

LANKA LEYLAND LIMITED

YEAR ENDED 31ST MARCH 2014

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 31st March 2014

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 31st March</u>	<u>2014</u>
Revenue	
Interest Income	7,781,798.07
Administration Expenses	(2,444,313.10)
Fair value Gain/(Loss) on Investment in Associates Company	(644,022,500.00)
Other Expenses	<u>(3,443.70)</u>
Operating Profit/(Loss)	(638,688,458.73)
Finance Income	<u>13,612,500.00</u>
Profit/(Loss) Before Tax	(625,075,958.73)
Tax Expenses	<u>(1,498,505.00)</u>
Profit /(Loss) for the Year	<u>(625,574,463.73)</u>
Other Comprehensive Income	-
Total Comprehensive Income for the Year	<u>(626,574,463.73)</u>

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 (Vacated on 20 th October 2014)
Mr.A.H.M.Anwer	Director

DIVIDENDS

Your directors have pleasure in informing you that they paid a dividend of Rs 11,000,000.00 during the year ended 31st March 2014

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

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 31st March 2014, 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 3 to 14.

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 31st March 2014, and the Financial Statements give a true and fair view of the Company's Financial Position as at 31st March 2014 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.



Partners

Ms Y Shirani de Silva, FCA, FCMA
Ms Sivaselvi Balachandran, FCA, FCMA
S Rajanathan, FCA, FCMA (UK)
N K Atukorala, FCA, ACMA
Ms H D S C A Tillekeratne, FCA, ACMA
K I Skandadasan, BSc (Madras), FCA, ACMA
R L R Balasegham, FCA, ACMA

Kreston MNS & Co

City Office at 18-1/2A, First Floor, State Bank of India Building, Colombo 01. T +94 (0) 11 2327444
Branches in Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Kurunegala, Matara, Negombo, Nuwara Eliya, Trincomalee
Correspondent firm within Grant Thornton International Ltd (Grant Thornton International).
Grant Thornton International and the member and correspondent firms are not a worldwide partnership

Emphasis of Matter

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
19TH SEPTEMBER 2014
SDS/ST/bn
SDS-Lanka Leyland (IFRS)-cd2c9.doc



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

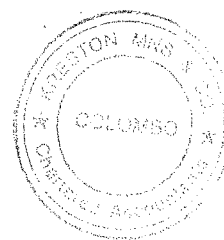
		31.03.2014 Rs.	31.03.2013 Rs.
	Note		
Revenue			
Interest Income		7,781,798.07	7,070,242.20
Administrative Expenses		(2,444,313.10)	(1,658,738.40)
Fair Value Gain / (Loss) on Investment in Associate Company		(644,022,500.00)	(532,248,750.00)
Other Expenses		(3,443.70)	(2,540.69)
Operating Loss		(638,688,458.73)	(526,839,786.89)
Finance Income	13	13,612,500.00	81,675,000.00
Loss before tax	14	(625,075,958.73)	(445,164,786.89)
Tax Expense	15	(1,498,505.00)	(1,553,669.00)
Loss for the year		(626,574,463.73)	(446,718,455.89)
Other Comprehensive Income		-	-
Total Comprehensive Income for the year		(626,574,463.73)	(446,718,455.89)



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2014

	Stated Capital Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Rs.
Restated Balance as at 31st March 2012	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)
Balance as at 31st March 2013	8,958,600.00	9,800,924.00	2,643,089,324.38	2,661,848,848.38
Dividend	-	-	(17,000,000.00)	(17,000,000.00)
Transactions with owners	-	-	(17,000,000.00)	(17,000,000.00)
Loss for the year	-	-	(626,574,463.73)	(626,574,463.73)
Other comprehensive income for the year	-	-	-	-
Total Comprehensive Income for the year	-	-	(626,574,463.73)	(626,574,463.73)
Balance as at 31st March 2014	8,958,600.00	9,800,924.00	1,999,514,860.65	2,018,274,384.65



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

		31.03.2014 Rs.	31.03.2013 Rs.
Operating Activities	Note		
Loss before Taxation		(625,075,958.73)	(445,164,786.89)
Adjustments			
Depreciation	4	3,291.50	2,354.00
Interest Income		(7,781,798.07)	(7,070,242.20)
Dividend Income	13	(13,612,500.00)	(81,675,000.00)
Fair Value Loss / (Gain) on Investment in Associate Company		644,022,500.00	532,248,750.00
Total adjustments		622,631,493.43	443,505,861.80
Net Changes in Working Capital			
Change in Other Receivables		-	65,550.00
Change in Trade and Other Payables	11	(21,165.00)	41,460.00
Total Changes in Working Capital		(21,165.00)	107,010.00
Income Tax Paid	12	(2,007,307.13)	(1,215,694.63)
Interest Received		10,516,626.14	4,943,892.38
Cash flow from Operating Activities		6,043,688.71	2,176,282.66
Investing Activities			
Purchase of Property, Plant & Equipment	4	-	(7,500.00)
Purchase of Investments net of Withdrawal	6	(94,310.37)	41,582.16
Dividend Received	13	13,612,500.00	81,675,000.00
Cash Flow from Investing Activities		13,518,189.63	81,709,082.16
Financing Activities			
Dividend paid		(17,000,000.00)	(80,000,000.00)
Cash flow from Financing Activities		(17,000,000.00)	(80,000,000.00)
Net change in Cash and Cash Equivalents		2,561,878.34	3,885,364.82
Cash and Cash Equivalents as at 1st April	8	5,227,231.36	1,341,866.54
Cash and Cash Equivalents as at 31st March	8	7,789,109.70	5,227,231.36



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 31st March 2014 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.

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.

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.



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 Equipment

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.

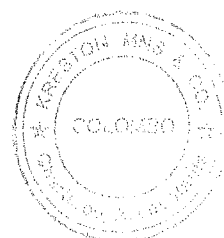
Other Short-term Financial Assets

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

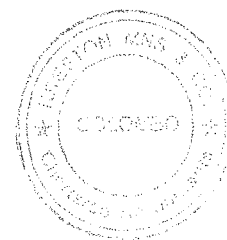
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

- **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.)

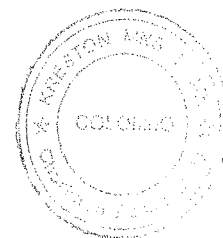
NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

	Freehold Land Rs.	Office Equipment Rs.	Total Rs.
Gross carrying amount			
Balance on 1st April	626,473.00	13,166.00	639,639.00
Balance on 31st March	626,473.00	13,166.00	639,639.00
Accumulated depreciation and impairment			
Balance on 1st April	-	5,187.00	5,187.00
Depreciation Charge for the year	-	3,291.50	3,291.50
Balance on 31st March	-	8,478.50	8,478.50
Carrying amount on 31st March 2013	626,473.00	7,979.00	634,452.00
Carrying amount on 31st March 2014	626,473.00	4,687.50	631,160.50

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

NOTE 5 - INVESTMENT IN ASSOCIATE COMPANY

Fair value method	No. of Shares	Holding		31.03.2014	31.03.2013
		2014 %	2013 %	Rs.	Rs.
Lanka Ashok Leyland PLC	1,512,500	42%	42%	1,954,150,000.00	2,598,172,500.00
				1,954,150,000.00	2,598,172,500.00
Dividend received from Associate Company (included in Finance Income)				13,612,500.00	81,675,000.00



NOTES TO FINANCIAL STATEMENTS (CONTD.)

NOTE 6 - INVESTMENTS

	31.03.2014 Rs.	31.03.2013 Rs.
Fixed Deposits - Peoples Bank	32,500,000.00	32,500,000.00
- National Savings Bank	21,172,500.00	23,892,788.82
Treasury Bills - Bank of Ceylon	2,641,154.09	2,561,382.97
Total	56,313,654.09	58,954,171.79

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)	56,313,654.09	58,954,171.79
Cash at Bank (Note 8)	7,789,109.70	5,227,231.36
Total	64,102,763.79	64,181,403.15

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)	47,295.00	45,000.00
Total	47,295.00	45,000.00

NOTE 8 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

Cash at Bank	7,789,109.70	5,227,231.36
Total	7,789,109.70	5,227,231.36



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.

	31.03.2014	31.03.2013
No. of Ordinary Shares issued & fully paid		
Balance on 1st April	2,150,000	2,150,000
Balance on 31st March	2,150,000	2,150,000
	31.03.2014	31.03.2013
	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	8,958,600.00	8,958,600.00

NOTE 10 - GENERAL RESERVE

Balance on 1st April	9,800,924.00	9,800,924.00
Balance on 31st March	9,800,924.00	9,800,924.00

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

NOTE 11 - TRADE AND OTHER PAYABLES

Financial Liabilities

Accrued Expense	47,295.00	45,000.00
	47,295.00	45,000.00

Non Financial Liabilities

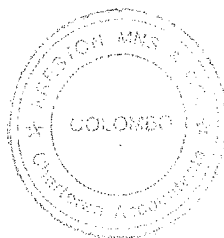
Accrued Expense	-	23,460.00
	-	23,460.00
	47,295.00	68,460.00

NOTE 12 - INCOME TAX LIABILITY

Balance on 1st April	1,071,046.77	733,072.40
Provision for the year	1,498,505.00	1,553,669.00
	2,569,551.77	2,286,741.40
Payments made during the year	(1,071,046.00)	(733,072.00)
Notional Tax Credit	(28,601.13)	(26,402.87)
WHT	(907,660.00)	(456,219.76)
Balance on 31st March	562,244.64	1,071,046.77

NOTE 13 - FINANCE INCOME

Dividend from Associate	13,612,500.00	81,675,000.00
Finance Income	13,612,500.00	81,675,000.00



NOTES TO FINANCIAL STATEMENTS (CONTD.)

31.03.2014
Rs.

31.03.2013
Rs.

NOTE 14 - PROFIT / (LOSS) BEFORE TAX

is stated after charging all expenses including the following :

Directors Allowance	600,000.00	-
Directors Fees	246,800.00	272,400.00
Auditors Remuneration - For Audit	47,295.00	39,500.00
- Under Provision prior	1,626.00	7,272.00
Staff Cost	260,000.00	204,000.00
Defined Contribution Plant Cost	185,400.00	108,600.00
Depreciation	3,291.50	2,354.00

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	1,498,505.00	1,553,669.00
	<u>1,498,505.00</u>	<u>1,553,669.00</u>

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

Accounting Profit / (Loss) liable to Income Tax	(625,075,959)	(445,164,787)
Tax effect on Chargeable Profits	(175,021,268)	(124,646,140)
Tax effect on Excluded Income	(3,811,500)	(22,869,000)
Tax effect on non deductible Expenses	180,331,973	149,069,509
Tax effect on deduction claimed	(700)	(700)
	<u>1,498,505</u>	<u>1,553,669</u>

15 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

Short Term employment benefits



2014
Rs.

2013
Rs.

846,800.00

272,400.00

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.

NOTE 18 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no Contingent Assets and Contingent Liabilities as at 31st March 2014.