</b>	8,958,600.00	9,800,924.00	3,169,807,780.27	3,188,567,304.27
Dividend	-	-	(80,000,000.00)	(80,000,000.00)
Transactions with owners	-	-	(80,000,000.00)	(80,000,000.00)
Loss for the year	-	-	(446,718,455.89)	(446,718,455.89)
Other comprehensive income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	(446,718,455.89)	(446,718,455.89)
<b>Balance as at 31st March 2013</b>	8,958,600.00	9,800,924.00	2,643,089,324.38	2,661,848,848.38



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

		31.03.2013 Rs.	31.03.2012 Rs.
<b>Operating Activities</b>			
Profit / (Loss) before taxation		(445,164,786.89)	377,085,055.49
<b>Adjustments</b>			
Depreciation	4	2,354.00	1,416.50
Interest Income		(7,070,242.20)	(5,920,643.20)
Dividend Income	13	(81,675,000.00)	(40,837,500.00)
Fair Value Loss / (Gain) on Investment in Associate Company		532,248,750.00	(331,993,750.00)
<b>Total adjustments</b>		<u>443,505,861.80</u>	<u>(378,750,476.70)</u>
<b>Net Changes in Working Capital</b>			
Change in Other Receivables		65,550.00	(65,550.00)
Change in Trade and Other Payables	11	41,460.00	-
<b>Total Changes in Working Capital</b>		<u>107,010.00</u>	<u>(65,550.00)</u>
Income Tax Paid	12	(1,215,694.63)	(1,735,498.50)
Interest Received		4,943,892.38	5,260,871.56
<b>Cash flow from Operating Activities</b>		<u>2,176,282.66</u>	<u>1,794,401.85</u>
<b>Investing Activities</b>			
Purchase of Property, Plant & Equipment	4	(7,500.00)	-
Purchase of Investments net of Withdrawal	6	41,582.16	(4,952,157.08)
Dividend Received	13	81,675,000.00	40,837,500.00
<b>Cash Flow from Investing Activities</b>		<u>81,709,082.16</u>	<u>35,885,342.92</u>
<b>Financing Activities</b>			
Dividend paid		(80,000,000.00)	(39,031,370.01)
<b>Cash flow from Financing Activities</b>		<u>(80,000,000.00)</u>	<u>(39,031,370.01)</u>
<b>Net change in Cash and Cash Equivalents</b>		3,885,364.82	(1,351,625.24)
<b>Cash and Cash Equivalents at 1st April</b>	8	1,341,866.54	2,693,491.78
<b>Cash and Cash Equivalents at 31st March</b>	8	<u>5,227,231.36</u>	<u>1,341,866.54</u>



**NOTES TO FINANCIAL STATEMENTS****NOTE 1 - CORPORATE INFORMATION**

Lanka Leyland (Pvt) Limited is a Private Limited Liability Company incorporated under Companies ordinance No.51 of 1938 and re-registered under the Companies Act No. 07 of 2007 and domiciled in Sri Lanka. The address of its registered office and principal place of business is No. 80/12, Rubberwatta Road, Gangodawila, Nugegoda.

The principal activity of Lanka Leyland (Pvt) Limited is investing in Treasury Bills and Fixed Deposits.

**NOTE 2 - GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH SRI LANKA ACCOUNTING STANDARD FOR SMALL AND MEDIUM SIZED ENTITIES (SLFRS FOR SMES)**

The Financial Statements of the Company for the year ended 31<sup>st</sup> March 2013 have been prepared in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) issued by the Institute of Chartered Accountants of Sri Lanka. They are presented in Sri Lankan Rupees (Rs), which is also the functional currency of the Company. These are the Company's first set of Financial Statements prepared in accordance with the SLFRS for SMEs (see Note 19 for an explanation of the transition).

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or cease operations.

**NOTE 3 - SUMMARY OF ACCOUNTING POLICIES****NOTE 3.1 - OVERALL CONSIDERATIONS**

The significant accounting policies that have been used in the preparation of these Financial Statements are summarised below. These accounting policies have been used throughout all periods presented in the financial statements, except where the Company has applied certain exemptions upon transition to SLFRS for SMEs (see Note 19.1 for details).

**NOTE 3.2 - INVESTMENTS IN ASSOCIATES**

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor investments in joint ventures. Investments in Associates are Initially recognised at cost and subsequently measured at fair value.

**NOTE 3.3 - REVENUE****Interest & Dividend Income**

Interest income is recognised on an accrual basis using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.



## LANKA LEYLAND (PVT) LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTD.)

## NOTE 3.4 - PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following useful lives are used for the depreciation of Property, Plant & Equipment :

	Years
Office Equipments	4

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

## NOTE 3.5 - IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS IN ASSOCIATES

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash-inflows (cash-generating units – CGUs). As a result, some assets are tested individually for impairment and some are tested at the CGU level. Goodwill is allocated to those CGUs that are expected to benefit from the synergies of the related business combination.

Individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset or CGU's carrying amount exceeds its recoverable amount

Impairment losses for CGUs reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro-rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently assessed for indications that an impairment loss previously recognised may no longer exist. In that case the previous impairment loss is reversed through Profit or Loss.

## NOTE 3.6 - FINANCIAL INSTRUMENTS

## Financial Assets

## Cash and Cash Equivalents

These financial assets are recognised initially at the transaction price.

## Other Short-term Financial Assets

Other short-term financial assets comprise investments in Fixed Deposits and Treasury Bills.

They are recognised initially at transaction price. After initial recognition, investments in Fixed Deposits and Treasury Bills are measured at amortised cost using the effective interest method.

## Financial Liabilities

The Company's financial liabilities include trade and other payables. Financial liabilities are recognised initially at transaction price. After initial recognition they are measured at amortised cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.



## NOTES TO FINANCIAL STATEMENTS (CONTD.)

## NOTE 3.7 - INCOME TAXES

Tax expense recognised in profit or loss comprises the current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to or claims from the Department of Inland Revenue relating to current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the Financial Statements.

## NOTE 3.8 - EQUITY, RESERVES AND DIVIDEND PAYMENTS

The total amount received by the Company or due and payable to the Company in respect of the issue of shares are referred to as "Stated Capital".

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

## NOTE 3.9 - POST-EMPLOYMENT BENEFITS AND SHORT-TERM EMPLOYEE BENEFITS

## Post Employment Benefit

The Company provides post-employment benefits through various defined contribution plans.

## Defined Contribution Plans

A defined contribution plan is a post – employment benefit plan under which the Company pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to Employee Provident and Employee Trust Funds covering all employees are recognised as an expense in profit or loss as incurred.

The Company contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

## Short Term Employee Benefit

Short-term employee benefits are current liabilities included in 'Accrued Expenses' and are measured at the undiscounted amount the Company expects to pay.



## NOTES TO FINANCIAL STATEMENTS (CONTD.)

**NOTE 3.10 - SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

**Significant management judgments**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

- **Impairment**

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

**Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.



## NOTES TO FINANCIAL STATEMENTS (CONTD.)

## NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

	Free hold Land Rs.	Office Equipment Rs.	Total Rs.
<b>Gross carrying amount</b>			
Balance on 1st April	626,473.00	5,666.00	632,139.00
Additions during the year	-	7,500.00	7,500.00
Balance on 31st March	<u>626,473.00</u>	<u>13,166.00</u>	<u>639,639.00</u>
<b>Accumulated depreciation and impairment</b>			
Balance on 1st April	-	2,833.00	2,833.00
Depreciation Charge for the year	-	2,354.00	2,354.00
Balance on 31st March	<u>-</u>	<u>5,187.00</u>	<u>5,187.00</u>
Carrying amount on 1st April	<u>626,473.00</u>	<u>2,833.00</u>	<u>629,306.00</u>
Carrying amount on 31st March	<u>626,473.00</u>	<u>7,979.00</u>	<u>634,452.00</u>

The Land is presently not in the possession of the Company.

## NOTE 5 - INVESTMENT IN ASSOCIATE COMPANY

Fair value method	No. of Shares	Holding		31.03.2013 Rs.	31.03.2012 Rs.
		2013 %	2012 %		
Lanka Ashok Leyland PLC	1,512,500	42%	42%	2,598,172,500.00	3,130,421,250.00
				<u>2,598,172,500.00</u>	<u>3,130,421,250.00</u>
Dividend received from Associate Company (included in Finance Income)				81,675,000.00	40,837,500.00



## LANKA LEYLAND (PVT) LIMITED

## NOTES TO FINANCIAL STATEMENTS (CONTD.)

31.03.2013  
Rs.31.03.2012  
Rs.

## NOTE 6 - INVESTMENTS

Fixed Deposits	- Peoples Bank	32,500,000.00	32,500,000.00
	- National Savings Bank	23,892,788.82	21,773,697.34
Treasury Bills	- Bank of Ceylon	2,561,382.97	2,595,706.79
		<u>58,954,171.79</u>	<u>56,869,404.13</u>

## NOTE 7 - FINANCIAL ASSETS AND FINANCIAL LIABILITIES

## Financial Assets

Financial Assets measured at fair value through profit or loss

Derivative Financial Instruments

Other Short-term Financial Assets

Total

Financial Assets measured at cost less impairment

Other Long-term Financial Assets

Total

Financial Assets measured at amortised cost less impairment

Investments (Note 6)

Cash at Bank (Note 8)

Total

## Financial Liabilities

Financial Liabilities measured at fair value through profit or loss

Derivative Financial Instruments

Total

Financial Liabilities measured at amortised cost

Other Payables - Accrued Expenses (Note 11)

Total

## NOTE 8 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Cash at Bank	5,227,231.36	1,341,866.54
	<u>5,227,231.36</u>	<u>1,341,866.54</u>



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 9 - STATED CAPITAL

The Stated Capital of the Company consists only of fully paid ordinary shares

All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholder meetings of the Company.

	31.03.2013	31.03.2012
No. of Ordinary Shares issued & fully paid		
Balance on 1st April	2,150,000	2,150,000
Balance on 31st March	<u>2,150,000</u>	<u>2,150,000</u>
	31.03.2013	31.03.2012
	Rs.	Rs.
Stated Capital		
Stated Capital	15,750,000.00	15,750,000.00
Less: Calls in Arrears	(6,791,400.00)	(6,791,400.00)
Balance on 1st April	8,958,600.00	8,958,600.00
Balance on 31st March	<u>8,958,600.00</u>	<u>8,958,600.00</u>

NOTE 10 - GENERAL RESERVE

Balance on 1st April	9,800,924.00	9,800,924.00
Balance on 31st March	<u>9,800,924.00</u>	<u>9,800,924.00</u>

General Reserve represents the amounts set a side by the Directors for general application.

NOTE 11 - TRADE AND OTHER PAYABLES

Financial Liabilities

Accrued Expense	45,000.00	27,000.00
	<u>45,000.00</u>	<u>27,000.00</u>

Non Financial Liabilities

Accrued Expense	23,460.00	-
	<u>23,460.00</u>	<u>-</u>
	<u>68,460.00</u>	<u>27,000.00</u>

NOTE 12 - INCOME TAX LIABILITY

Balance on 1st April	733,072.40	1,282,823.21
Provision for the year	1,553,669.00	1,226,462.00
- Over provision prior year	-	(40,714.31)
	<u>2,286,741.40</u>	<u>2,468,570.90</u>
Payments made during the year	(733,072.00)	(1,242,108.90)
Notional Tax Credit	(26,402.87)	(24,288.77)
WHT	(456,219.76)	(469,100.83)
Balance on 31st March	<u>1,071,046.77</u>	<u>733,072.40</u>

NOTE 13 - FINANCE INCOME

Dividend from Associate	81,675,000.00	40,837,500.00
Finance Income	<u>81,675,000.00</u>	<u>40,837,500.00</u>



## NOTES TO FINANCIAL STATEMENTS (CONTD.)

31.03.2013  
Rs.31.03.2012  
Rs.

## NOTE 14 - PROFIT / (LOSS) BEFORE TAX

is stated after charging all expenses including the following :

Directors Allowance	-	222,000.00
Directors Fees	272,400.00	321,040.00
Auditors Remuneration - For Audit	39,500.00	27,000.00
- Under Provision prior year	7,272.00	3,845.00
Staff Cost	204,000.00	204,000.00
Defined Contribution Plant Cost	108,600.00	124,350.00
Depreciation	2,354.00	1,416.50

## NOTE 15 - INCOME TAX EXPENSE

15.1 As per the Inland Revenue Act No. 10 of 2006 the Company is liable to Income Tax @ 28% on the Taxable Income.

On current year Profits	1,553,669.00	1,226,462.00
Over Provision - Prior year	-	(40,714.31)
	<u>1,553,669.00</u>	<u>1,185,747.69</u>

## 15.2 Reconciliation between tax expense and the Accounting Profit / (Loss)

Accounting Profit / (Loss) liable to Income Tax	(445,164,787)	377,085,055
Tax effect on Chargeable Profits	(124,646,140)	105,583,815
Tax effect on Excluded Income	(22,869,000)	(104,392,750)
Tax effect on non deductible Expenses	149,069,509	35,397
Tax effect on deduction claimed	(700)	-
Income Tax Over Provision - prior year	-	(40,714)
	<u>1,553,669</u>	<u>1,185,748</u>



15.3 Deferred Tax has not been provided since there are no material temporary differences.

## NOTE 16 - EVENTS AFTER THE END OF THE REPORTING PERIOD

No circumstances have arisen since the Statement of Financial Position date which would require adjustments to or disclosure in the Financial Statements.

## NOTE 17 - RELATED PARTY TRANSACTIONS

The Company's related parties include its, key managerial personnel. None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances were unsecured and are usually settled in cash.

## NOTE 17.1 - TRANSACTIONS WITH KEY MANAGERIAL PERSONNEL

The key managerial personnel of the Company are the members of the Board of Directors

## Compensation to Key Managerial Personnel

For the year ended 31st March	2013 Rs.	2012 Rs.
Short Term employment benefits	<u>272,400.00</u>	<u>543,040.00</u>

Transactions involving Key Managerial Personnel and their close family members

There were no transactions with Key Managerial Personnel and their close family members during the year.

## NOTES TO FINANCIAL STATEMENTS (CONTD.)

## NOTE 18 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no Contingent Assets and Contingent Liabilities as at 31st March 2013.

## NOTE 19 - TRANSITION TO THE SLFRS FOR SMEs

These are the Company's first Financial Statements prepared in accordance with the SLFRS for SMEs. Previously they were prepared in accordance with full SLAS. The Company has prepared its opening statement of financial position at the date of transition to the SLFRS for SMEs, which is 01.04.2011.

The effects of the transition to SLFRS for SMEs on total equity, profit and cash flows are presented in this section and further explained in the accompanying notes.

## NOTE 19.1 - EXEMPTIONS FROM FULL RETROSPECTIVE APPLICATION

The Company's accounting policies presented in note 3 have been applied in preparing the Financial Statements for the year ended 31st March 2013, the comparative information and the opening statement of financial position as at the date of transition. The resulting adjustments have been recognised in retained earnings at the date of transition. However, upon transition, the Company has applied all the mandatory exceptions from full retrospective application.

## NOTE 19.2 - RECONCILIATION OF EQUITY

Equity at the date of transition and 31st March 2012 can be reconciled to the amount reported previously under SLAS as follows:

	31.03.2012 Rs.	01.04.2011 Rs.
Note		
Total Equity under SLAS	76,021,054.27	71,146,866.48
Fair Value Gain / (Loss) on Investment in Associate Company as at 01.04.2011 (c)	2,780,552,500.00	-
Fair Value Gain / (Loss) on Investment in Associate Company (c)	331,993,750.00	2,780,552,500.00
	<u>3,112,546,250.00</u>	<u>2,780,552,500.00</u>
Total equity under SLFRS for SMEs	<u>3,188,567,304.27</u>	<u>2,851,699,366.48</u>

## NOTE 19.3 - RECONCILIATION OF PROFIT OR LOSS

Profit or loss for the year ended 31st March 2012 can be reconciled to the amount reported previously under SLAS as follows:

	2011/12 Rs.
Note	
Total Profit under SLAS	43,905,557.80
Fair Value Gain / (Loss) on Investment in Associate Company (c)	331,993,750.00
Profit for year under SLFRS for SMEs	<u>375,899,307.80</u>

## NOTE 19.4 - RECONCILIATION OF CASH FLOW

The transition from SLAS to SLFRS for SMEs did not have a material impact on the Statement of Cash Flows.



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 19.5 - NOTES TO THE EXPLANATION OF TRANSITION TO SLFRS FOR SMES

**Reclassifications**

(a) Finance Income

The Company has reclassified the following income which were shown under Revenue in the previous year as Finance Income.

Dividend Income from Equity Securities

**Remeasurements**

(b) Under SLAS the Company recognised the Treasury Bills and Fixed Deposits at cost and interest receivable on such investments as a receivable. Under SLFRS for SMEs these investments are initially recorded at transaction cost and subsequently measured at amortised cost.

(c) The Company has elected to measure its investment in Associate Company at Fair Value (Market Value) which were previously measured at cost under SLAS.

An additional sum of Rs. 331,993,750.00 has been recognised as fair value gain on investment in Associate Company for the year ended 31.03.2012.

A fair value gain on investment in Associate Company amounting to Rs. 2,780,552,500.00 has been recognised to the Retained Earnings as at the date of transition.

