Contents

Company History

The origin of Sathosa Motors PLC goes back to 1962, where Isuzu Agency was secured by the Co-operative Wholesale Establishment in 1962. The first agreement was signed between M/s Isuzu Motors Limited, Tokyo, Japan (Manufacturer), M/s C Itoch & Co. Ltd., (Distributor) and Co-operative Wholesale Establishment C.W.E. (Franchise holder).

Although the demand for Japanese vehicles, specially for commercial vehicles, was not encouraging in 1960 and early 1970, after the liberalization of imports in 1978, Isuzu became most sought after vehicle by fleet owners, Government sector etc.

Isuzu vehicles and spare parts imports and sales were handled by the New Vehicles & Machinery Department of C.W.E. up to 1985. However due to tremendous demand for Isuzu products in Sri Lanka market, The Ministry of Trade and Commerce under whose purview C.W.E. operated, decided to convert the New Vehicles & Machinery Department as a fully owned subsidiary company of the Co-operative Wholesale Establishment titled as "Sathosa Motors Limited" on 1st January 1985 to give more freedom to carry on business operations efficiently facing the competition from other vehicle dealerships.

Sathosa Motors Limited commenced operations with an issued capital of Rs. 15,000,007 in 1985. In keeping with Government Policy, the Company was peoplised on 26th August 1992 and 60% of issued capital was acquired by M/s C Itoch & Co., Limited (ITOCHU Corporation) Tokyo, Japan, one of the largest trading organization (sogo-shosa) in Japan. Of the remainder 10% was gifted to employees and 30% was issued to the General Public.

Sathosa Motors Limited successfully launched rights issues in 1994 & 1996 and 1:1 bonus share issued in 1999 and the present share holding is 6,033,622. The company utilized the fund collected by rights issues for development of new work shop facility at Peliyagoda and to construct Show Room, Administrative Building and to upgrade main Spare Parts sales outlet and office complex at Vauxhall Streeet, Colombo 02 in order to provide better and improved facilities to our Isuzu and Opel customers.

Sathosa Motos PLC is the franchise holder for Isuzu vehicles and spare parts manufactured by M/s Isuzu Motors Ltd and Opel passenger Cars and Opel Spare Parts manufactured by Adam Opel AG of Germany and marketed by the General Motors Overseas Distributors Corporation. The Isuzu range of vehicles consists of Double Cab Pickup Trucks, Light Duty and Heavy Duty Commercial Vehicles, Luxury Passenger Coaches and Special Purpose Vehicles such as Fire Trucks, Logging Trucks, Dump Trucks, Water & Fuel Bowsers and various other types of vehicles required in building construction, distribution of goods etc.

The Opel range of vehicles mainly comprises of passenger cars and jeep type vehicles.

Our Head Office is situated at No 25, Vauxhall Street, Colombo 02, which comprises New Vehicles Sales Showrooms, main Spare Parts department and Workshop for Opel & Isuzu vehicle repairs. We also have a Spare Parts outlet at Panchikawatte for convenience of our customers. Our Main Workshop at Peliyagoda handles the major portion of workshop repairs of all models of Isuzu trucks. This has modern equipments to identify and repair any kind of problem.

In order to comply with new Companies Act No. 7 of 2007 your company was re-registered as Sathosa Motors PLC. The Access Engineering Company Ltd (AEL) which went public acquired a major controlling stake in Sathosa Motors PLC (SML) on 29th February 2012. SML considers this acquisition as an opportunity for diversification which would result in a future growth of the Company, AEL considers this as a good strategic investment & it intends to aquire and partner with reputed brands/agencies for engineering and construction related products and solutions to minimize the risk of sole dependency on the "Isuzu " brand.

The Sri Lankan military's vehicle of the choice' and a top European luxury brand in the country, Land Rover received a new lease of life with the brand being exclusively distributed under SML Frontier Automotive (Pvt) Ltd, where Sathosa Motors PLC having a 50% ownership.

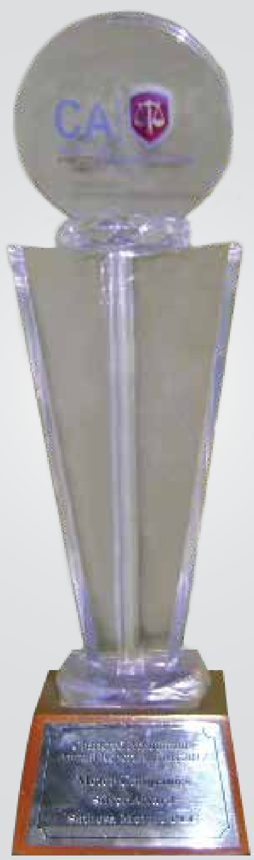
The New ISUZU - N Series Reward

The New ISUZU - N Series Reward (Contd.)

Flash Back

Best Corporate Report Silver Award

Motor Companies 2012



Corporate Information

NAME OF THE COMPANY
Sathosa Motors PLC

LEGAL STATUS
A Public Limited Liability Company incorporated in Sri Lanka on 11th March 1982 under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 7 of 2007. Listed on the Colombo Stock Exchange on 7th November 1993.

REGISTRATION NUMBER
PQ 105

BOARD OF DIRECTORS
Mr. Ajita de Zoysa - Chairman

Mr. Sumal Joseph Sanjeewa Perera - Managing Director

Deshamanya Tilak Dias Gunasekera - Executive Director

Mr. M M N De Silva - Director

Mr. R J S Gomez - Director
(Alternate Director Mr. S D Munasinghe)

Mr. J C Joshua - Director
(Alternate Director Mr. S H S Mendis)

Mr. S H S Mendis - Director

Mr. S D Munasinghe - Director

Mr. A I Lovell - Director

Mr. D A R Fernando - Director

The Board of Directors who held office as at 31st March 2013, are stated under "Annual Report of the Board of Directors' on the Affairs of the Company"

SENIOR EXECUTIVES
1. Mr. W V A N Fernando
   Assistant General Manager, New Vehicles

2. Mr. H A T D Dissanayake
   AMIM, MIAE, Dip.(Mech Eng.)
   Service Manager, Workshops

3. Mr. Somaratne Abeysinghe
   BSc (Business Adm.)sp, Pg Dip (Mgt)
   Manager (Sales Development & Procurement)

4. Ms. Thejani Kodithuwakku
   ACA, FCMA
   Finance Controller

5. Ms. P H V Pathirana
   B.A. (Sp.)
   Manager Personnel & Administration

6. Mr. Lalith Jayathunga
   LICA, Dip. (Mgt.), MAAT
   Finance Manager

7. Mr. Duminda Munasinghe
   MBCS, BCS-PGD, NCC-UK
   Manager IT

8. Mr. Sujith Liyanage
   MBA (Col), Dip. M (UK), ACJM
   Marketing Manager, SANY Industrial Equipment Division

9. Mr. Saliya Sandaruwan
   MSLIM, Dip. M (MK) UK
   Certified Professional Marketer (Asia)
   Sales Manager - Buses & Pickups

10. Ms. Inoka Jayawickrama
    CA Finalist, MAAT
    Accountant

BANKERS
Hatton National Bank PLC
NDB Bank PLC
Commercial Bank of Ceylon PLC
Bank of Ceylon
Sampath Bank PLC
People's Bank

AUDITORS
M/s KPMG
Chartered Accountants,
32A, Sir Mohomad Macan Markar Mawatha
Colombo 03
TP: 0115426426

SECRETARIES & REGISTRAS
P W Corporate Secretarial (Pvt) Ltd
No.3/17, Kynsey Road
Colombo 08
TP: 0114897711

LAWYERS
Nithi Murugesu & Associates
Attorneys-At-Law-Notaries Public
28 (Level 2) W A D Ramanayake Mawatha
Colombo 2
TP: 0112302900

ACTUARIAL CONSULTANTS
Actuarial & Management Consultants (Pvt) Ltd
First Floor
No. 434, R A De Mel Mawatha
Colombo 03

REGISTERED OFFICE
No. 25, Vauxhall Street
Colombo 02

GENERAL OFFICE/BUSINES ADDRESS
No. 25, Vauxhall Street
Colombo 02
TP: 2432858, 2431568, 2331621
Fax: 2446129
Web: www.sathosamotorsplc.com

Notice of Annual General Meeting

SATHOSA MOTORS PLC

NOTICE IS HEREBY GIVEN that the Twenty Ninth (29th) Annual General Meeting of the Shareholders of Sathosa Motors PLC Will be held at the Earl's Court, Cinnamon Lakeside Hotel, Colombo 02 0n 26th July 2013, at 10.00 a.m for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2013 with the Report of the Auditors thereon.
2. To re-elect Mr. A I Lovell who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.
3. To elect Mr. S H S Mendis who retires by rotation in terms of Article 95 of the Articles of Association of the Company.
4. To elect Mr. S D Munasinghe who retires by rotation in terms of Article 95 of the Articles of Association of the Company.
5. To elect Mr. D A R Fernando who retires by rotation in terms of Article 95 of the Articles of Association of the Company.
6. To re-appoint M/s KPMG, Chartered Accountants as Auditors for the year ending 31st March 2014, and to authorise the Board of Directors to determine their remuneration.
7. To authorize the Directors to determine contributions to charities and other donations for the year 2013/2014.

By order of the Board
SATHOSA MOTORS PLC

P W CORPORATE SECRETARIAL (PVT) LTD
Director / Secretaries

24th June 2013
Colombo

Notes

1. Any member of the Company unable to attend the meeting may appoint another person (whether a member or not) as a proxy to attend and vote for him/her
2. A proxy need not be a member of the Company. A proxy form is attached for your use. The completed form of proxy should be lodged with the Secretaries of the Company P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 not less than 36 hours before the holding of the Annual General Meeting.
3. Shareholders appointing proxies (other than Directors of the Company) to attend the meeting are requested to indicate the number of the **National Identity Card** of the Proxy holder on the form or proxy.
4. Only registered Proxy holders will be permitted to attend the Annual General Meeting. **Shareholders/Proxy holders attending the Annual General Meeting are kindly requested to bring with them their National Identity Card or any other form of valid identification**.

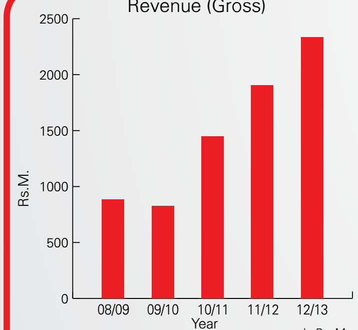
Financial Highlights

Eight Year Summery

Year	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13
Gross Turnover (Rs.000)	899,104	1,110,934	1,411,026	885,743	824,765	1,449,396	**1,902,741**	**2,334,937**
Profit before Taxation (Rs.000)	120,031	144,891	164,137	73,981	42,513	175,775	**242,311**	**286,342**
Profit after Taxation (Rs.000)	84,413	92,562	100,732	55,352	26,995	110,512	**173,026**	**205,722**
Property Plant & Equipment (Rs.000)	35,149	33,165	31,768	51,364	45,393	**41,349**	**39,012**	**39,306**
Investment Property (Rs. 000)	–	–	–	–	–	–	–	**21,683**
Gross Dividends (Rs.000)	114,639	60,336	96,538	36,202	12,067	30,168	30,168	30,168
Dividend Per Share (Rs.)	19.00	10.00	16.00	6.00	2.00	5.00	5.00	5.00
Dividend Cover (Times)	0.74	1.53	1.04	1.53	2.24	3.66	5.74	6.82
Earnings Per Share (Rs.)	13.99	15.34	16.70	9.17	4.47	18.32	28.68	34.10
Net Asset Per Share (Rs.)	64.01	60.35	67.04	60.22	58.69	74.51	98.64	127.76
Net Profit to Revenue (%) (Before tax)	13.47	13.16	11.74	8.42	5.20	12.28	13.02	12.39
Current Ratio (Times)	3.51	2.57	2.85	2.69	4.69	1.77	1.73	2.14
Quick Assets Ratio (Times)	2.28	1.65	1.68	0.87	2.61	0.85	0.83	0.74
Return on Capital Employed (%)	21.86	25.42	24.90	15.24	7.62	24.58	29.07	26.69

* Highlighted information is based on LKASs/SLFRSs

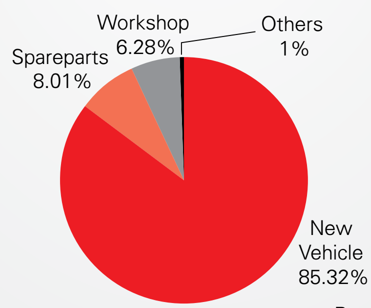
Revenue (Gross)



In Rs. M

Year	08/09	09/10	10/11	11/12	12/13
Revenue	885.74	824.76	1449.40	1902.74	2334.94

Revenue Analysis Of Year 12/13 (Gross)

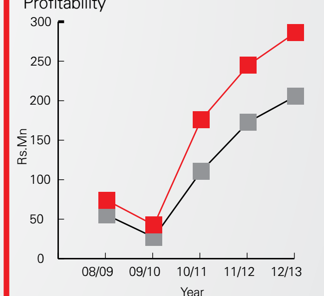


	Rs.
New Vehicles	1,992,060,536
Spareparts	187,099,390
Workshop	146,750,077
Others	9,026,596
Total	2,334,936,599

Spareparts New Vehicle

Workshop Others

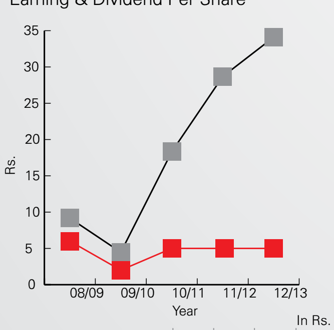
Profitability



Year	08/09	09/10	10/11	11/12	12/13
Profit Before Tax	73.98	42.51	175.77	245.07	286.34
Profit After Tax	55.35	26.99	110.51	173.02	205.72

Profit After Tax Profit Before Tax

Earning & Dividend Per Share

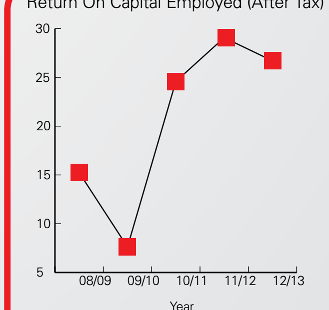


In Rs.

Year	08/09	09/10	10/11	11/12	12/13
Earning Per Share	9.17	4.47	18.32	28.68	34.10
Dividend Per Share	6	2	5	5	5

Earning Per Share Dividend Per Share

Return On Capital Employed (After Tax)



Year	08/09	09/10	10/11	11/12	12/13
Return on Capital Employed %	15.24	7.62	24.58	29.07	26.69
Capital Employed Rs.M.	363.31	354.10	449.55	595.17	654.91
Net Profit After Tax Rs.M.	55.35	26.99	110.51	173.02	205.72

Return on Capital Employed %

Chairman's Review

It is my pleasure to present to you the Annual Report and financial statements of Sathosa Motors PLC for the financial year ending 31st March 2013. The year 2012/2013 has been significant for the organization. In tandem with the positive economic outlook, we successfully embarked on several initiatives to further strengthen our position as a most productive and dynamic automobile organization in Sri Lanka.

Global economic trends

As in the previous years, the headlines dominating the global economy highlighted the lack of recovery. The ongoing sovereign debt crisis prevailing in Europe, casted a shadow of gloom on some of the largest economies and catalyzed a level of uncertainty across all industries. In the face of these recent incidents Asia has risen and now claims to economic supremacy with the potential of becoming the world's newest economic zone and the largest single market with seamless production highlighting a steadfast growth of 6% in 2012 / 2013.

The Sri Lankan Economy

While many of the economies, were writhing in the crisis, year 2012 in retrospect was a period of steady growth and consolidation in all sectors in Sri Lanka. A significant leap in business confidence and macroeconomic fundamentals were firmly established across all vital sectors. The year began positively, having notched good performance in all key indicators. 6.5% GDP, increased level of investment standing at 29.9% of GDP, low inflation and a historic decline in unemployment to 4.2%, buoyant external trade, impressive and accelerate tourism development, a declining budget deficit and similar trends in Government debt ratio being the lowest in 30 years.

The Automobile industry in Sri Lanka

The flexible exchange rate policy advocated by economists was implemented by the Central Bank of Sri Lanka, resulting in several government measures to curb imports. This has resulted higher in import duties, a weaker exchange rate and higher interest rates slowing demand for motor vehicles during 2012. In April 2012, the Government introduced higher duties on import of vehicles. The steep increase in duties, which applied across most vehicle categories without exception to smaller cars, motor cycles and three wheelers as well, coupled with the additional import cost arising from the depreciation of the Rupee, has resulted in a substantial increase in price to the end consumer. This will no doubt dampen demand, and possibly revert to an industry where affordability is largely confined to institutional buyers. Adverse impact of the above resulted in Sri Lanka's new vehicle registrations declining to 44.8 percent in December 2012.

Continuing growth and consolidation

Despite adverse development and an extremely challenging environment, your Company was able to achieve excellent results during the period under review. Profit after tax increased by 18.89% in comparison to the previous year to reach Rs. 205.72 Mn. Annual turnover saw a remarkable increase reaching to Rs. 2.31 Bn which is a 22.74% increase in comparison to 2012.

Chairman's Review (Contd.)

To be resilient and forge ahead despite the setbacks that were faced industry-wide, your company's strategic focus during 2013 included several new initiatives enabling sustainable business and continued growth opportunities. This also included the expansion and diversification of the product portfolio and the acquisition of new business lines. Thus with the expansion of the range of vehicles the inclusion of the Isuzu range of buses from India was completed. Your company also entered in to a strategic partnership with SANY group, a global company in the construction machinery industry based in the Republic of China.

Highlighting yet another accomplishment, SML Frontier Automotive Pvt Limited, a subsidiary of Sathosa Motors PLC, with an initial investment of Rupees 65 Million entered in to an exclusive agreement for the sale and distribution of Land Rover, the European luxury brand of vehicles. Under this strategic partnership SML Frontier Automotive Pvt Ltd, will be the sole agents for Land Rover and Range Rover vehicles in Sri Lanka. In the premise of delivering superior customer value, the company is in the process of setting up a state of the art assembly plant for Land Rover Defenders in Hambantota and additionally a new state-of-the-art workshop enabling superior after sales service for Land Rover vehicles.

Paving the way forward

The upward revision of duties is very likely to depress demand in the ensuing period. Fluctuations in interest rates will result continuous impact on disposable income levels. However in the backdrop of an extremely challenging environment your company remains positive in continuing to forge ahead and seizing every opportunity that will enable to deliver greater stakeholder value. Whilst committed and competent leadership teams will continue to deliver superior performance, several key measures have been implemented to streamline processes, further strengthen internal controls, reduce costs and enhance efficiencies.

Moving forward your company will continue to strive to create top of mind brand awareness for its product range and become the brand of choice in its preferred customer segments. As such creating island-wide brand awareness for Isuzu and implementing a robust structure and channel strategy will gain key focus. Whilst exploring every facet of opportunity to strengthen and emerge as an industry leader, we will also aggressively look at diversification opportunities; this will also include passenger cars and other modes of transportation.

Chairman's Review *(Contd.)*

In Appreciation

In conclusion I wish to thank our customers, suppliers and principals for their support and continued patronage. My grateful thanks go to Mr. Sumal Perera, Managing Director, Deshamanya Thilak Gunasekera, Executive Director and management and staff for their continued and sustained efforts and commitment in achieving these commendable results. I also take this opportunity to extend my sincere gratitude and thanks to my colleagues on the Board for their wise counsel and tireless efforts to building an even stronger organization. Finally I wish to thank all the shareholders for the confidence placed on our organization and their continued support.

Ajita de Zoysa
Chairman
Sathosa Motors PLC
24th June 2013

Executive Director's Review

Dear Stakeholder

It is with great pleasure that once again I greet you and inform you of the positive developments and achievements that were carried out at Sathosa Motors PLC during the year 2012/13. In keeping with our vision of 'Moving Forward and Expanding,' we took into consideration the prevailing global and local economic environments and conditions to meet Company objectives.

We have grown from strength to strength and have adapted according to market conditions. Our vehicles remain a trusted source of transport throughout the island, and with new ventures in the year under review, we were able to meet demand and keep the Isuzu name at the forefront of our customers' minds. All departments in the Company worked hand in hand to make the year under review a successful one. Amidst challenges and obstacles faced, we have pulled together as a team and kept true to both the vision and mission of the Company. It is this spirit of commitment and dedication of our staff which has allowed us to achieve our goals.

Having achieved the highest Profit After Tax (PAT) of Rs. 205.72 Mn., we are happy to declare a dividend of Rs. 5/- per share to you.

Government Concessions

Several Value Added Tax (VAT) concessions were granted to targeted areas in the budget 2012, in order to facilitate domestic economic activities and to support domestic industries. Under these concessions the import of trucks and buses were exempted from VAT in order to encourage the growing demand in the domestic transportation sector.

The Economic Service Charge (ESC) was revised to provide further concessions to enterprises of strategic importance. Accordingly, the ESC threshold was increased and the businesses whose profits were subject to Income Tax were exempted from ESC.

Economic Overview

The fiscal policy strategy of the Government was focused towards strengthening the fiscal consolidation process expecting further improvements in the medium term. In line with this strategy, policy in the recent past was directed towards reducing the budget deficit by encouraging economic activities to achieve a sustainable high growth momentum and the reduction in regional disparity in the country.

On the revenue front, tax reforms were introduced to broad-base tax systems and simplify the structure while supporting emerging sectors to enhance economic activities. The budget deficit for 2012 was reduced to 6.2% of GDP from 6.9% GDP recorded in 2011. To achieve that target, the budget in 2012 envisaged an increase in Government Revenue to 14.7% of GDP from 14.3% in 2011, and a reduction in recurrent expenditure to 14.8% of GDP from 15.4% in 2011, while holding public investment at around 6.6% of GDP.

Tax Concessions

Measures introduced in Income Tax in 2012 were mainly focused on creating an investor friendly environment in the country to encourage investments. Several changes were made in selected import related taxes during the year. Customs duty applicable on motor vehicle spare parts was also revised upwards. The Excise Duty applicable on the importation of motor vehicles was increased in line with the policy package introduced during the first quarter of 2012 to curb the widening deficit. The Government exemptions of relevant taxes on vehicles procured by public servants resulted in encouraging this sector to invest in vehicles.

Although revenue from import duties was expected to increase by 23.4% as per the budget estimates for 2012, it declined by 3.3% to Rs. 73.5 Billion due to the decline in imports from the second quarter of 2012. The share of import duties in total tax revenue came down significantly from 9.3% in 2011 to 8.7% in 2012.

Executive Director's Review (Contd.)

Revenue from import duties on motor vehicles declined significantly by 50% from Rs. 28.40 Billion in 2011 to Rs. 14.10 Billion in 2012, reflecting the lower growth in this sector of the industry. This was a result of the depreciation of the Sri Lankan rupee, as well as the implementation of policy measures to curtail imports.

Financial Performance

Total Gross Turnover	-	Rs. 2,334.93 Mn
Profit before Tax	-	Rs. 286.34 Mn
Profit after tax	-	Rs. 205.72 Mn
Return on Capital Employed	-	26.69%
Earning per share	-	Rs. 34.10
Net Asset per share	-	Rs. 127.76
Market price as at 31/3/2013	-	Rs. 229.20

Achievements & Development

One of the major achievements of the year in review was the introduction of buses and cabs to our range of vehicles, which came about as a result of the partnership with Isuzu India. These new vehicles will add more value to the Company and increase customer demand. Isuzu has a global network of research & development, manufacturing and sales bases in over 100 countries and regions. Isuzu continues to contribute and support the well-being of their customers in every corner of the globe.

Trading Partner

Our valued partnership with ITOCHU Corporation Japan remains strong. ITOCHU Corporation Japan is involved in domestic trading, import, export, and overseas trading of various products such as textile, machinery, information and communications technology, aerospace, electronics, energy, metals, minerals, chemicals, forest products, general merchandise, food, finance, realty, insurance, and logistics services, as well as business investment all over the world.

Partnerships

Sathosa Motors PLC further enhanced its product line with the introduction of heavy machinery and equipment as a result of the partnership with the SANY Group. SANY is a Chinese multinational heavy machinery manufacturing company headquartered in Changsha, Hunan Province. It is the sixth-largest heavy equipment manufacturer in the world, and the first in its industry in China to enter the FT Global 500 and the Forbes Global 2000 rankings. With a dozen domestic industrial parks plus manufacturing facilities in Brazil, Germany, India, Indonesia and in the United States, SANY foresees an even greater expansion in emerging markets.

The SANY Group is a leader in the global construction machinery industry. Its main product range consists of concrete machinery, excavator, crawler cranes, truck cranes, pile driving machinery, road construction machinery, port machinery, and wind turbine. This is in turn, is a value addition to Sathosa Motors PLC.

Yet another landmark partnership was the Company's acquisition of 50% stake in SML Frontier (Pvt) Ltd. Through this, the Land Rover brand became exclusively distributed under the name SML Frontier Automotive Pvt Ltd. The new company combines the financial strength and management support of the public quoted company, and is expected to drive forward the brand within the Sri Lankan market. This merger has given the newly incorporated company access to the resources of Guava international, which represents Jaguar and Land Rover across the globe and is a division of RMA Group, a specialist provider of system solutions for commercial and non-commercial enterprises in automotive, power generation, and heavy equipment.

Contributions from Departments

Each of the departments at Sathosa Motors PLC contributed significantly to the success of the year under review by working together to meet the end objectives of the Company. The New Vehicles, Spare Parts and Workshop departments were supported by the Human Resources, Finance and IT departments in order to achieve high returns and increase productivity.

New Vehicles Department

The New Vehicles department, along with the Buses & Cabs division, which promotes and markets brand new Isuzu commercial trucks, double cabs, single cabs, and other vehicles, saw a net sales of Rs. 1.97 Billion in the year under review, with the truck division having sold 482 units, compared to 427 units during 2012 representing a net turnover of Rs. 1.54 Billion. With the addition of SANY heavy machinery equipment, Sathosa Motors PLC foresees a higher rate of success and performance in the upcoming years.

Spare Parts Department

The Spare Parts department now handles an islandwide network of 85 dealers, an increase from 65 dealers last year. This department recorded a net turnover of Rs. 185.22 Million, compared to the previous year Rs. 185.17 Million. This division caters to Dealers, Fleet Owners, Corporate Institutions and Government Institutions who have access to genuine Isuzu spare parts through dealer partners islandwide. Furthermore, it provides a Mobile Spare Parts Service to all its customers and dealers islandwide.

Workshop Department

The Workshop, which provides quality repair service using genuine Isuzu spare parts caters to the entire range of Isuzu vehicles. Modifications are also done for Isuzu vehicles in addition to regular service and maintenance. We also extended our services to other brands of light vehicles with emphasis on tinkering, painting and lubrication services. As usual during the year we provided the expertise of Japanese engineers for technical support and training of our staff in order to keep them up to date of the latest technologies and developments in the industry.

The workshop department recorded a net turnover of Rs. 120.87 Mn compared to previous year Rs. 153.50 Mn.

The Workshop also introduced a novel "Mobile Service" to all Isuzu vehicle owners to avail themselves of technical assistance in case of a breakdown. The Mobile Service is inclusive of a technical checkup and the subsequent service of the vehicle if required. In the year under review, two "Service Clinics" were held for Isuzu customers to have their vehicles checked by Japanese engineers. These clinics were held in Colombo as well as Ampara, offered customers the opportunity to have their vehicles checked free of charge by these experts, who then provided a comprehensive report on the condition of the vehicle. Providing this service helped to strengthen the relationship between the Isuzu customer base and Sathosa Motors PLC.

IT Department

The IT department provides and maintains the infrastructure necessary for the development and enhancement of the communications of the entire Company. In the near future, Sathosa Motors PLC plans to implement a system which integrates communication between its various departments and outlets. This instant, up to date, access to information will facilitate a more effective and efficient work flow between relevant parties. The Company plans to implement a tracking system which will keep all relevant parties informed of the status of their products, stocks, orders, etc.

The re-launch of the Company website aims to create awareness and increase interaction between the customer and the Company, giving them the knowledge necessary to make an informed purchase decision.

Corporate Social Responsibility

Corporate Social Responsibility is one of the core areas of focus of Sathosa Motors PLC. The Company fulfills its social responsibilities by contributing through various means to religious organizations such as donations to Temples, Kovils and Churches. In this manner, it contributes to and enhances the community in which it operates.

In addition, several projects have been running throughout the years which focus on education and community development. This includes internal projects

Executive Director's Review (Contd.)

that enhance the welfare of our employees, namely Educational Scholarships and nutritional food packs. In addition to these CSR activities the company sponsors an annual staff excursion for the staff and their families. These outings have been successes, where interaction between staff members have strengthened working relationships, thereby benefiting the Company in the long-term.

Educational Scholarships

The above scholarships are awarded to employees' children who acquire the best results in their O/Level and A/Level examinations. Those who fare well in the O/Levels receive scholarships to pursue their A/Level studies, while those who perform the best in their A/Level exams qualifying for university education, receive scholarships for university studies. The Company considers important the welfare of its employees and their families. By carrying out the above, Sathosa Motors PLC hopes to instill and increase awareness on the importance of education which in turn will broaden individuals' horizons.

During the month of Vesak, in order to commemorate the teachings of the Dhamma, a 'Bana' is organised with the participation of monks from various temples.

Moving Forward

The Isuzu brand continues to hold strong customer loyalty and generates large sales. As with every year, we will build on the strength of this reputation to keep momentum and increase market share. In the coming years, we envision to be the most productive and dynamic automobile organisation, achieving excellence in customer satisfaction, providing quality products at competitive prices, and maintaining a leadership position in the commercial transport industry in Sri Lanka.

Acknowledgement

My sincere appreciation goes to the Chairman, Board of Directors, Audit Committee, our Trading Partners M/s ITOCHU Corporation and Isuzu Motors Ltd., Japan, Management team and all employees of Sathosa Motors PLC for their constant support and dedication throughout. We would not have been able to achieve our successes if not for this support that was readily available. I would also like to thank all the Stakeholders, Auditors, Bankers, Secretaries and Lawyers for their valuable contribution and co-operation extended to us. Your continued trust allows Sathosa Motors PLC to move forward and accomplish our goals, giving us the strength to emerge prosperous and victorious in the years ahead.

Deshamanya Tilak Dias Gunasekera
Executive Director
24th June 2013

Corporate Governance

INTRODUCTION

Corporate Governance deals with the role of the Board of Directors, the framework of internal controls and the manner in which Companies are led and managed. The Board is committed to review and update the Company's corporate governance structure taking into consideration current market practice and the best practice guidelines issued by the Institute of Chartered Accountants of Sri Lanka. The following sections explain how the Company has applied these principles.

BOARD OF DIRECTORS

The Board of Directors is responsible for the corporate governance of the Company. The main function of the Board is to oversee the business and the affairs of the Company. It is also responsible for the formulation of strategic objectives, policy framework, the approval of annual budgets (including major capital expenditure), regular reviews of financial performance compared to budgets, the appointment and evaluation of the performance of the Executive Director, and the periodic and timely reporting to shareholders.

It also has the task of ensuring that the Senior Management team has the necessary skills and experience to perform the functions effectively in the best interest of the company and that there are sufficient parameters in place for monitoring the performance of the management.

The Board comprises of Ten Directors including the Chairman. All the Directors are non-executive Directors except the Managing Director and the Executive Director. Where decisions have to be taken on urgent matter, Board decisions are taken by circulation.

The Board has determined that Mr. Ajita de Zoysa, Mr. M M N de Silva and Mr. A I Lovell are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange, and the said Directors have submitted signed declarations in this regard.

BOARD MEETINGS

The Board has met on 04 occasions during the last financial year. All directors receive a comprehensive package of information prior to each Board Meeting thus ensuring that they are well informed in advance.

P W Corporate Secretarial (Pvt) Ltd who act as Secretaries to the Company are qualified to act as Secretaries as per the provisions of the Companies Act No. 7 of 2007. Directors have access to the advice and services of the Company Secretaries, who are responsible to the Board for ensuring that Company Secretarial procedures are followed and that applicable rules and regulations are complied with.

AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors, two of whom are independent. The Audit Committee is chaired by Mr. M M N de Silva who is a Chartered Accountant. There were 05 Audit Committee meetings during the year.

The Executive Director and the Head of Finance attend meetings of the Audit Committee by invitation.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three non-executive Directors, all of whom are independent. Mr. A de Zoysa is the Chairman of the Remuneration Committee.

FINANCIAL DISCLOSURES AND TRANSPARENCY

The Company's financial statements are prepared in accordance with the Sri Lanka Accounting Standards and Companies Act, No. 7 of 2007. The financial statements are published quarterly and annually on time in compliance with the disclosure requirements of the Colombo Stock Exchange.

The Statement of Directors' Responsibilities for the Financial Statements is given on page 24 of this Report.

INTERNAL CONTROLS

The Board acknowledges overall responsibility and ensures that a sound internal control system is maintained to safeguard shareholders' investments and company assets.

GOING CONCERN

The Board is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason it continues to adopt the going concern basis when preparing and presenting financial statements.

By Order of the Board
Sathosa Motors PLC

Tilak Gunasekera
Executive Director

24th June 2013

Risk Management Review

The Risk Management Review aims to provide an inclusive view of the Risk Management Systems, procedures and protocols that operate throughout the company. The Risk Management Review also seeks to provide assurance that activities undertaken by the business contributes towards an organization which constantly works towards the better understanding and efficient mitigation of various risk factors that may affect the Company.

SML defines the pivotal area of Risk Management as the organized application of management Policies, procedures and practices for the establishment of relevant context, identification, analysis, mitigation, monitoring and thereby and communication of all risks. While the Company's Risk Management framework is efficiently incorporated into the planning process, the planning process itself focuses on the effective achievement of objectives through mitigation of relevant and related risks. Through a dynamic process, risks are identified and evaluated at appropriate levels throughout the organization. This process is regularly reviewed by the Management Committee as a part of the Company's organizational and operational approach to Risk Management.

The Company's Risk Management Process ensures comprehensive identification and understanding of the risks, and enables the design and implementation of an effective plan to prevent losses or minimize the impact of any loss in the event that it occurs. The timely recognition and appropriate handling of these operational threats is incorporated into the Company's Risk Management process.

Substantial strategic controls of operational risks which require efficient management are enabled through policies and procedures which are covered by the Company's internal audit process. This includes the strict financial controls, and processes and systems which focus on monitoring and reporting matters related to the continued effectiveness of the system of internal controls. Having an accurate understanding of all possible risks enables the Company to mitigate risks by implementation of timely decisions.

In addition to the above the Company's Risk Management process would cover curbing the loss of valuable resources including time, assets, income, property and people, protecting the reputation and public image of the organization, preventing or reducing legal liabilities and enhancing the Company's smooth operations.

SML considers Risk Management process within the Company as an integral part of good management practice which makes it an intimate part of its business planning and continuity.

The principal risks associated with the Company's activities and their mitigation strategies are as follows.

Risk Factor	Risk Mitigating Strategies
Credit Risk This refers to risk of financial losses arising due to the unwillingness or inability of counter- parties to meet their financial or contralactual obligations in time and in full.	The company has introduced different discount slabs for it's dealers who settle dues at different Intervals. The company has introduced different targets for different customers. If the set targets are exceeded then based on same the dealers are rewarded. The company's Finance and Sales divisions closely monitor credit sales to ensure repayment on due dates and tie future sales based on outstanding value. Bank guarantees are obtained from dealers who purchase on credit terms. The company conducts Credit Risk Management meetings every month in order to review the credit policies. Credit ceilings are introduced to dealers who purchase on credit terms.
Human Capital and Labour Risk This is associated with losing experienced employees and experiencing an environment of unpleasant labour relations.	The company uses a series of strategies in motivating, developing and retaining it's human capital. SML has a continuous provision for a comprehensive career development program for its staff, which focuses on helping employees to achieve their optimum potential and thereby improve job performance and satisfaction. Whereby technical staff is sent to Isuzu Japan on training and to face the technical competitions organized by them. SML strives to maintain healthy relationships with all employees through regular dialogues and discussions. The Company also ensures compliance with all regulatory requirements with regard to benefits applicable to employees. SML provides attractive financial and performance based incentives.
Information Technology Risk IT Risk is the risk associated with computer Security, hardware, software and other information technology systems failing and causing disruption to business operations.	A well designed and secured Information Technology security infrastructure has been implemented throughout the organization .The security infrastructure includes: recovery strategies, data back –ups stored at off- site locations, virus scanners, proxy servers. Compliance of security infrastructure is regularly monitored.

Risk Management Review

Risk Factor	Risk Mitigating Strategies
Regulatory and Compliance Risk This risk is associated with changes in Government policies, laws, regulations and statutes. Compliance Risk relates to a company being able to comply with all the laws, regulations and statutes applicable to a country. Both Regulatory and Compliance Risk factors can affect the business activities of the Company.	The Company constantly keeps abreast of changes to the Regulatory framework.
Competitive Risk This relates to customers will buy competitor products due to variances in the product offering. The management maintains a good relationship with it's customers. Availability of non genuine spare parts in the market where prices are very low.	The company offers free service clinics in different locations with the presence of Japanese engineers and offering a warranty period , free of charge services during the warranty period. Our dedicated sales team explains to the customers the advantage of using genuine spare parts. We have a 24 hour mobile clinic attending to break downs.
Risk of Environmental issues Refers to environmental issues which can take place due to disposal of solid waste.	The company releases waste water after purifying in 3 under ground treatment plants. Purified water is released to the Municipal Council Storage system.

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Sathosa Motors PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2013.

This Report contains the information required in terms of the Companies Act, No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange and guided by the recommended best practices.

General

Sathosa Motors PLC is a public limited liability Company which was incorporated under the Companies Ordinance (Cap.145) as a public limited liability company on 11th March 1982 and re-registered as per the Companies Act, No. 7 of 2007 on 13th December 2007 with PQ 105 as the new number assigned to the Company.

Mandatory Offer by Access Engineering to purchase all the remaining shares of Sathosa Motors PLC

Subsequent to the Mandatory Offer, Access Engineering PLC currently holds 5,092,302 shares in Sathosa Motors PLC representing 84.399% of the shares in issue.

Principal activities of the Company and review of performance during the year

The Company's principal activity is the import and sale of Motor Vehicles and spare parts together with the repair and maintenance of such Motor Vehicles.

The Company made an investment of Rs. 65 Mn constituting 50% of the shares in issue of a Company named SML Frontier Automotive (Pvt) Ltd for the purpose of managing the Land Rover and Range Rover Agency in Sri Lanka.

A review of the business of the Company, its performance during the year and its future prospects are contained in the Chairman's Review, which forms an integral part of this Report.

This Report and the Financial Statements, therefore reflect the state of affairs of the Company.

Financial Statements

The complete Financial Statements of the Company prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the Auditors are given on pages 28 to 49.

Property, Plant & Equipment

The Company expenditure on the acquisition of property, plant & equipment during the year amounted to Rs. 13.86 Mn and information relating to movements in fixed assets is given in Note 9 of the accounts.

Investments

The Company made an investment of Rs. 65 Mn on 01st April 2013 in SML Frontier Automotive (Pvt) Ltd. (Post Balance Sheet Event) Other than the above there were no long-term or short-term investments done by the company during the year under review.

Reserves

The Reserves of the Company with the movements during the year are given in "Statement of Changes in Equity" on page 30.

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the policies adopted thereof are given on pages 32 to 38 Figures pertaining to the previous periods have been re-stated where necessary to conform to the presentation for the year under review.

Interests Register

The Company maintains an Interests Register in terms of the Companies Act No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions, which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period, are recorded in the Interests Register, in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2013 as recorded in the Interests Register are given in this report under the caption of "Directors' Shareholding".

Annual Report of the Board of Directors on the Affairs of the Company (Contd.)

Directors
The names of the Directors who held office as at the end of the accounting period are given below, with their brief profiles appearing on page 50.

Executive Directors
Mr. S J S Perera – Managing Director

Deshamanya T D Gunasekera – Executive Director

Non-Executive Directors

*Mr. Ajita de Zoysa	Chairman
*Mr. M M N De Silva	Director
Mr. J C Joshua	Director
Mr. R J S Gomez	Director
Mr. S H S Mendis	Director
	Appointed w.e.f.26th September 2012
	Alternate Director to Mr. J C Joshua
Mr. S D Munasinghe	Director
	Appointed w.e.f.26th September 2012
	Alternate Director to Mr.R J S Gomez
*Mr. A I Lovell	Director
Mr. D A R Fernando	Director
	Appointed w.e.f.26th September 2012

* Independent Non-Executive Directors

In accordance with Article 88(i) of the Articles of Association of the Company, Mr. A I Lovell retires by rotation and being eligible, offers himself for re-election.

Mr. S H S Mendis and Mr. S D Munasinghe were appointed Directors of the Company with effect from 26th September 2012. They also function as Alternate Directors to Mr. J C Joshua and Mr. R J S Gomez respectively.

Mr. S H S Mendis, Mr. S D Munasinghe and Mr. D A R Fernando were appointed to the Board on 26th September 2012 and in terms of Article 95 of the Articles of Association the said Directors will hold office until the conclusion of the forthcoming Annual General Meeting and being eligible are recommended by the Directors for re-election by the shareholders.

Directors' Remuneration
The total remuneration of the Directors during the year under review amounted to Rs. 5,546,200/-.

Directors' Responsibility for Financial Reporting
The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 29.

Auditors
Messrs KPMG, Chartered Accountants served as the Auditors during the year under review. Based on the written representation made by the Auditors, they do not have any interest in the Company other than those referred to herein.

The Auditors were paid a sum of Rs. 715,000/- as Audit fees by the Company for the financial year under review. As far as they are aware, the Auditors do not have any relationship with the Company other than carrying out External Audits.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Tax Related Services
Are Provided by Ms. Ernst & Young, Chartered Accountunts.

Stated Capital
The Stated Capital of the Company is Rs. 115,924,290/-. For details of Reserves and Retained Earnings please refer "Statement of Changes in Equity". on Page 30.

The number of shares issued by the Company stood at 6,033,622 ordinary shares as at 31st March 2013.

Directors' Shareholding
The relevant interests of the Directors in the shares of the Company as at 31st March 2013 are as follows.

	Shareholding as at 31/03/2013	Shareholding as at 31/03/2012
Mr. Ajita de Zoysa	Nil	Nil
Mr. S J S Perera	Nil	Nil
Mr. T D Gunasekera	840	7,200
Mr. M M N De Silva	1,100	Nil
Mr. J C Joshua	Nil	Nil
Mr. R J S Gomez	Nil	Nil
Mr. A I Lovell	Nil	Nil
Mr. S D Munasinghe	Nil	Nil
Mr. S H S Mendis	Nil	Nil
Mr. D A R Fernando	Nil	Nil

Annual Report of the Board of Directors on the Affairs of the Company (Contd.)

Shareholders
There were 1,296 shareholders registered as at 31st March 2013 (1,437 shareholders as at 31st March 2012). The details of distribution are given on page 54 of this report.

Major Shareholders, Distribution Schedule and other information
Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, the twenty five largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 54 under the caption "Information to Investors".

Donations
Donations/Contribution are stated under the "Executive Director's Review" - CSR Activites.

Dividend
The Board of Directors declared a final dividend of Rs. 5.00 per share for the year ended 31st March 2013 payable on 28th June 2013 to the shareholders as at 24th June 2013.

Statutory Payments
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 date of the Statement of Financial Position have been paid or, where relevant provided for.

Contingent Liabilities
There were no material Contingent Liabilities as at the date of the Statement of Financial Position, except as disclosed in Note 20 to the Financial Statement on page 45.

Events occurring after the Balance Sheet date
Please refer Note 21 to the Financial Statement on page 46 .

Corporate Governance
The Board of Directors are responsible for the governance of the Company. The Board has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all the dealings of the Company and its best effort in achieving performance and quality profits, adopting good governance in managing the affairs of the Company. The Directors confirm that the Company is in compliance with the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

An Audit Committee and a Remuneration Committee function as Sub-Committees of the Board and the members of these Committees posses the requisite qualifications and experience. The composition of the said Committees are as follows;

Audit Committee
Mr. M M N de Silva – Chairman
Mr. J C Joshua
Mr. A I Lovell
} effective from 24th June 2012

Remuneration Committee
Mr. A de Zoysa – Chairman
Mr. M M N de Silva
Mr. A I Lovell
} effective from 24th June 2012

Going Concern
The Board of Directors is satisfied that the company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

Annual General Meeting
The Notice of the Twenty Ninth (29th) Annual General Meeting appears on page 8.

This Annual Report is signed for and on behalf of the Board of Directors by

Ajita de Zoysa
Chairman

T D Gunasekera
Executive Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

24th June 2013
Colombo

Independent Auditor's Report

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF SATHOSA MOTORS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Sathosa Motors PLC ("the Company"), which comprise the statement of financial position as at March 31, 2013, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 28 to 49 of the annual report.

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 Standards. 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 policies 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 March 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 7 of 2007.

Kpmg

CHARTERED ACCOUNTANTS
Colombo,
24th June 2013.

Statement of Comprehensive Income

For the year ended 31st March	Note	2013 Rs.	2012 Rs.
Revenue	4	**2,310,756,122**	1,882,646,948
Cost of Sales		**(1,927,678,976)**	(1,540,959,377)
Gross Profit		**383,077,146**	341,687,571
Other Income	5	**79,979,267**	53,853,425
Administrative Expenses		**(158,649,543)**	(137,015,169)
Selling & Distribution Expenses		**(18,065,159)**	(16,214,638)
Results from Operating Activities		**286,341,711**	242,311,189
Finance Cost		–	–
Profit Before Tax	6	**286,341,711**	242,311,189
Tax Expense	7	**(80,619,277)**	(69,285,515)
Profit for the Year		**205,722,434**	173,025,674
Other Comprehensive Income			
Employee benefit plan actuarial gain		**105,360**	2,759,037
Total Comprehensive Income for the Year		**205,827,794**	175,784,711
Earnings per Share	8	**34.10**	28.68

The Notes form pages 32 to 49 form an integral part of these Financial statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Note	2013 Rs.	2012 Rs.	01st April 2011 Rs.
ASSETS				
Non Current Assets				
Property, Plant and Equipment	9	**39,306,270**	33,344,146	35,605,003
Prepaid Lease Payments	10	**5,591,342**	5,667,610	5,743,877
Investment Property	11	**21,683,401**	–	–
Deferred Tax Assets	7.5	–	–	402,246
Total Non Current Assets		**66,581,013**	39,011,756	41,751,126
Current Assets				
Inventories	12	**896,985,103**	714,671,614	520,885,717
Trade and Other Receivables	13	**378,416,730**	127,226,498	167,073,283
Cash and Cash Equivalents	14	**101,396,055**	535,537,797	310,319,430
Total Current Assets		**1,376,797,888**	1,377,435,909	998,278,430
Total Assets		**1,443,378,901**	1,416,447,665	1,040,029,556
Equity				
Stated Capital	15	**115,924,290**	115,924,290	115,924,290
Capital Reserve		–	106,820,000	106,820,000
General Reserve		–	48,800,064	48,800,064
Retained Earnings		**654,905,806**	323,626,058	178,009,457
Total Equity		**770,830,096**	595,170,412	449,553,811
Non Current Liabilities				
Assets Related Grants	16	**7,020,430**	7,239,819	7,459,208
Employee Benefits	17	**19,393,209**	17,353,518	19,524,682
Deferred Tax Liabilities	7.5	**1,308,207**	766,209	–
Total Non Current Liabilities		**27,721,846**	25,359,546	26,983,890
Current Liabilities				
Trade and Other Payables	18	**610,230,864**	771,075,321	162,546,146
Amount due to Related Company	19	–	–	348,757,943
Dividend Payable		**1,337,178**	1,695,804	1,528,921
Income Tax Payable		**33,258,917**	23,146,582	49,275,571
Bank Overdraft		–	–	1,383,274
Total Current Liabilities		**644,826,959**	795,917,707	563,491,855
Total Equity and Liabilities		**1,443,378,901**	1,416,447,665	1,040,029,556

The Notes from pages 32 to 49 form an integral part of these Financial Statements.

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

Financial Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved for and on behalf of the Board of Directors :

Chairman

Executive Director

24th June 2013
Colombo

Statement of Changes in Equity

	Stated Capital Rs.	Capital Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 2011	115,924,290	106,820,000	48,800,064	178,009,457	449,553,811
Comprehensive Income for the Year					
Profit for the year	–	–	–	173,025,674	173,025,674
Other Comprehensive Income	–	–	–	2,759,037	2,759,037
Transactions with owners of the company, recognized directly in equity					
Dividend Paid - (2010/2011)	–	–	–	(30,168,110)	(30,168,110)
Balance as at 31st March 2012	**115,924,290**	**106,820,000**	**48,800,064**	**323,626,058**	**595,170,412**
Balance as at 01st April 2012	115,924,290	106,820,000	48,800,064	323,626,058	595,170,412
Comprehensive Income for the Year					
Profit for the year	–	–	–	205,722,434	205,722,434
Other Comprehensive Income	–	–	–	105,360	105,360
Transactions with owners of the company, recognized directly in equity					
Dividend Paid - (2011/2012)	–	–	–	(30,168,110)	(30,168,110)
Transfer to Retained Earnings	–	(106,820,000)	–	106,820,000	–
Transfer to Retained Earnings	–	–	(48,800,064)	48,800,064	–
Balance as at 31st March 2013	**115,924,290**	–	–	**654,905,806**	**770,830,096**

During the year the Management has decided to transfer Capital Reserve & General Reserve to Retained Earnings, as they are more relating to Distributable Profits.

The Notes from pages 32 to 49 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Cash Flow Statement

For the Year ended 31st March	Note	2013 Rs.	2012 Rs.
Cash Flows from Operating Activities			
Profit before Tax		**286,341,711**	242,311,189
Adjustments for :			
Depreciation & Amortisation		**7,981,500**	6,572,553
Provision for Gratuity		**3,579,465**	3,256,980
Amortization of Grants Received		**(219,389)**	(219,389)
Provision/(Reversal) for Bad and Doubtful Debts		**–**	750,000
Write off of Inventories		**–**	2,322,434
Profit on sale of Property, Plant and Equipment		**(2,678,571)**	(81,250)
Interest Income		**(33,505,160)**	(33,070,605)
Writeback of unclaimed dividend		**(516,114)**	–
Writeback of over provisions for expenses		**(7,183,316)**	(2,200,000)
Writeback of advances and other		**(5,437,689)**	–
		248,362,438	219,641,912
Changes in			
Inventories		**(182,313,489)**	(196,108,331)
Trade and Other Receivables		**(251,190,231)**	41,783,715
Trade and Other Payables		**(148,223,453)**	261,971,231
Cash flow used in operations		**(333,364,735)**	327,288,527
Income Tax Paid		**(69,964,944)**	(90,984,427)
Gratuity Paid		**(1,434,414)**	(2,669,107)
Net cash flows from/(used in) operating activities		**(404,764,093)**	233,634,993
Cash Flows From Investing Activities			
Acquisition of Property, Plant & Equipment		**(13,867,357)**	(4,235,429)
Acquisition of Investment Property		**(21,683,400)**	–
Proceeds from Sale of Property, Plant & Equipment		**2,678,571**	81,250
Interest Received		**33,505,160**	27,122,054
Net Cash Flows from Investing Activities		**632,974**	22,967,875
Cash Flows From Financing Activities			
Dividend Paid		**(30,010,623)**	(30,001,227)
Net Cash Flows used in Financing Activities		**(30,010,623)**	(30,001,227)
Net increase/(decrease) in cash and cash equivalents		**(434,141,742)**	226,601,641
Cash and Cash Equivalents as at 1 April		**535,537,797**	308,936,156
Cash and Cash Equivalents as at 31 March	14	**101,396,055**	535,537,797

The Notes from pages 32 to 49 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity
Sathosa Motors PLC is a public limited liability Company incorporated and domiciled in Sri Lanka under the Companies Act No. 7 of 2007 and is listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is situated at No. 25, Vauxhall Street, Colombo 02.

1.2 Principal Activities and Nature of Operations
The principal activities of the Company, which is the importing and distribution of Isuzu new vehicles and spare parts and operating workshops remained unchanged during the year.

1.3 Parent Company
The Parent Company of Sathosa Motors PLC is Access Engineering PLC (AEL). AEL is primarily involved in the business of construction activities.

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

1.5 Director's Responsibility Statement
The board of directors is responsible for the preparation and presentation of the financial statement.

1.6 Date of Authorization for Issue
The financial statements were approved for issue by the directors on 24th June 2013.

1.7 Number of Employees
The average number of employees for the year was 121 (2011/2012 - 126).

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, changes in equity and cash flows together with the accounting policies and notes to the financial statements. The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 7 of 2007. These are the Company's first financial statements prepared in accordance with SLFRS and SLFRS 1 First –time adoption of Sri Lanka Financial reporting Standards has been applied.

The said Financial Statements are presented in Sri Lankan Rupees which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

No adjustments are made for inflationary factors in the Financial Statements.

2.2 Basis of measurement
The financial statements have been prepared on the historical cost basis except valuations of buildings and Retirement benefit obligation which are disclosed in Note 09,11 and 17 to the financial statements respectively.

2.3 Functional and presentation currency
The financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency.

2.4 Use of Estimates & Judgments
The preparation of financial statements in conformity with SLAS (SLFRS/LKAS) 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 underline assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note.

Note 17 – Retirement Benefit Obligations

Note 7.5 – Deferred Taxation

Note 20 – Contingent Liabilities

2.5 Changes in accounting policies

Accounting for Property, Plant and Equipment
To be in line with the parent company's accounting policies, on 31 March 2013 the Company changed its accounting policy with respect to the subsequent measurement of Property, Plant and Equipment from the cost model to the revaluation model. Further, the Company believes that

subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets and assists users to better understand the risks associated with these assets. As the revaluation surplus was not material, amounting to Rs. 60,753/- the surplus was not recognized in other comprehensive income. This policy change was applied prospectively.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and preparing the opening SLFRS statement of financial position as at 1st April 2012 for the purposes of the transition to SLFRS, except as explained in note 2.5 which address changes in accounting policies.

Previous year figures and phrases have been rearranged & classified wherever necessary to conform with to the current year's presentation.

3.1 Foreign Currency Transactions

Transactions in foreign currencies are converted into the functional currency (Sri Lankan Rupees) at the foreign exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the rate of exchange ruling at the Balance Sheet date while all non-monetary items are reported at the rate of exchange prevailing at the time the transactions were effected. The resulting gains or losses are accounted for in the Profit or loss.

3.2 Financial Instruments

3.2.1 Nonderivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, 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 assets 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 classifies nonderivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

Loans and Receivables

These 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.

Trade and other receivables are carried at original invoice amount less provision for impairment of trade receivables when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement under, 'Administrative Expenses'. When a trade receivable is uncollectible, it is written off against the provision for trade receivables.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits held in banks net of outstanding bank overdrafts.

Notes to the Financial Statements (Contd.)

Interest received are classified as cash flows from Investing Activities, while dividend paid are classified as cash flows from financing activities for the purpose of presentation of Cash Flow Statement, reported based on the indirect method.

3.2.2 Nonderivative financial liabilities

All other financial liabilities are recognized initially on the trade date , which is the date that the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise 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.

3.2.3 Stated Capital

Ordinary shares

Ordinary shares are classified as equity. As per the Companies Act No. 7 of 2007, Section 58(1), stated capital in relation to a Company means the total of all amounts received by the company or due and payable to the company in respect of the issue of shares and in respect of call in arrears.

3.3 Property, Plant and Equipment

3.3.1 Recognition and Measurement

Items of Property, Plant and Equipment are measured at cost or revaluation less accumulated depreciation, and accumulated impairment losses.

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

All the Property, Plant and equipment are initially recorded at cost where items of property, plant and equipment are subsequently revalued, any increases in the carrying amount are credited to revaluation reserve in shareholder's equity. Decreases that offset previous increases of the same asset are charges against the revaluation reserve directly in equity, any excess and all other decreases are charged to the Income Statement. Revaluation of property, plant and equipment are undertaken by professionally qualified independent valuers.

The company transfer portion of revaluation reserve to retained earnings as the asset is used by the entity, since the future economic benefits embodied in the assets are consumed principally through its use rather than on retirement or disposal.

Gains and losses on disposal

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the proceeds from disposal with carrying amount of Property, Plant & Equipment and are recognized net within "Other Income" in Profit & Loss.

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

Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day – to- day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Derecognizing
The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

Depreciation
Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight – line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of other asset. Building constructed on lease hold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. Land is not depreciated.

Freehold Building	
- Peliyagoda	50 Years (lease period)
Plant and Machinery	08 Years
Office Equipment	05 Years
Furniture and Fittings	05 Years
Motor Vehicles	05 Years
Computers	05 Years
Work Shop Hand Tools	05 Years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held-for –sale and the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Capital work in progress
Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work-in-progress, while the capital assets which have been completed during the year and put to use are transferred to property, plant and equipment.

3.3.2 Leased assets
Leases in term of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payment. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases are not recognized in the statement of financial position.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of improvements, whichever is shorter.

Prepaid lease payments are amortized over 99 years.

3.4 Investment Property
Investment property is property held to earn rental income but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their Intended use and capitalized borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the estimated selling price at which inventories can be sold in the normal course of business after allowing for cost of realization and /or cost of conversion from their existing state to a saleable condition.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The cost of each category of inventory of the company is determined on the following basis:

Spare parts	- at actual cost on a weighted average basis.
New Vehicles	- at actual cost.
Goods in Transit	- at actual cost.
Work in Progress	- includes only the cost of material and labour.

Inventory movement is reviewed at the end of each year by an expert to assess the recoverability of inventory and the items that are identified as irrecoverable are written off.

3.6 Impairment

3.6.1 Nonderivative financial assets

A financial asset not classified as 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 there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact 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 or borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortize cost (loans and receivables) at both specific asset and collective level. All individual significant assets are assessed for specific impairment. Those found not to be specifically impaired are, then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are, collectively assessed for impairment by group together assets with similar risk characteristics.

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. When an event occurring after the impairment was recognized causes the amount of impairment was recognized causes to decrease. The increase in impairment loss is reversed through profit or loss.

3.6.2 Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset or CGU. For impairment testing, assets are grouped together in to the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (Group of CGUs) on a pro rata basis.

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 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.7.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(a) Employees' Provident Fund

The company and employees contribute 12 percent and 8 percent respectively on the salary of each employee to the Employees' Provident Fund.

(b) Employees' Trust Fund

The group contributes 3 percent of the salary of each employee to the Employees' Trust Fund. The total amount recognized as an expense to the company for contribution to ETF is disclosed in the notes to financial statements.

(c) Defined benefit plan – Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The calculation is performed annually by a qualified actuary using the Projected Unit Credit (PCU) method as recommended by LKAS 19 – "Employee Benefits".

The assumptions based on which the results of actuarial valuation was determined, are included in No 16 to the financial statements.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the company. This liability is not externally funded.

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

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.

3.9 Warranties

No provision for warranties is recognized in profit or loss as all the costs were reimbursed by the suppliers in previous years.

3.10 Revenue recognition

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net or returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized. Revenue excludes value added taxes or other sales taxes.

Other Income
Gains/losses on the disposal of property, plant and equipment determined by reference to the carrying amount and related expenses, have been accounted for as other income in Profit and Loss.

Finance Income
Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

3.11 Expenses

Operating lease payment
Where the Company has the use of assets under operating leases, payments made under the leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

Finance costs
Finance costs comprise interest expense on borrowings.

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.

3.12 Determination of fair value
The fair value of items of buildings is based on depreciated replacement cost method.

3.13 Taxation
Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

The principle temporary differences arise from depreciation on property, plant and equipment and provisions for defined benefit obligations.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 income taxes levied by 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

3.14 Segment Reporting
Segment results that are reported to the Executive Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unlocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities.

The Company has three reportable segments, as described below, which are the company's strategic divisions.

- Spare parts
- New Vehicles
- Repairs & Services

Notes to the Financial Statements (Contd.)

		2013 Rs.	2012 Rs.
4.	**REVENUE**		
	Spare Parts	**187,099,390**	187,138,970
	New Vehicles	**1,992,060,536**	1,542,981,209
	Work Shop Repairs	**146,750,077**	156,296,092
	Agency Commission	**9,026,596**	16,324,827
		2,334,936,599	1,902,741,098
	NBT	**(24,180,477)**	(20,094,150)
		2,310,756,122	1,882,646,948
5.	**OTHER INCOME**		
	Interest Income on Reverse Repurchase Agreements and FDs	**33,259,945**	32,836,208
	Interest on Loans to Employees	**245,214**	234,397
	Valuation and Fitness Certificates	**306,964**	626,518
	Profit on Disposal of Property, Plant and Equipment	**2,678,571**	81,250
	Sundry Income	**4,605,321**	615,760
	Amortization of Asset Related Grants	**219,389**	219,389
	Non Refundable Tender Deposits	**11,060**	24,350
	Machinery Service	**4,382,658**	–
	Writeback of unclaimed dividend	**516,114**	–
	Writeback of over provisions for expenses	**7,183,316**	2,200,000
	Writeback of advances and other creditors	**5,437,689**	–
	Foreign Exchange Gain	**21,133,026**	17,015,553
		79,979,267	53,853,425
6.	**PROFIT BEFORE TAX**		
	Is stated after charging all the expenses including the following;		
	Directors Emoluments	**5,506,200**	5,854,546
	Auditors Remuneration– Statutory Audit	**715,000**	630,000
	– Non Audit Service	**90,000**	57,500
	Legal Expenses	**842,051**	165,524
	Depreciation on Property , Plant & Equipment	**7,905,233**	6,496,286
	Amortization of Prepaid Lease Payments	**76,267**	76,267
	Write off of Inventories	–	2,322,434
	Personnel Cost	**68,591,578**	58,400,686
	6.1 Personnel Cost		
	Salaries, Wages and Other related costs	**58,911,645**	49,670,797
	Defined Benefit Plan Cost - Retirement Gratuity	**3,579,465**	3,256,980
	Defined Contribution Plan - EPF & ETF	**6,100,468**	5,472,909
		68,591,578	58,400,686

Notes to the Financial Statements (Contd.)

7. TAX EXPENSE

7.1 Current Tax

In accordance with the provision of the Inland Revenue Act No. 10 of 2006 and amendments there to the company is liable for Income Tax at 28% on its taxable profit.

	2013 Rs.	2012 Rs.
7.2 Taxation on current year profits (Note 7.3)	**80,734,350**	68,959,194
Over provision in respect of previous year	**(657,071)**	(842,134)
Origination and reversal of temporary differences (Note 7.5)	**541,998**	1,168,455
	80,619,277	69,285,515
7.3 Reconciliation between Accounting Profit and taxable profit		
Accounting Profit Before Income Tax Expense	**286,341,711**	242,311,189
Aggregated Disallowable Items	**29,672,088**	25,257,663
Aggregated Allowable Items	**(27,676,835)**	(21,066,629)
Aggregated Disallowable Income	**(33,505,159)**	(33,289,995)
Income from Other Sources	**33,505,159**	33,070,606
Total Statutory Income	**288,336,964**	246,282,834
Statutory Tax Rate	**28%**	28%
Income Tax Expense	**80,734,350**	68,959,194
Current Tax Expense	**80,734,350**	68,959,194

7.4 Reconciliation of Effective Tax Rate	**2013**	**2013 Rs.**	**2012**	**2012 Rs.**
Profit for the year		**205,722,434**		173,025,674
Total Tax Expense		**80,619,277**		69,285,515
Profit Excluding Tax		**286,341,711**		242,311,189
Tax using the Company's domestic tax rate	**28.00%**	**80,175,679**	28.00%	67,847,133
Non Deductible Expenses	**10.36%**	**8,308,185**	10.42%	7,072,146
Deductible Expenses	**-9.67%**	**(7,749,514)**	-8.69%	(5,898,656)
Tax Exempt Income	**-11.70%**	**(9,381,445)**	-13.74%	(9,321,199)
Income from Other Sources	**11.70%**	**9,381,445**	13.65%	9,259,770
Change in recognized deductible Temporary differences	**0.23%**	**541,998**	19.81%	1,168,455
Over provision in respect of previous year	**-0.19%**	**(657,071)**	-0.35%	(842,134)
	28.15%	**80,619,277**	28.59%	69,285,515

	2013 Rs.	2012 Rs.
7.5 Deferred Tax Assets/(Liabilities)		
Balance as at 1st April	**(766,209)**	402,246
Origination and reversal of temporary differences	**(541,998)**	(1,168,455)
Balance as at 31 March	**(1,308,207)**	(766,209)
Deferred Tax Assets and Liabilities are attributable to following:		
Property, Plant and Equipment / Investment Property	**(6,738,305)**	(5,625,194)
Retirement Benefit Obligations	**5,430,098**	4,858,985
	(1,308,207)	(766,209)

Notes to the Financial Statements (Contd.)

8. EARNINGS PER SHARE

Basic Earnings Per Share

Basic Earnings per Share has been calculated dividing profit attributable to equity holders of the company, by the weighted average number of ordinary shares outstanding during the year, as per the LKAS - 33 Earnings per Share.

Diluted Earnings per Share

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

As at 31st March 2013 & as at 31st March 2012 there were no dilutive potential ordinary shares. Hence diluted earnings per share is same as basic earnings per share.

8.1 Earnings per Share	2013	2012
Amount used as the Number		
Profits Attributable to Ordinary Shareholders (Rs.)	**205,722,434**	173,025,674
Amounts used as the Denominator		
Weighted Average Number of Ordinary Shares as at the end	**6,033,622**	6,033,622
Basic Earnings Per Share (Rs.)	**34.10**	28.68

9. PROPERTY, PLANT & EQUIPMENT

Freehold Assets

	Building on Leasehold Land Rs.	Machinery & Others Rs.	Workshop Hand Tools Rs.	Motor Vehicles Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Computers Rs.	Total Rs.
Cost								
Balance as at 01 April 2011	52,040,378	8,885,089	3,408,185	34,303,372	6,759,304	8,758,289	18,630,123	132,784,740
Additions during the Year	2,578,185	112,000	321,743	–	239,915	153,086	830,500	4,235,429
Disposals During the Year	–	–	–	(152,816)	–	–	–	(152,816)
Balance at 31 March 2012	54,618,563	8,997,089	3,729,928	34,150,556	6,999,219	8,911,375	19,460,623	136,867,353
Balance as at 01 April 2012	54,618,563	8,997,089	3,729,928	34,150,556	6,999,219	8,911,375	19,460,623	136,867,353
Additions during the Year	829,851	–	94,450	9,008,470	2,110,344	333,998	1,490,244	13,867,357
Disposals During the Year	–	–	–	(2,500,000)	–	–	–	(2,500,000)
Balance at 31 March 2013	55,448,414	8,997,089	3,824,378	40,659,026	9,109,563	9,245,373	20,950,867	148,234,710
Accumulated Depreciation								
Balance as at 01 April 2012	33,540,230	7,898,160	3,237,475	22,073,614	6,485,716	7,821,654	16,122,888	97,179,737
Charge for the year	560,679	330,143	57,264	4,317,725	91,979	353,809	784,687	6,496,286
Disposals during the year	–	–	–	(152,816)	–	–	–	(152,816)
Balance as at 31 March 2013	34,100,909	8,228,303	3,294,739	26,238,523	6,577,695	8,175,463	16,907,575	103,523,207
Balance as at 01 April 2012	34,100,909	8,228,303	3,294,739	26,238,523	6,577,695	8,175,463	16,907,575	103,523,207
Charge for the year	590,854	342,977	119,387	5,276,084	267,013	352,454	956,464	7,905,233
Disposals during the year	–	–	–	(2,500,000)	–	–	–	(2,500,000)
Balance as at 31 March 2013	34,691,763	8,571,280	3,414,126	29,014,607	6,844,708	8,527,917	17,864,039	108,928,440
Carrying Value								
Balance as at 31 March 2013	20,756,651	425,809	410,252	11,644,419	2,264,855	717,456	3,086,828	39,306,270
Balance as at 31 March 2012	20,517,654	768,786	435,189	7,912,033	421,524	735,912	2,553,048	33,344,146
Balance as at 1 April 2011	18,500,148	986,929	170,710	12,229,758	273,588	936,635	2,507,235	35,605,003

9. PROPERTY, PLANT & EQUIPMENT - (Contd.)

Building on leasehold land was revalued as at 31 March 2012 for Rs. 20,829,851/- by R. T. K. Sirisena, an independent professional valuer on depreciated replacement cost basis for buildings as at the date of the valuation. The resulting gain was not incorporated in the financial statements as the revaluation surplus was not material amounting to Rs. 73,200/-.

Building represents company's workshop put up on the said Land at Peliyagoda under an operating lease.

10. PREPAID LEASE PAYMENTS

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Cost			
As at 1st April	**7,550,366**	7,550,366	7,550,366
Closing Balance as at 31 March	**7,550,366**	7,550,366	7,550,366
Accumulated Amortization			
As at 1st April	**1,882,756**	1,806,489	1,730,222
Charge for the year	**76,267**	76,267	76,267
As at 31st March	**1,959,024**	1,882,756	1,806,489
Carrying Value	**5,591,342**	5,667,610	5,743,877

Prepaid Lease Payments disclosed above relate to the land at Peliyagoda acquired on a 99 years operating lease commencing from 1989.

11. INVESTMENT PROPERTY

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Balance at 1 April	–	–	–
Acquisitions	**21,683,401**	–	–
Balance at 31 March	**21,683,401**	–	–

Investment Property comprises building leased to Avonsmart Engineering (Pvt) Ltd, with effect from 1st May 2013.

12. INVENTORIES

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
New Vehicles	**439,669,002**	266,119,180	342,557,978
Spare Parts	**82,533,599**	86,549,749	61,935,484
Work in Progress	**3,745,677**	1,369,355	1,000,430
Goods in Transit	**369,554,286**	358,698,267	113,326,887
General Stores	**1,482,538**	1,935,063	2,064,938
	896,985,103	714,671,614	520,885,717

Notes to the Financial Statements (Contd.)

13. TRADE AND OTHER RECEIVABLES

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Trade Receivables – New Vehicles	**252,781,344**	22,245,000	56,671,533
– Spare Parts	**33,265,506**	29,321,013	35,127,804
– Work Shop	**24,291,258**	12,880,533	17,004,219
	310,338,108	64,446,546	108,803,556
Provision for Bad and Doubtful Debts	**(1,231,020)**	(1,231,020)	(481,020)
	309,107,088	63,215,526	108,322,536
Loans to Employees (Note 13.1)	**1,815,744**	1,857,569	2,373,717
Other Debtors	**30,572,517**	11,587,034	5,681,666
Deposits & Prepayments	**2,353,260**	437,895	6,708,310
Withholding Tax Recoverable	**4,236,965**	2,971,610	3,261,621
VAT Receivable	**30,331,154**	47,156,864	40,725,433
	378,416,730	127,226,498	167,073,283

The Company exposure to credit risk related to trade and other receivables are disclosed in note 24.

13.1 Loans to Employees

Loans to Employees include loans and advances granted to officers, equal to or exceeding Rs. 20,000/-. The total amount of such loans granted is Rs. 950,000/-. The movements of these loans during the year is as follows:

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Balance at the beginning of the year	**1,857,569**	2,373,717	3,767,573
Loans granted during the year	**950,000**	600,000	568,200
	2,807,569	2,973,717	4,335,773
Repayments during the year	**(991,825)**	(1,116,148)	(1,962,056)
Balance at the end of the year	**1,815,744**	1,857,569	2,373,717

14. CASH AND CASH EQUIVALENTS

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
14.1 Favourable Balance			
Overnight Repos and Short Term Fixed Deposits	**56,545,739**	510,051,552	291,148,199
Cash at Bank	**44,850,316**	25,486,245	19,171,231
	101,396,055	535,537,797	310,319,430
14.2 Unfavourable Balance			
Bank Overdraft	–	–	(1,383,274)
Cash and Cash Equivalents for the purpose of Cash Flow Statement	**101,396,055**	535,537,797	308,936,156

15. STATED CAPITAL

6,033,622 Ordinary Shares	**115,924,290**	115,924,290	115,924,290

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.

16. ASSETS RELATED GRANTS

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Balance at the beginning of the year	**7,239,819**	7,459,208	7,678,597
Amortisation for the year	**(219,389)**	(219,389)	(219,389)
Balance at the end of the year	**7,020,430**	7,239,819	7,459,208

The above represents the grants received for the construction of work shop at Peliygoda and are amortized over a period of fifty (50) years.

17. RETIREMENT BENEFIT OBLIGATIONS

17.1 Movement in the present value of the defined benefit obligations

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Balance at the beginning of the year	**17,353,518**	19,524,682	16,998,654
Current service cost	**2,052,177**	1,109,265	1,193,565
Interest cost	**1,527,288**	2,147,715	1,313,644
Actuarial (Gain)/Losses recognized in other comprehensive Income	**(105,360)**	(2,759,037)	2,159,073
Benefits paid during the year	**(1,434,414)**	(2,669,107)	(2,140,254)
Balance at the end of the year	**19,393,209**	17,353,518	19,524,682

The actuarial valuations have been carried out by Actuarial & Management Consultants (Pvt) Ltd for retiring gratuity for employees as at 31st March 2013.

17.2 Expense recognized in profit or loss

	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Current service cost	**2,052,177**	1,109,265	1,193,565
Interest cost	**1,527,288**	2,147,715	1,313,644
Balance at the end of the year	**3,579,465**	3,256,980	2,507,209

The expense is recognized in the administrative expenses in the Statement of Comprehensive Income.

The key assumptions used by the actuarial value include the following.
i) Rate of Interest 11 % per annum
ii) Rate of Salary Increase 10 % per annum
iii) Retirement Age 55 years
iv) The Company will continue as a going concern.

The present value of the employee benefits as at 31st March 2013 is Rs. 19,393,209/-, which has been accounted based on a valuation of actuary, which is performed once in every three years in accordance with LKAS 19 " Employee Benefits". This item is grouped under Employee Benefits in the financial statements. During the year under review a " Roll Forward" method was adopted and the liability was estimated based on the valuation results for the year ended 31st March 2012.

Notes to the Financial Statements (Contd.)

18. TRADE AND OTHER PAYABLES	2013 Rs.	2012 Rs.	01st April 2011 Rs.
Accrued Expenses	**18,991,138**	26,715,029	26,428,120
Trade and Sundry Creditors	**60,560,967**	8,324,763	5,442,892
Trade Payable - ITOCHU Corporation	**515,226,386**	703,236,114	–
Advances & Retentions	**15,452,374**	32,799,415	130,675,134
	610,230,864	771,075,321	162,546,146

19. AMOUNT DUE TO RELATED COMPANIES			
Trade Payables - ITOCHU Corporation	–	–	348,757,943

20. CONTINGENT LIABILITIES

Outcome of the following cases were not finalized as at the Balance Sheet date. However no provisions had been accounted in the Financial Statements.

Labour Tribunal Cases against the Company

Ms. Sujatha Silva Vs. Sathosa Motors PLC (Ref - Ct. 78(02))

An Ex-Employee Ms. Sujatha Silva, who stood retired upon her attaining the age of 55 years lodged a complaint to the Termination of Employment Unit of the Commissioner of labour alleging that she has been unlawfully terminated. The Commissioner of Labour dismissed the application of Ms. Sujatha Silva. Subsequently she filed a special case in the District court bearing No. D.S.P. /00137/09. The court delivered order on 11/1/2011 in favour of Sathosa Motors PLC by dismissing the action with costs . The plaintiff has now filed an appeal and the lawyers have received the notice of appeal on 27/1/2011. The lawyers have not received any notices from the court thereafter.

W. A. Siriwardane Vs. Sathosa Motors PLC

The above application was filed in the labour tribunal by an ex-employee Mr. W. A. Siriwardane who was a driver in the company for terminating his services and seeks reinstatement in service. The Company is vehemently resisting the claim. The further trial is fixed for 29th May 2012. The trial is now concluded. The Tribunal has granted 6th May 2013 for filing of written submissions of both parties.

Accordingly written submissions were filed on 6th May 2013. However the Tribunal reserved the delivery of the Order without a date being given.

Other Cases against the Company

Customs Case No. POM/2280/2006

The Custom Department has initiated an inquiry regarding the payment of Duty on dividend paid to Itochu Corporation of Japan, who is the exporter of vehicles to the company.

Based on the above information and the current status of the above cases, the Company is not in a position to quantify the potential financial impact if any, as at the date of Statement of Financial Position.

Notes to the Financial Statements (Contd.)

21. EVENTS OCCURRING AFTER THE REPORTING DATE

On 1st April 2013, The company has invested Rs. 65 Mn in SML Frontier Automotive (Pvt) Ltd. Company's Stake in this venture is 50%.

The Board of Directors has recommended a first and final dividend of Rs. 5/- per share amounting to Rs. 30,168,110/- For the year ended 31 March 2013 (2012 Rs. 5/- per share). This was approved by the Board of Directors at the Board Meeting held on 31st May 2013. In accordance with LKAS 10 "events after Reporting Date", this proposed dividend has not been recognized as a liability as at the date of Statement of Financial Position.

Except for the above there were no material events occurring after the Reporting Date that require adjustments to or disclosure in the Financial Statements.

22. RELATED PARTY TRANSACTIONS

Parent and Ultimate Controlling Party

The Ultimate Controlling Party of the Company is Access Engineering PLC.

The Company carries out 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 related party transactions are reported below.

22.1 Transaction between Holding Company

Name of the company	Description	Amount 2012/2013 Rs.	Amount 2011/2012 Rs.
Access Natural Water (Pvt) Ltd	Purchase of Mineral water	93,135	–
Access International (Pvt) Ltd	Supply of Workshop repair services	454,379	–
Access Engineering PLC	Supply of Workshop repair services and sale of new vehicles	6,015,787	–
Repographics (Pvt) Ltd	Purchase of Toners for Printers	100,168	31,972

22.2 Transaction with Key Management Personnel

According to LKAS 24 'Related Party Disclosures', Key Management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the board of directors (including executive and non-executive Directors) have been classified as key management personnel of the company.

Fees emoluments and other benefits paid to key Management personnel's amounted to Rs. 5.54 Mn (2011/12 Rs. 5.85 Mn) and a loan facility amounting to Rs. 750,000/- was provided to the Executive Director of the Company of which Rs. 37,500/- was outstanding as at the date of Statement of Financial Position.

Emoluments paid to Key Management personnel are disclosed in Note No. 6 to the Financial Statement.

There were no material related party transactions other than those disclosed above to the Financial Statements.

Notes to the Financial Statements (Contd.)

23. SEGMENT REPORTING

Year Ended	Spare Parts 12/13 In Rs. 000	Spare Parts 11/12 In Rs. 000	Vehicles 12/13 In Rs. 000	Vehicles 11/12 In Rs. 000	Repairs & Services 12/13 In Rs. 000	Repairs & Services 11/12 In Rs. 000	Company 12/13 In Rs. 000	Company 11/12 In Rs. 000
Revenue	**185,228**	**185,268**	**1,972,220**	**1,527,551**	**120,870**	**136,854**	**2,278,317**	**1,849,673**
Agency Commission	–	–	9,027	16,325	–	–	9,027	16,325
Total Revenue from External -Sales	185,228	185,268	1,981,246	1,543,876	120,870	136,854	2,287,344	1,865,998
Internal -Sales	–	–	–	–	23,412	16,649	23,412	16,649
Total Revenue	**185,228**	**185,268**	**1,981,246**	**1,543,876**	**144,282**	**153,503**	**2,310,756**	**1,882,647**
Segment Results	**81,067**	**72,496**	**222,265**	**188,239**	**79,745**	**80,953**	**383,078**	**341,688**
Unallocated Income							79,979	53,853
Unallocated Expenses							(176,715)	(153,230)
Profit from Operation before Financing Cost							**286,342**	**242,311**
Net Financing Cost							–	–
Results from Operating Activities							**286,342**	**242,311**
Income Tax Expenses							(80,619)	(69,286)
Profit from Ordinary Activities							**205,723**	**173,026**

24. FINANCIAL RISK MANAGEMENT

Overview

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

– Credit risk

– Liquidity risk

– Market risk

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

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 and investment securities.

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.

	2013 Rs.	2012 Rs.
Trade Receivables	**310,338,108**	64,446,546
Other Receivables	**69,309,642**	64,010,972
Cash and Cash Equivalents	**101,396,055**	535,537,797

The management reviews the age analysis of trade debtors at least a month and follow-up actions are taken to collect the outstanding debt balances.

Notes to the Financial Statements (Contd.)

Age Analysis of Trade Receivables As At March 2013 - Rs.

	Less than 60 days	61-90 days	91-180 days	181-365 days	Over 365	Total
New vehicles	225,351,200	10,900,000	16,530,144	–	–	252,781,344
Spare parts and workshop	39,234,434	11,577,847	4,475,813	1,761,667	507,003	57,556,764
Total	264,585,634	22,477,847	21,005,957	1,761,667	507,003	310,338,108

The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk.

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 risking damage to the Company's reputation.

Trade and other payables other than advances received and unclaimed dividends are expected to be settled within 3 months.

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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the Return.

25. OPERATING LEASES

Non cancellable Operating Lease rentals are payable as follows.

	2013 Rs.	2012 Rs.
Less than one year	480,000	–
Between one and five years	4,320,000	–
More than five years	–	–

The above lease rentals are payable with regard to facility at Panchikawatta under Operating Leases.

During the year an amount of Rs. 480,000/- was recognized as an expense in the Statement of Comprehensive Income in respect of Operating Leases.

26. EXPLANATION TO TRANSITION TO SLFRSS/LKASS

As stated in Note 2.1 these are company's first financial statements prepared in accordance with SLFRSs/LKASs.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 March 2013, the comparative information presented in these financial statements for the year ended 31 March 2012 and in the preparation of opening SLFRSs/LKASs statement of financial position at 01 April 2011 (the date of transition).

In preparing its SLFRSs/LKASs Statement of Comprehensive Income the company has adjusted amounts reported previously in income statement prepared in accordance with SLASs. An explanation of how the transition from previous SLASs to SLFRSs/LKASs has affected the company's financial performance is set out in the following tables and the notes that accompany the tables.

	As per SLAS 2012 Rs.	Effect of transition to SLFRSs/LKASs Rs.	As per SLFRSs/LKASs 2012 Rs.
Revenue	1,882,646,948	–	1,882,646,948
Cost of Sales	(1,540,959,377)	–	(1,540,959,377)
Gross Profit	341,687,571	–	341,687,571
Other Income	53,853,425	–	53,853,425
Administrative Expenses	(134,256,132)	(2,759,037)	(137,015,169)
Selling and Distribution Expenses	(16,214,638)	–	(16,214,638)
Results from Operating Activities	245,070,226	(2,759,037)	242,311,189
Profit before Tax	245,070,226	–	245,070,226
Tax Expense	(69,285,515)	–	(69,285,515)
Profit for the Year	175,784,711	(2,759,037)	173,025,674
Other Comprehensive Income			
Employee benefit plan actuarial gains	–	2,759,037	2,759,037
Total Comprehensive Income for the Year	175,784,711	–	175,784,711

26.1 Defined benefits plan actuarial gains / (losses)

Under SLFRSs/LKASs the company's accounting policy to recognize all actuarial gains and losses in other comprehensive income. Under previous SLAS Company recognized actuarial gains/losses in the profit or loss account under administrative expenses. On transition to SLFRSs/LKASs. The actuarial gains and losses relating to defined benefit plans were reclassified under other comprehensive income.

Reclassification from	Reclassification to	31 Mar 12 Rs.
Administration Expenses	Other Comprehensive Income	2,759,037

Director's Profiles'

Ajita de Zoysa – Chairman

Mr. de Zoysa held a series of leadership roles in the fields of Trading, Manufacturing and Financial Services businesses. He is also the Chairman of Associated Electrical Corporation Ltd, A E C Properties (Pvt) Limited and A D Z Insurance Brokers (Pvt) Limited, a Director of Trelleborg Lanka (Pvt) Limited, Trelleborg Tyres Lanka (Pvt) Limited and Royal Palm Beach Hotels PLC. He is also the President of Commercial Agencies (Ceylon) (Pvt) Limited and Ajita de Zoysa & Company (Pvt) Limited.

Mr. de Zoysa served as the Chairman of the AMW Group of Companies which is highly reputed Group in the Motor industry, for a period of almost 17 years. He was the Chairman of Union Bank of Colombo PLC from May 2003 to April 2012 and of National Asset Management Limited from February 2011 to April 2012.

Sumal Joseph Sanjiva Perera – Managing Director

Mr. Sumal Perera was appointed to the Board of Sathosa Motors PLC on 12th June 1998. He is the founder and Chairman of the Access Group of Companies. He is a Fellow of the Chartered Institute of Management Accountants, UK (FCMA).

Deshamanya Tilak Dias Gunasekera –
Executive Director

Mr. Gunasekera joined Sathosa Motors PLC as Senior Deputy General Manager (Marketing) in 2003. He was promoted to the Deputy CEO position in 2005. In the year 2007 he was further promoted to the Board of Sathosa Motors PLC as the Executive Director.

He counts over 29 years of experience in the fields of Marketing Management and Administrative Management in well established Companies.
He is a fellow of the Institute of Administrative Management, United Kingdom. He also holds qualifications in Marketing. He has been the Chairman of Ceylon Motor Trading Association (CMTA), which is an umbrella organization of Ceylon Chamber of Commerce (CCC) since 2010.

Joseph Christopher Joshua – Director

Mr. Christopher Joshua is one of the Founder Directors of Access Group of Companies. He was instrumental in heading some of the most successful business units within the Access Group. Mr. Joshua is a Founder shareholder and was the Joint Managing Director / CEO of Access Engineering Ltd and presently the Managing Director of Access Engineering PLC. He is also the Joint Managing Director of Access Group of Companies since 1997.

Ranjan John Suriyakumar Gomez – Director

Mr. Ranjan Gomez is also one of the Founder Directors of Access group of companies. He is presently the Joint Managing Director of the Access group and CEO of many business units within the Access group. Mr. Gomez is one of the Founder shareholders and was the Joint Managing Director of AEL for a considerable period of time.

M M Nelson De Silva – Director

Mr. Nelson De Silva, who joined the Board of Sathosa Motors PLC on 11th February 2009, is an Associate Member of the Institute of Chartered Accountants of Sri Lanka. He graduated with a B.Sc in Public Administration from Sri Jayawardenapura University.

He serves as the Managing Director of Ned Management Consultants (Pvt) Ltd, He is also the Proprietor of M M N De Silva & Company.

He had been the Group Accountant of Tisara Group, Senior Accountant of John Keels Group, Finance Manager of Finlay Chemicals & Dyes (Pvt) Ltd, Director of PE Management Consultants (Pvt) Ltd and Partner of HLB Edirisinghe & Company.

Director's Profiles' (Contd.)

Alexis Indrajit Lovell – Director

Mr. Alexis Lovell was appointed to the AEL Board in 2011. He was appointed to the Board of Union Bank of Colombo PLC in 2007 as a Non-Executive Director and was appointed as the Chairman in May 2012. He counts over thirty years of experience in Finance and Investment Banking. Mr. Lovell is a Chartered Management Accountant, UK and holds a Postgraduate Degree in Business Administration. He was awarded the MBE (Most Distinguished Order of the British Empire) by Her Majesty the Queen of England for his services to Investment Banking.

Shevantha Harindra Sudharaka Mendis – Director

Mr. S H S Mendis has been attached to the Access Group since 1994 holding several positions over the years. He currently holds the position of Director Business Development at Access Engineering PLC and is a Director of Access International (Pvt) Ltd.

Saumaya Darshana Munasinghe – Director

Mr. S D Munasinghe has been attached to the Access Group since 1996. Having held several positions in the Group, he now functions as Director – Business Development at Access Engineering PLC and as a Director at Access International (Pvt) Ltd.

Dalpadoruge Anton Rohana Fernando – Director

Mr. D A R Fernando is an Engineer by profession and has been attached to the Access Group since 1998. He currently holds the position of Director/COO of Access Engineering PLC and serves as a Director at Access International (Pvt) Ltd.

He is a Corporate Member of Institution of Engineers, Sri Lanka (IESL) and has a BSc Degree in Civil Engineering from the University of Peradeniya.

Audit Committe Report

Composition
The Board appointed Audit Committee of Sathosa Motors PLC comprises of three members. All of whom are independent.

Role of the Committee
The committee operates within the 'Terms of Reference' formally approved by the Board which defines its objectives and responsibilities. The role and functions of the committee are further regulated by 'Rules on Corporate Governance' of the Listing rules of the Colombo Stock Exchange. The key objective of the committee is to assist the Board of Directors in discharging its responsibilities towards all stakeholders and to ensure that sound Corporate Governance practices are upheld within the Company. The Committee is empowered among other things to examine any matters relating to the financial affairs of the Company, review any activity within the Company, review the adequacy of internal control environment, adherence to statutory and regulatory requirements, ensuring the objectivity and the independence of external and internal auditors, business risk assessment and adherence to accounting policies.

Meetings
During the Financial Year ended 31st March 2013, the Committee held Five meetings. The attendance of the members at these meeting is mentioned below. The Executive Director , Head of Finance and the Internal Auditors attended all audit committee meetings by invitation. When required, other senior officers of the Company were invited to attend these meetings.

Financial reporting
Management has the primary responsibility for the Financial Statements and the reporting process. The Audit Committee oversees the Company's financial reporting process to ensure the reliability of the information provided to the stakeholders. The committee focuses on the reasonability of the key judgments and estimates in the preparation of Financial Statements and the extent of compliance with the Sri Lanka Accounting Standards and applicable disclosure requirements (IFRS).

Statutory and regulatory compliance
A procedure has been laid down for reporting on the statutory compliance & laid down procedures of the Company . This report is certified by the internal audit on a monthly basic. Instances of non compliances if any are reported in a specific format to the Board on a monthly basic. Such reported exceptions are followed up to ensure appropriate corrective action. Due compliance with all requirements is monitored through this process.

Internal Audit
The Audit Committee exercise oversight over the internal audit function. The Committee approved the annual internal audit programme and reviewed the reports by internal auditors concerning operational issues and effectiveness of internal control systems. These reviews examined the management responses for the issues raised as well as the implementation of agreed recommendations.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS

	02/05/2012	19/06/2012	23/08/2012	16/10/2012	23/01/13
M M N de Silva	✓	✓	✓	✓	✓
J C Joshua	–	–	✓	✓	–
A I Lovell	–	–	✓	✓	✓

Audit Committe Report (Contd.)

Good governance

The committee also reviewed the level of compliance with Corporate Governance rules as per Sec 7.10 of the Listing Rules of the Colombo Stock Exchange and is satisfied that the Company has complied with all mandatory requirements of this code.

The Company's whistle blowing policy is intended to serve as a channel of managing corporate fraud risk. Through this mechanism, staff are encouraged to raise their concern on existing or potential wrong doings by other employees.

External audit

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity. Prior to commencement of the annual audit, the Committee discussed with the external auditors their audit plan, audit approach and procedures and matters relating to the scope of audit. The fees of the external auditors were discussed at the conclusion of the audit, where the Committee reviewed and approved the annual Consolidated Financial Statements.

The Audit Committee also reviewed the external auditor's management letter of the previous year together with the management's response thereto. The Committee also reviewed the non audit services provided by the external auditors with the aim of safeguarding and supporting the independence and objectivity of the external auditor. Having reviewed these, the committee has also received a declaration from the external auditors as required by the Companies Act No. 7 of 2007, confirming that they do not have any relationship or interest in the Company which may have a bearing on their independence.

The Audit Committee has recommended to the Board that KPMG be re-appointed as statutory auditors for the financial year ending 31st March 2014 subject to the approval by the Shareholders at the forthcoming Annual General Meeting.

Conclusion

Based on the review of reports submitted by the external and internal auditors and the information received during the deliberations, the committee is satisfied that the internal controls and procedures in place are adequately designed and have been operating effectively to provide reasonable assurance that the Company's assets are safeguarded and that steps are being taken to continuously improve the control the control environment maintained within the Company. The committee is also satisfied that the financial position of the Company is regularly monitored and that the Company is has adopted appropriate Accounting Policies and that the Financial Statements of the Company are reliable.

Chairman – Audit Committee

24th June 2013

Information to Investor

Shareholders & Investor Information

25 MAJOR SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH 2013.

	NAME OF SHAREHOLDER	No. of shares as at 31st March 2013	%
1	ACCESS ENGINEERING PLC	5,092,302	84.399
2	LAKSHMANS HOUSING AND CONSTUCTION CO (PVT) LTD	568,900	9.429
3	SEYLAN BANK PLC/LAKSHMANS HOUSING AND CONSTRUCTION COMPANY (PVT) LTD	38,800	0.643
4	MERCHANT BANK OF SRI LANKA PLC A/C NO 1	20,000	0.331
5	BANK OF CEYLON NO.1 ACCOUNT	16,000	0.265
6	MR. S G N HERATH, MRS. A N HERATH AND MS. N E HERATH	5,297	0.088
7	MR. R D LEELARATNA	4,028	0.067
8	MR. R D U A RANAMUKA	4,000	0.066
9	MR G C GOONETILLKE	3,900	0.065
10	MR. A H MUNASINGHE	3,598	0.060
11	MR. M S P DE SILVA	3,400	0.056
12	MR. T D D CHANDRAPALA	3,000	0.050
13	TEA CEYLON INVESTMENTS (PVT) LTD	2,850	0.047
14	MRS S A KALEEL	2,400	0.040
15	MR. N L DIAS	2,400	0.040
16	MRS N G A P RATNASEKARA	2,300	0.038
17	MR. P K SAMBASIVAM	2,260	0.037
18	DR N I WIKRAMANAYAKE	2,206	0.037
19	MR. U I SURIYABANDARA	2,004	0.033
20	MR. H NAGASHIMA	2,000	0.033
21	MR. C J E COREA	2,000	0.033
22	MR. F M ASAF KHAN	2,000	0.033
23	MRS D N G SENEVIRATNA	2,000	0.033
24	MR. N YAMAGUCHI	2,000	0.033
25	SHALSRI INVESTMENTS (PRIVATE) LTD	2,000	0.033
		5,791,645	95.989
	OTHERS	241,977	4.011
		6,033,622	100.000

DISTRIBUTION OF SHARE HOLDING AS AT 31ST MARCH 2013

From	To	No of Holders	No of Shares	%
1	1,000	1,239	199,848	3.31
1,001	10,000	52	97,772	1.62
10,001	100,000	3	74,800	1.24
100,001	1,000,000	1	568,900	9.43
Over 1,000,000		1	5,092,302	84.40
		1,296	6,033,622	100.00

CATEGORIES OF SHAREHOLDERS

Local Individuals	1,094	245,229	4.06
Local Institutions	44	5,751,373	95.32
Foreign Individuals	154	35,456	0.59
Foreign Institutions	4	1,564	0.03
	1,296	6,033,622	100.00

Information to Investor (Contd.)

Shareholders & Investor Information

DISTRIBUTION OF DIRECTORS' SHARE HOLDING AS AT 31ST MARCH 2013

		No of Shares	%
Mr. Ajita de Zoysa	–	Nil	Nil
Mr. S J S Perera	–	Nil	Nil
Mr. T D Gunasekara	–	840	0.014
Mr. J C Joshua	–	Nil	Nil
Mr. R J S Gomez	–	Nil	Nil
Mr. M M N De Silva	–	1,100	0.018
Mr. S D Munasinghe	–	Nil	Nil
Mr. S H S Mendis	–	Nil	Nil
Mr. D A R Fernando	–	Nil	Nil
Mr. A I Lovell	–	Nil	Nil

SHARE PRICES

		As at 31/03/2013	As at 31/03/2012
Highest Price during the year	–	Rs. 265.00 (13/02/2013)	Rs. 469.00 (20/09/2011)
Lowest Price during the year	–	Rs. 150.00 (06/06/2012)	Rs. 160.20 (15/02/2012)
Closing Price	–	Rs. 229.20	Rs. 249.90

FINANCIAL CALENDAR

1st Quarter ended 30-06-2012	Accounts dispatched on 23/07/2012
2nd Quarter ended 30-09-2012	Accounts dispatched on 12/10/2012
3rd Quarter ended 31-12-2012	Accounts dispatched on 15/01/2013
4th Quarter ended 31-03-2013	Accounts dispatched on 08/05/2013
27th Annual General Meeting	23rd July 2011
28th Annual General Meeting	20th July 2012
29th Annual General Meeting	26th July 2013

PUBLIC HOLDING

The Percentage of shares held by the Public – 15.57%

Information to Investor

Stock Market Information

Year		2012/13 Rs.	2011/12 Rs.
Market Value Per Share			
Market price (as at 31st March)	-	**Rs. 229.20**	Rs. 249.90
Highest Market Price during the year	-	**Rs. 265.00**	Rs. 469.00
Lowest Market Price during the year	-	**Rs. 150.00**	Rs. 60.20
Net Asset Value per share	**-**	**Rs. 127.76**	Rs. 98.64
Earnings per share	**-**	**Rs. 34.10**	Rs. 28.68
Dividend per share (Gross)	**-**	**Rs. 5.00**	Rs. 5.00
Public Holding	**-**	**15.57%**	22.78%
Dividend pay out Ratio	**-**	**14.67%**	17.16%
Dividend Cover (Times)	**-**	**6.82**	5.83

Debt/Equity Ratio & Interest Cover

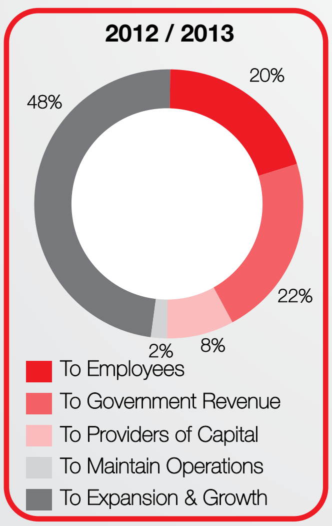
These ratios are not applicable for the Company as the Company has no borrowings as at the date of the Statement of Financial Position.

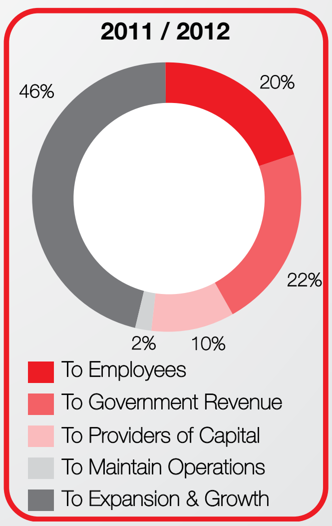
Statement of Value Added

For the year ended 31st March	2013 Rs.000	2012 Rs.000
Value added		
Revenue	**2,310,756**	1,882,647
Other Income	**79,979**	53,853
	2,390,735	1,936,500
Cost of material & Services	**(2,021,860)**	(1,623,362)
	368,876	313,139

Distribution of value added

	2013		2012	
	Rs.000	%	Rs.000	%
To Employees				
as salaries, Incentive & other benefits	**74,446**	**20.18**	61,495	19.64
To Government Revenue				
as taxes	**80,619**	**21.86**	69,286	22.13
To Providers of Capital				
as dividend	**30,168**	**8.18**	30,168	9.63
To Maintain operations				
Depreciation	**7,981**	**2.16**	6,573	2.10
Financing Expenses	–	–	–	–
To Expansion & Growth				
Reserves	**175,660**	**47.62**	145,617	46.50
	368,876	**100.00**	313,139	100.00





Notes

Form of Proxy

I/We .... (NIC No. ....).
of ....
being a member/members of SATHOSA MOTORS PLC hereby appoint;
....of
....(or failing him).

Mr. Ajita de Zoysa	of Colombo or failing him*
Mr. Sumal Joseph Sanjiva Perera	of Colombo or failing him*
Mr. Tilak Dias Gunasekera	of Colombo or failing him*
Mr. Muthu Muni Nelson de Silva	of Colombo or failing him*
Mr. Joseph Christopher Joshua	of Colombo or failing him*
Mr. Ranjan John Suriyakumar Gomez	of Colombo or failing him*
Mr. Alexis Indrajit Lovell	of Colombo or failing him*
Mr. Saumaya Darshana Munasinghe	of Colombo or failing him*
Mr. Shevantha Harindra Sudharaka Mendis	of Colombo or failing him*
Mr. Dalpadoruge Anton Rohana Fernando	of Colombo or failing him*

....of
.... holder of NIC No.....................................

as my/our* proxy represent me/us and vote for me/us* and on my/our* behalf at the Twenty Ninth (29th) Annual General Meeting of the Company to be held on 26th July 2013 at 10.00 a.m. and at any adjournment thereof and every poll which may be taken in consequence thereof.

Please indicate your preference by placing a ✓ against the following

		For	***Against***
1.	To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2013 together with the Report of the Auditors thereon.		
2.	To re-elect Mr. A I Lovell who retires in terms of Article 88 (i) of the Articles of Association of the Company.		
3.	To elect Mr. S D Munasinghe who retires in terms of Article 95 of the Articles of Association of the Company.		
4.	To elect Mr. S H S Mendis who retires in terms of Article 95 of the Articles of Association of the Company.		
5.	To elect Mr. D A R Fernando who retires in terms of Article 95 of the Articles of Association of the Company.		
6.	To re-appoint M/s KPMG Chartered Accountants as Auditors for the year ending 31st March 2014 and to authorise the Board of Directors to determine their Remuneration.		
7.	To authorise the Directors to determine contributions to charities and other donations for the year 2013/2014.		

As witness my/our* hands this .... day of .... Two Thousand and Thirteen.

*Please delete as appropriate

....	....
NIC/REG.No.	Signature of Member/s

Notes: 1. A proxy need not be a member of the Company.
2. Instructions as to completion appear overleaf.

Form of Proxy (Contd.)

INSTRUCTIONS FOR THE COMPLETION OF FORM OF PROXY

1. Please perfect the Form of Proxy overleaf by filling in legibly your full name address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. Please return the completed Form of Proxy after deleting one or other of the alternative words indicated by asterisk in the body of the form.
3. To be valid the completed Form of Proxy should be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd., No. 3/17, Kynsey Road, Colombo 08 not less than 36 hours before the time appointed for the holding of the meeting.
4. If the Form of proxy has been signed by an attorney, the relative Power of Attorney should also accompany the completed form of Proxy for registration, If such Power of Attorney has not already been registered with the Company.
5. If the shareholder is a Company or a Corporate body, the Proxy should be executed under its common seal in accordance with its Articles of Association or Constitution.
6. A shareholder appointing a proxy (other than a Director of the Company) to attend the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy and request the proxy holder to bring his/her National Identity Card with him/her.