Autodrome
SINCE 1953

ANNUAL REPORT 2011/12

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If you have any questions on the use of the digital copy of this report, please call 2326181 or 2314804. The contact person at the time of publishing this annual report is Mr. Arjuna Dasanayake, Accountant.

If you wish to Email instead, please use the address finance@autodrome.lk. The fax number is 2314805.

The web address for download of this report is: http://financial.autodrome.lk

Corporate Information

The Autodrome PLC

304 Union Place, Colombo 2. Sri Lanka
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F 2338611, 2314805, 2325594
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- **Legal Form**
  A Limited Liability Company incorporated in Ceylon on 23.07.1953 Public Co. 1957.

- **Stock Exchange Listing**
  The issued ordinary shares of the Company are listed since 1975 under Motors on the Main Board of the Colombo Stock Exchange of Sri Lanka.

- **Company Registration No.**
  PQ-84

- **Board of Directors**

  Joseph A. Aloysius
  B.Sc. Chairman

  Ms. Bernadette J. Aloysius
  B.A. Deputy Chairperson

  Jeremy D. Aloysius
  MBA (USA) Joint Managing Director

  Rajeev A.J. Aloysius
  FCMA (UK), FCMA (LK), MBA (Sri. J.) Joint Managing Director

  Ms. J. Joanne B. Aloysius
  B.Sc. (Lond.), MBA Marketing Director

  Ms. Julie A. Aloysius
  BA (USA) Executive Director

  M. Raviraj Ratnasabapathy
  FCMA(UK), MBA

  Prof. John A. Aloysius
  B.Sc (Col.), PhD (USA)

  M. Suresh Dominic
  BSc (Hons) (USB, London)

  C. Lakshman Sirimanne
  Dip. Eng, IMS (UK)

  Sarath C. Weerasooria
  FCA

- **Company Secretaries**
  Accounting Systems Secretarial Services (Pvt) Ltd.
  Level 4, No 2, Castle Lane, Colombo 04.

- **Lawyers**
  M/s. D.L. & F. de Saram

- **Auditors**
  M/s. KPMG

- **Bankers**
  Bank of Ceylon, Metropolitan Br.
  Commercial Bank of Ceylon PLC., City
  Hatton National Bank PLC, Greenpath Br.
  HSBC, Main Office
  People's Bank, Union Place Br.

- **Senior Executives**
  S. Enaksha S.M. Fernando *General Manager*
  A. Dasanayake *B.Sc(Acct) Sp, ACA Accountant*
  Ms. Asha Peiris Nishantha *Manager - Sales*
  Erandaka Hewanayake *Manager - Marketing*
  T.D. Thilakasiri *Administration Manager*
  Nelson Nonis *Manager - Warehouse*
  Ranjith Dharmasena *Manager - Stores*
  Rajiv Perera *Manager - Workshop*
  Denny Joseph *Manager - IT and Webmaster*

- **Nature of Business**
  Sole Distributors in Sri Lanka for:
  BRIDGESTONE Tyres, Tubes and Flaps (Japan, Indonesia & Thailand)
  FUTEK Alloy Wheels (China)
  CHINA SOONG Wheels and Tyre Accessories (China)
  REVLON LANKA Cosmetics and Beauty Care

  Subsidiary
  Tourama (Pvt) Ltd - Travel Agency and Destination Management Co.

Notice of Annual General Meeting

THE AUTODROME PLC
Reg. No. PQ-84

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting of The Autodrome PLC will be held at the Registered Office of the Company at 304, Union Place, Colombo 2 on Friday, 28 September 2012 at 3.30pm, and the business to be brought before the meeting will be:

Agenda

Ordinary Business

1. To receive and consider the Annual Report of the Directors and the Audited Financial Statements for the year ended 31 March 2012 together with the Report of the Auditors thereon.

2. To re-elect as a director, Ms. Julie A. Aloysius to the Board, who retires by rotation in terms of the Articles of Association.

3. To re-elect as a director, Prof. John A. Aloysius to the Board, who retires by rotation in terms of the Articles of Association.

4. To pass the following ordinary resolutions: To re-elect Mr. Joseph Anthony Aloysius, Mr. Sarath C. Weerasooria and Mrs. Bernadette J. Aloysius as Directors of the company, special notices have been received from shareholders pursuant to section 211 of the Companies Act No 7 of 2007 of the intention to propose the following resolution as ordinary resolutions.

   RESOLVED THAT Mr. Joseph Anthony Aloysius who has reached the age of 83 be and is hereby re-elected as a director of the company and is hereby declared that the age limit of 70 years referred to section 210 in the Companies Act No 7 of 2007 shall not apply to said director in accordance with section 211 of the Companies Act No 7 of 2007.

5. **RESOLVED THAT** Mr. Sarath Chandra Weerasooria who has reached the age of 73 be and is hereby re-elected as a director of the company and is hereby declared that the age limit of 70 years referred to section 210 of the Companies Act No 7 of 2007 shall not apply to said director in accordance with section 211 of the Companies Act No 7 of 2007.

6. **RESOLVED THAT** Mrs. Bernadette Jeyaleela Aloysius who has reached the age of 71 be and is hereby re-elected as a director of the company and is hereby declared that the age limit of 70 years referred to section 210 of the Companies Act No 7 of 2007 shall not apply to said director in accordance with section 211 of the Companies Act No 7 of 2007.

7. To re-appoint M/s KPMG as Auditors and authorise the Directors to determine their remuneration.

8. To authorise the directors to determine contributions to charity.

9. Any other business, for which due notice shall have been given.

By Order of the Board of The Autodrome PLC

ACCOUNTING SYSTEMS
SECRETARIAL SERVICES (PVT) LIMITED
Secretaries

Colombo, 23 August 2012

Chairman's Statement

"Interest rates have risen sharply as well, which did not affect the company because we continued to maintain extremely low borrowings."

Welcome to the 60th Annual General Meeting of the Company.

Results
While 2012 looked to be a very promising year, the substantial gains over the previous year were wiped out by the steep depreciation of the Sri Lanka Rupee by over 16% during the year, including two overnight depreciations which prevented us from passing on these shocks to the market. These losses include unrealised exchange losses on liabilities, which are quantified in the Cash flow statement. Interest rates have risen sharply as well, which did not affect the company because we continued to maintain extremely low borrowings.

Business Environment
The World Economy continues to reel from multiple economic crises, including the severe recession throughout most of Europe and the anaemic growth in the USA, and the slowdown in BRIC countries. Our suppliers have also been hit by lockdowns and sharp fluctuations in their currencies. Our Administrative and Operational expenses have been controlled to a great extent, and the main increases in expenses are improved staff remuneration to meet the rising cost of living. We have taken steps to improve our cash flow position during the year, however, with the depreciation of the rupee and the corresponding settlement of liabilities, this may be eroded to some extent.

Dividend and Share
An interim dividend of Rs. 4 per share for the year 2011/2012 was declared on 09 September 2011, and paid on 28 September 2011. The Board recommends that this be treated as Final.

Future Prospects
Our Revlon cosmetics and beauty care products have been stable, with increased competition and branded competition entering the market during the year. The Tax system of the country continues to be simplified, with some way to go to achieve a business friendly environment.

The economic fundamentals remain strong, and we can expect better results in the years to come. New Bridgestone dealers have been appointed in the North and East in the year under review, with brand signage. Promising developments such as the launching of package tours by Tourama (Pvt) Ltd, and handling overseas air travel for international clients, bodes well for its future.

Digital Reporting
You have received this Report on CD, and if you have not, it is available on the web for quick and easy download. As usual, the CD also contains an Excel version so that you may perform your own calculations as you wish. We will continue to provide you with hard copies of the report if you request for it in writing to the contact person specified at the beginning of this report.

Retirement
I wish to announce with regret that, I have decided to resign from my executive position at the Company with effect from 31 March 2012. I joined this company as Marketing Manager in 1956, and have seen very bad times, recovery and boom times during these 56 years. I would like to thank Bridgestone Corporation for supporting me over these many years, when doing business became extremely challenging. We continue to be the third oldest international distributor for Bridgestone in the world. I will continue to retain my position as Chairman of the Board of Directors.

Thanks
I would like to thank all our stakeholders for the support given during the year. The Board of The Autodrome PLC combines knowledge and experience in our businesses, and I thank them for their advice and guidance. We will work to grow The Autodrome PLC to realise our collective vision.

Joseph A Aloysius
Chairman of the Board

Colombo, 23 August 2012

Directors' Profiles

Mr. Joseph A. Aloysius

Mr. Joseph Aloysius has served on the Board of the Company since 1963, having joined the company as a Manager in 1956. He is currently the Chairman of the Board. He holds a Bachelor of Science degree (Chemistry) from the University of Ceylon. He was a long-serving Chairman of both the Ceylon Motor Trader's and the Ceylon Tyre Traders' Associations of the Ceylon Chamber of Commerce. He also holds Directorates in Tourama (Pvt) Limited, Mercury Ltd. and Seventy Ltd. He has previously served on the Boards of The Galle Face Co. (Pvt) Ltd, Associated Hotels Ltd, DFCC, Cargills (Ceylon) Ltd, Millers Ltd and the Ceylon Hotels Corporation among others.

Mrs. Bernadette J. Aloysius

Mrs. Bernadette Aloysius was appointed to the Board in 1989 and is presently the Deputy Chairman/Marketing Director. She holds a B.A. degree from the University of Peradeniya. She also holds Directorates in Tourama (Pvt) Limited, Mercury Limited and Seventy Limited.

Mr. Jeremy D. Aloysius

Mr. Jeremy Aloysius was appointed to the Board in 1989, was made an executive director in April 1992, and presently serves as the Joint Managing Director of the Company. He holds a Masters in Business Administration from the American University in Asia (USA). He has undergone technical training at the Bridgestone Firestone Training and Communication Centre, in Nong Khae, Thailand. He is also a Director of Tourama (Pvt) Ltd.

Mr. Rajeev A. J. Aloysius

Mr Rajeev Aloysius was appointed to the board in 1992 , was made an executive director in June 1997 and serves as the Joint Managing Director of the Company, heading the Finance and IT Division. He holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and is a Fellow of the Chartered Institute of Management Accountants (UK) and a Fellow of the Certified Management Accountants (Sri Lanka). He is a past president/chairman of two affiliated associations at the Ceylon Chamber of Commerce. He concurrently serves as the Managing Director of the subsidiary Tourama (Pvt) Ltd, and is its chief Travel Consultant. He is currently the Hon. Treasurer of the Chamber Music Society of Colombo, and also serves as Webmaster for a number of organisations in Colombo.

Ms. Julie A. Aloysius

Ms. Julie A. Aloysius joined the board in 1990 and is presently an Executive Director of The Autodrome PLC and Tourama (Pvt) Ltd. She earned her Bachelors degree in Mass Communications from Aquinas College, Grand Rapids, Michigan, USA.

Ms. J. Joanne B. Aloysius

Ms. Joanne Aloysius joined the board in 2004 and serves the Company as an Executive Director. She heads Revlon operations for the Company. She earned her B.Sc. in Law with Management from the University of London, and holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. She is also a Director of Tourama (Pvt) Ltd.

Prof. John A. Aloysius

Prof. John Aloysius has served as a Non-Executive director of the board since 1990. He is currently an Associate Professor of the Walton School of Business at the University of Arkansas, USA. He holds a PhD. from Temple University, Philadelphia, USA and a Bachelor of Science Degree in Mathematics and Statistics, with First Class honours from the University of Colombo. He conducts lectures in the US and internationally in his field of expertise.

Mr. Sarath C. Weerasooria

Mr. Sarath Weerasooria was appointed to the board in 1994 as a Non-Executive Director. He is a senior Fellow of the ICASL. He is Chairman of the Board of the Finco / Alpha Group of companies. He is a member of the main Committee of the The Ceylon Chamber of Commerce, representing an affiliated association. He currently chairs the Audit Committee of the Company, and is a member of the Remuneration Committee.

Mr. M. Raviraj Ratnasabapathy

Mr. M.R. Ratnasabapathy joined the board in 2007. He is a Fellow of the Chartered Institute of Management Accountants (UK) and holds an MBA from PIM. With over 25 years' experience in finance, he is currently Head of Corporate Finance of Suntel Ltd. He chairs the Remuneration Committee, and is a member of the Audit Committee.

Mr. C. Lakshman Sirimanne

Mr. Lakshman Sirimanne was appointed to the Board in 2007. He possesses extensive experience at Senior Management level in the Corporate Sector, including Ceylon Tobacco Co Ltd. for over 26 years, and thereafter on the Main Board at EastWest Properties Ltd. group and its subsidiaries for over 10 years. He is presently the Group Director - Corporate Development at the Galle Face Hotel Group.

Mr. M. Suresh Dominic

Mr. Suresh Dominic was appointed to the board in 2007. He holds a B.Sc. degree in Mathematics & Computing from the South Bank University, London, UK. Presently, he is a Consultant to Interblocks (Pvt) Ltd, a multinational company developing banking finance software. He is a member of the Remuneration Committee.

Statutory Committees

REMUNERATION COMMITTEE

Members

1) Sarath C. Weerasooria
2) Ravi Ratnasabapathy (Chairman)
3) M. Suresh Dominic

By invitation

1) Bernadette Aloysius *or alternate*
2) Jeremy Aloysius

Terms of Reference

1. Membership

1.1 The Committee shall be composed of at least three members.

1.2 The Board shall appoint the Committee Chairman. In the absence of the Committee chairman and/ or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Authority

2.1 For the Chairman, all executive directors and Special Grade Executives and Higher Grade Executives:

(a) Agree the framework and/or broad policy for remuneration, terms of employment and any changes, including service contract, remuneration, basis of bonus and participation in incentive plans; and the targets for any performance related pay schemes.

(b) Agree terms for cessation of employment;

(c) Authorise execution by the Company of all relevant documents.

2.2 Recommend to the Board the form and content of the report to shareholders on directors remuneration in the Annual Report, including the work of the Committee.

2.3 The Committee is authorised through the Executive Director to seek any information it requires from an employee of the company in order to perform its duties.

2.4 Delegate any of its powers to one or more of its members or the Secretary.

3. Proceedings

3.1 A quorum for the Committee is two Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities and duties vested in or exercisable by the Committee.

3.2 The Chairman and the Group Chief Executives may attend the meetings at the invitation of the Committee to contribute to its deliberations but shall not be present when their own position is under discussion.

3.3 Formal decisions are made by a simple majority vote, with the Chairman of the meeting holding a casting vote.

3.4 The committee meets at least once a year.

3.5 All non-executive directors may receive papers and minutes on request.

AUDIT COMMITTEE

Terms of Reference

Members

1. Sarath C. Weerasooria, FCA (Chairman)
2. M. Ravi Ratnasabapathy
3. C. Lakshman Sirimanne

By invitation

1. Rajeev Aloysius, Joint Managing Director
2. Joanne Aloysius, Executive Director

1. Membership

1.1 The Committee shallbe composed of at least three members.

1.2 The Committee shall consist of at least two independent non-executive directors, and the Chairman shall have significant, recent and relevant financial experience.

1.3 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Statutory Committees

Audit Committee...

2. Proceedings

2.1 A quorum for the Committee is two Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities and duties vested in or exercisable by the Committee.

2.2 The Joint Managing Director and Executive Director, although not members of the Committee will attend meetings with the agreement of the Chairman of the Committee.

2.3 Autodrome's other directors may attend with the agreement of the Chairman of the Committee.

2.4 Any Committee member may call additional meetings as necessary.

2.5 The terms of reference and the effectiveness of the Committee shall be reviewed annually and any necessary recommendations made to the Board.

2.6 The Committee shall meet at least four times a year, linked to the announcement of the Autodrome's Group financial results.

3. Minutes

The minutes of meetings of the Committee are circulated to all members of the Committee and to nominated recipients as soon as practicable after the meeting. The minutes are also circulated to all members of the Board.

4. Authority

The Committee has authority to:

(a) oversee any investigation of activities which are within its terms of reference;

(b) require provision of any necessary information to fulfil the above;

(c) call any member of staff, through the Executive Director, to be questioned at a meeting of the Committee as and when required;

(d) meet with the external auditors without management present.

5. Principal Duties

5.1 External Audit

5.1.1 Recommend to the Board the appointment and reappointment of external auditors to Autodrome PLC, ensuring that key partners are rotated at appropriate intervals; and consider their resignation and removal and recommend appropriate action.

5.1.2 Review the performance of the external auditors including the scope of their audit and recommend to the Board appropriate remuneration.

5.1.3 Review, at least annually, the cost effectiveness of the audit and the qualification, expertise, independence and objectivity of the external auditors, including the nature and extent of non-audit and consultancy services to ensure that independence or objectivity is not impaired.

5.1.4 Review and approve the Group Audit Engagement Letter.

5.1.5 Discuss with the external auditors the scope of their audits before they commence and review the results and consider their Management Letter, and report the results of those reviews to the Board.

5.1.6 Review and discuss any reports from the external auditors on critical accounting policies, including management's response.

5.2 Internal Audit
There is no internal audit function at present. However, if the Audit Committee deems it necessary, at any time; it may appoint a firm of accountants to conduct an internal audit and to determine the scope of such audit, at the Company's expense.

5.3 Financial Reporting
5.3.1 Review the annual, half year and quarterly financialresults and the Annual Report and other published information to satisfy itself that they meet all statutory requirements, SEC requirements, Sri Lanka Accounting Standards and the regulations of the Colombo Stock Exchange.

5.3.2 Review annually the accounting policies and make recommendations to the Board.

5.4 Internal control and risk management

5.4.1 Monitor and review the standards of internal control, including the processes and procedures for ensuring that material business risks, fraud and related matters, are properly identified and managed, the effectiveness of internal control, financial reporting, accounting policies and procedures.

5.4.2 Review processes for dealing with complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters ('whistleblowing' procedures), ensuring arrangements are in place for the proportionate and independent investigation and appropriate follow up action.

6. Other
The Committee shall:
6.1 Review any other matter referred to it by either the Board or the Chairman;
6.2 Delegate any of its powers to one or more of its members, or the Secretary if it deems this appropriate.

Corporate Governance

A brief overview of our application of some of the Guiding Principles formulated by the Institute of Chartered Accountants of Sri Lanka, as well as the new listing rules (dated 28 January 2010) of the Colombo Stock Exchange is given below.

We the Board confirm that as at the date of the Annual Report, that the Company is in compliance with the Corporate Governance Rules of the Colombo Stock Exchange.

Board of Directors

The composition of the Board of Directors throughout the year under review from 01 April to 31 March, has been 6 Executive Directors and 5 non-Executive Directors. The profiles of these directors , and their qualifications are on page 6. A disclosure of the status of the board, whether non-executive, executive or independent non-executive, is given on page 12, in note 13 of the Management Review. There have been no changes to the composition of the board during the year.

The Chairman of the Board and Managing Director positions are held by different persons. The Joint Managing Directors function as joint Chief Executive Officers of the Company. The Non-Executive Directors are not involved in the day to day running of the company, but participate in the review and monitoring of operations, while also participating in Governance Committees *(see below)*. Three directors are both Independent and Non-Executive, as per the definitions given by the Colombo Stock Exchange.

In accordance with Listing Rule 3.1.16 a), it was resolved at a board meeting held on 07 September 2010, that Mr. Sarath C. Weerasoria, FCA, having served for more than 9 years on the board, considering his credentials, and his position as Chairman of a privately-held conglomerate of companies, is considered nevertheless independent.

All Non-Executive Directors have submitted a declaration of their independence to the Company.

Audit Committee

The audit committee consists of three independent, non-executive directors. The committee is chaired by a member of a professional accounting body, and at least one other member has equivalent professional qualifications. The audit committee consists only of non-executive directors, and two executive directors are invited for clarifications at meetings. The functions of the Audit Committee are in accordance with Rule 7.10.6 (b) of the Listing Rules. The invited executive directors include the Joint Managing Director / CEO.The audit committee met 4 times during the year under review, on 10 May 2011, 11 August 2011, 25 October 2011 and 17 January 2012, and conducted the business as entrusted to them under their Terms of Reference. The Terms of Reference of the Audit Committee may be found on page 7 and 8.

Remuneration Committee

The Remuneration committee consists of a Chairman who is an an independent non-Executive Director, and two other independent non-executive directors. committee may be found on page 7.

The Remuneration Committee met twice during the year under review on 08 December 2011 and 20 March 2012, and conducted the business as entrusted to them under their Terms of Reference. The Terms of Reference of the Remuneration Commitee may be found on page 7.

Remuneration Policy

As Executive Directors are also major shareholders, in the interest of the company, rates below market and industry rates are used for Executive Directors' remuneration. The Remuneration Committee meets once a year to review the key management personnel remuneration policy.

Code of Ethics and Best Practice

A formal Code of Ethics and Best Practices has not been formulated and adopted at the given time. The principles and Best Practices underlying such a code have been in practice for some time. The company operates to meet the aspirations of its stakeholders.

Corporate Governance *contd.*

Independence of Auditors

The auditors of the Company are KPMG, a member firm of the KPMG network of independent member firms affiliated with the KPMG International cooperative. As far as the Directors are aware, the Auditors do not have any relationship or interests (other than that of auditors) with the Company. They confirm that they are independent in accordance with the Code of Ethics of The Institute of Chartered Accountants of Sri Lanka.

Shareholder Relations

The Company assigns a high priority to the communication of results and prospects for the future to its shareholders, as a responsible listed company on the Colombo Stock Exchange. The Quarterly and Annual reports are simultaneously updated on the company's website at http://financial.autodrome.lk. This year too, we have an Excel sheet on the website for ease of analysis.

If you have any questions on the use of the digital copy of this report, please call (011) 2326181 or 2314804. The contact person at the time of publishing this annual report is Mr. Arjuna Dasanayake, Accountant. If you wish to Email instead, the address is finance@autodrome.lk. The fax number is (011) 2314805.

The policy of maximum disclosure is followed in so far as such information would not be detrimental to company interests in relation to its competitors.

Management Review

(all amounts in Sri Lanka Rupees '000)

THE AUTODROME PLC AND ITS SUBSIDIARY

The Board of Directors of the Company are pleased to present their Annual Report and audited financial Statements of the Group and Company for the year ended 31 March 2012, set out on pages 17 to 39.

Principal Activities

1. The principal activities of the Company are as follows:

   Import & Distribution of:
   a) BRIDGESTONE Tyres, Tubes and Flaps from Japan, Indonesia & Thailand
   b) YOKOHAMA Batteries from Malaysia
   c) FUTEK Alloy Wheels from Taiwan & China
   d) CHINA SOONG Wheels and Tyre Accessories from China

   The Company is the local distributor of Beauty care and cosmetics for Revlon Lanka (Pvt) Ltd, a Joint venture of the Modi Group of India and Revlon USA.

   Other activities include the provision of services related to the above; Real Estate: Rental and Lease (as Landlord); Design and hosting and maintenance of websites.

   The subsidiary Tourama (Pvt) Ltd, is an IATA accredited travel agent and destination management company.

Responsibility of Directors for financial statements

2. The Board of Directors is responsible for preparing and presenting the financial statements for the period 1 April 2011 to 31 March 2012, set out on pages 17 to 39.

Turnover

3. The turnover of the Company for the year under review, net of turnover based taxes, was Rs.635,803 (2011- Rs. 613,276), while the turnover of the Group net of turnover based taxes was Rs. 637,236 (2011- Rs. 614,737).

Property, plant & equipment

4. The movement of Property, plant and equipment for the year are shown in note 10 on page 32 of the financial statements.

Value of properties

5. The market value of land owned by the company is estimated at Rs. 293,687 based on Acquisition cost or valuation made by a qualified Valuer. Directors estimate the market value of assets, to be significantly similar to their carrying values.

Share Capital and Reserves

6. The total Reserves as at 31 March 2012 amounted to Rs. 547,553(2011-Rs. 509,430), comprising of Revaluation Reserve of Rs. 285,725 (2011-Rs. 285,988), and Revenue Reserve of Rs. 261,828 (2011-Rs. 223,442).

Approved Donations

7. Donations to approved charitable organizations amounted to Rs. 255 (2011-Rs. 220)

Taxation

8. It is the policy of the Company to provide for deferred taxation on all known temporary differences on the Liability method. The corporate tax rate was 28% (2011-35%)

Management Review *contd.*

Share Information

9. Information relating to earnings, dividends, net assets, and share trading is given on page 44.

Events occurring after the balance sheet date

10. No circumstances have arisen since the Balance Sheet date which would require adjustment or disclosures in the financial statements.

Going Concern

11. As described in the Statement of Directors' Responsibilities, the Directors have adopted the going concern basis in preparing the financial statements.

Directorate

12. The following have been Directors of the Company throughout the year, and the dates of their original appointment are in brackets. Their status / independence is also disclosed below:

Mr. Joseph A. Aloysius	(25.09.1963)	Chairman of the Board
Mrs. Bernadette J. Aloysius	(08.09.1989)	Deputy Chairperson
Prof. John A. Aloysius	(27.04.1990)	Non-Executive
Mr. Jeremy D. Aloysius	(08.09.1989)	Joint Managing Director / CEO
Mr. Rajeev A.J. Aloysius	(20.03.1992)	Joint Managing Director / CEO
Ms. Joanne J.B. Aloysius	(07.07.2004)	Marketing Director
Ms. Julie A. Aloysius	(27.04.1990)	Executive
Mr. Sarath C. Weerasooria	(27.01.1994)	Independent Non-Executive*
Mr. M. Raviraj Ratnasabapathy	(14.09.2007)	Independent Non-Executive
Mr. M. Suresh Dominic	(14.09.2007)	Independent Non-Executive
Mr. C. Lakshman Sirimanne	(14.09.2007)	Independent Non-Executive

The definitions of Independent and Non-Executive used, are according to definitions given in the amended Listing Rules of the CSE. * It was resolved by the Board in September 2010, that Mr. Sarath C. Weerasooria, being Chairman of a major privately-held conglomerate and a finance professional, having served more than 9 years on the Board, is deemed to be nevertheless independent. In accordance with the s. 210 of the prevalent Companies Act, Mr. Joseph A. Aloysius, Mr. Sarath C. Weerasooria and Mrs. Bernadette J. Aloysius retire at the AGM. Shareholders have proposed that the retiring age of 70 years not be applied to Mr. Joseph A. Aloysius, Mr. Sarath C. Weerasooria and Mrs. Bernadette Aloysius respectively, re-electing them for a further year, according to s. 211 of the Act. The names of the retiring directors seeking re-election may be found in the AGM notice on Page 4. The Independent Directors have submitted a declaration of their independence to the Company. In terms of the Act, the Company maintained an Interest Register, and entries have been made therein.

Directors' Shareholdings

13. Directors' shareholdings in the company as at 31 March were as follows:

	2012		**2011**	
	No. of Shares	%	No. of Shares	%
Mr. Joseph A. Aloysius	**111,920**	**9.33**	111,920	9.33
Mrs. Bernadette .J. Aloysius	**66,980**	**5.58**	66,930	5.58
Mr.J.A. Aloysius & Mrs. B.J. Aloysius	**300,000**	**25.00**	300,000	25.00
Mr. Jeremy .D.Aloysius	**63,850**	**5.32**	63,850	5.32
Mr.Rajeev A.J.Aloysius	**63,850**	**5.32**	63,850	5.32
Mrs.Julie .A.Aloysius	**63,850**	**5.32**	63,850	5.32
Ms.J.Joanne .B. Aloysius	**63,850**	**5.32**	63,850	5.32
Prof. John A. Aloysius	**63,850**	**5.32**	63,850	5.32
Mr. M. Suresh Dominic	**500**	**0.04**	500	0.04
Mr.Sarath .C. Weerasuriya	**1,360**	**0.11**	1,360	0.11
	800,010	**66.66**	799,960	66.66

As at 31st March 2012, there were 356 registered share holders.

Management Review *contd.*

Directors' Interests in Contracts

14. The Directors' interest in contracts and proposed contracts with the Company, both direct and indirect are set out in Note 25 on page 38 of this report. The Directors have disclosed the nature of their interest in contracts and proposed contracts with the Group, at meetings of the Board of the Company.

Major Shareholdings

15. Details of major shareholdings as at 31 March are given below:

	2012		2011	
	No of Shares	**%**	No of Shares	%
Joseph Anthony Alousius & Mrs. Bernadette Jeyaleela Aloysius	**300,000**	**25.00**	300,000	25.00
Sanjeev Edward Chittampalam Gardiner	**117,950**	**9.83**	117,950	9.83
Joseph Anthony Aloysius	**111,920**	**9.33**	111,,920	9.33
Mercurry Limited	**84,000**	**7.00**	84,000	7.00
Mrs. Bernadette Jeyallela Aloysius	**66,980**	**5.58**	66,930	5.58
Prof. John Arjuna Aloysius	**63,850**	**5.32**	63,850	5.32
Mrs.Julie Anita Aloysius	**63,850**	**5.32**	63,850	5.32
Jeramy Dilipkumar Aloysius	**63,850**	**5.32**	63,850	5.32
Rajeev Abraham Joseph Aloysius	**63,850**	**5.32**	63,850	5.32
Jennifer Joanne Bernadette Aloysius	**63,850**	**5.32**	63,850	5.32
Seylan Bank PLC/Galle Face Hotel Company (Pvt) Ltd	**53,320**	**4.44**	53,320	4.44
Seventy Limited	**41,010**	**3.42**	41,010	3.42
Cyril Gardiner Limited	**16,100**	**1.34**	16,100	1.34
W.W.S. Amarasooriya	**8,777**	**0.73**	-	-
Dr.Dennis Jesuthasan Aloysius & Mrs. Sybil Christobel Rita Aloysius	**-**	**-**	6,540	0.55
Hiranjan C.W. Aloysius	**5,570**	**0.46**	5,570	0.46
Anthonypillai Saverimuttu	**4,900**	**0.41**	4,900	0.41
Shabbir Abbas Gulamhussein	**3,530**	**0.29**	3,630	0.30
Pan Asia Banking Corporation PLC Mr.S.Gobinath	**3,200**	**0.27**	-	-
Mrs.Mangalam St. George	**-**	**-**	1,900	0.16
George L.A. Ondaatjie	**3,000**	**0.25**	3,000	0.25
	1,139,507	**94.96**	1,136,020	94.67

Public Holding

16. The percentage of Shares held by the Public as at 31 March 2012 was 22.44% (2011 - 22.87%)

Dividend

17. An Interim Dividend of Rs. 4 per share amounting to Rs. 4,800,000 was declared on 09 September 2011 and was paid on 28 September 2011, from Retained Profits. A Solvency Certificate under the provisions of the Companies Act was obtained from the auditors, KPMG for this purpose.

Statutory payments

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

Management Review *contd.*

Annual General Meeting

19. The Annual General Meeting of the Company will be held at the Registered Office, Autodrome Building, 304, Union Place, Colombo 2 on Friday, 28 September 2012. The notice of Annual General Meeting is on page 4.

Auditors

20. Messrs. KPMG have expressed their willingness to be reappointed as the Auditors of the Company for the year 2012/13. A resolution will be passed at the Annual General Meeting for this purpose. As far as the Directors are aware, the Auditors do not have any relationship (other than that of auditors) with the Company other than those disclosed above. The Auditors do not have any interest in the Company or its Group Companies. They confirm that they are independent in accordance with the Code of Ethics of The Institute of Chartered Accountants of Sri Lanka.

The Fees paid for the auditors are disclosed in Note 6 to the financial statements.

Remuneration of Directors

21. The total remuneration of Directors paid during the year is disclosed in Note no.25 to the financial statements.

Statutory Payments

22. To the best of their knowledge and belief, the Directors are satisfied that all statutory payments in relation to Government and to the Employees have been settled to date or are provided for in the books of the Company.

23. **Disclosure as per CSE Rule No. 3.3**

	2012 Rs. Cts	2011 Rs. Cts
Market Price per Share as at 31 March (Rs.)	800.00	860.00
No. of shares in issue	1,200,000	1,200,000
Highest/Lowest Share Price this Year (Rs.)	980.00/655.00	1,550.00/500.00
Earnings per Share (Company) (Rs.)	35.53	38.40
Dividend per Share (Rs.)	4.00	4.00
Net Asset Value per Share (Company)	464.20	435.73

See Ten Year Summary for more information.

BY ORDER OF THE BOARD

Joseph A. Aloysius
Chairman

Rajeev Aloysius
Joint Managing Director / CFO

ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PRIVATE) LIMITED PV 4100

DIRECTOR / SECRETARY

ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PVT) LTD.
Secretaries.
Colombo, 23 August 2012

Statement of Directors' Responsibilities in relation to the Financial Statements

The responsibilities of the Directors in relation to the Financial Statements of the Company differ from the responsibilities of the Auditors, which are set out in their report appearing on page 16.

The Companies Act No. 7 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the financial year. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with view to the prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing Financial Statements. The Directors, after making enquiries and following a review of the Company's cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

The Directors are confident that they have discharged their responsibilities as set out in this statement. The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Group as at the balance sheet date are paid, or where relevant, provided for.

By Order of the Board

ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PRIVATE) LIMITED PV 4100

DIRECTOR / SECRETARY

ACCOUNTING SYSTEMS SECRETARIAL SERVICES (PVT) LTD.
Secretaries

Colombo, 23 August 2012

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF THE AUTODROME PLC

Report on the Financial Statements

We have audited the accompanying financial statements of The Autodrome PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiary (the "Group") as at March 31 2012, which comprise the balance sheet as at March 31 2012 , and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 39 of this 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

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at March 31, 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Com-pany.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
Colombo.
23 August 2012

KPMG, a Sri Lankan Partnership and a member firm Of the KPMG network of independent member firms Affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity

M.R.Mihular FCA, C.P Jayatilake FCA, Ms. S. Joseph FCA, S.T.D.L. Perera FCA, Ms. M.P. Perera FCA, T.J.S. Rajakarier FCA, Ms. S.M.B. Jayasekara ACA, G.A.U. Karunaratne ACA, P.Y.S. Perera FCA, W.W.J.C Perera FCA, W.K.D.C Abeyrathne ACA, R.M.D.B. Rajapaksha ACA

Principals- S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Income Statement

(all amounts in Sri Lanka Rupees '000)

		Group		Company	
For the year ended 31 March		2012	2011	2012	2011
	Notes				
Revenue	4	637,236	614,737	635,803	613,276
Cost of sales		(491,477)	(483,766)	(491,477)	(483,766)
Gross profit		145,759	130,971	144,326	129,510
Investment and other income	5	8,723	6,063	8,606	5,984
Administrative expenses		(79,669)	(59,769)	(78,656)	(59,109)
Selling and distribution expenses		(8,045)	(3,704)	(7,927)	(3,566)
Operating profit	6	66,768	73,561	66,349	72,819
Finance income		-	4,484	-	4,484
Finance costs		(13,005)	(1,882)	(13,005)	(1,882)
Net finance income	7	(13,005)	2,602	(13,005)	2,602
Profit before taxation		53,763	76,163	53,344	75,421
Tax expense	8	(10,840)	(29,649)	(10,706)	(29,343)
Net profit for the year		42,923	46,514	42,638	46,078
Earnings per share					
Basic earning per share	9	35.77	38.76	35.53	38.40

The Notes on pages 21 to 39 form an integral part of these consolidated financial statements.

Balance Sheet

(all amounts in Sri Lanka Rupees '000)

As at 31 March	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Assets					
Non current assets					
Property, plant and equipment	10	441,975	437,932	441,975	437,932
Capital work-in-progress	10.1	1,616	1,299	1,616	1,299
Investment properties	11	30,262	30,508	30,262	30,508
Investment in subsidiary	12	-	-	500	500
Investment in non quoted companies	13	5	5	5	5
Total Non Current Assets		473,858	469,744	474,358	470,244
Current assets					
Inventories	14	140,479	87,812	140,479	87,812
Receivables and prepayments	15	74,552	93,484	73,932	92,615
Current tax assets	24	267	-	259	-
Cash in hand and at bank	16	48,054	6,788	43,402	1,854
		263,352	188,084	258,072	182,281
Total assets		737,210	657,828	732,430	652,525
Equity and liabilities					
Capital and reserves					
Stated capital	17	12,440	12,440	12,440	12,440
Revaluation reserves	18	285,725	285,988	285,725	285,988
Retained earnings		261,828	223,442	258,871	220,770
Equity attributable to equity holders of the parent		559,993	521,870	557,036	519,198
Non controlling interest		-	-	-	-
Total equity		559,993	521,870	557,036	519,198
Non current liabilities					
Employee benefits	19	8,392	6,211	8,392	6,211
Deferred tax liabilities	20	6,946	11,697	6,946	11,697
		15,338	17,908	15,338	17,908
Current Liabilities					
Borrowings	21	630	630	630	630
Trade and other payables	22	160,163	83,835	159,002	81,300
Amount due to related parties	23	-	-	1	3
Current tax liabilities	24	-	13,047	-	12,948
Bank overdraft	16	1,086	20,538	423	20,538
		161,879	118,050	160,056	115,419
Total equity and liabilities		737,210	657,828	732,430	652,525

The notes on the pages 21 to 39 are an integral part of these consolidated financial statements.

I certify that the financial statements have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007.

.....

Accountant

These financial statements were approved by the Board of Directors on 23 August 2012

Rajeev Aloysius
Joint Managing Director & CFO

Jeremy Aloysius
Joint Managing Director

Cash Flow Statement

(all amounts in Sri Lanka Rupees '000)

	Group		Company	
For the year ended 31 March	**2012**	**2011**	**2012**	**2011**
Cash Flow from Operating Activities				
Profit before income tax expense	53,763	76,163	53,344	75,421
Adjustments for:				
Depreciation	11,401	6,720	11,401	6,720
Dividend received	-	-	(126)	(157)
Interest income	(1,012)	(428)	(774)	(209)
Interest expense	491	1,883	491	1,883
Provision for non moving items	-	153	-	153
Provision for employee benefits	2,181	1,384	2,181	1,384
Gain on sale of property, plant and equipment	(702)	-	(702)	-
Unrealised exchange gain/(loss)	12,514	(4,484)	12,514	(4,484)
Operating profit before working capital changes	78,636	81,391	78,329	80,711
Changes in working capital				
Inventories	(52,667)	(25,429)	(52,667)	(25,429)
Receivables and prepayments	18,932	(27,590)	18,683	(27,247)
Amounts due from related parties	-	-	-	311
Amounts due to related parties	-	286	(2)	3
Trade and other payables	63,814	(8,287)	65,188	(9,310)
Cash generated from operations	108,715	20,371	109,531	19,039
Interest paid	(491)	(1,883)	(491)	(1,883)
Income tax paid	(28,905)	(18,960)	(28,664)	(18,727)
Employee benefits paid	-	(95)	-	(95)
Net cash inflow (used in)/from operating activities	79,319	(567)	80,376	(1,666)
Cash flows from investing activities				
Capital work-in progress incurred during the year	(317)	(153)	(317)	(153)
Acquisition of property, plant and equipment	(18,113)	(26,055)	(18,113)	(26,055)
Dividend received	-	-	126	157
Interest received	1,012	428	774	209
Proceeds from disposal of property, plant & equip.	3,617	978	3,617	978
Net cash outflow from investing activities	(13,801)	(24,802)	(13,913)	(24,864)
Cash flows from financing activities				
Dividend paid	(4,800)	(4,800)	(4,800)	(4,800)
Net cash outflow from financing activities	(4,800)	(4,800)	(4,800)	(4,800)
Net (decrease)/ increase in cash and cash equivalents	60,718	(30,169)	61,663	(31,330)
Cash & cash equivalents, as at 01 April	(13,750)	16,419	(18,684)	12,646
Cash and cash equivalents as at 31 March (Note 16)	46,968	(13,750)	42,979	(18,684)

The Notes on pages 21 to 39 form an integral part of these consolidated financial statements.

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees '000)

Group	Stated Capital	Revaluation Reserve	Retained Earnings	Minority Interest	Total
Balance as at 1 April 2010	12,440	289,928	181,465	-	483,833
Net profit for the year	-	-	46,514	-	46,514
Depreciation transfer	-	(263)	263	-	-
Transfer to deferred tax liability (Note 29c)	-	(3,677)	-	-	(3,677)
Interim dividend (2010/11)	-	-	(4,800)		(4,800)
Balance as at 31 March 2011	12,440	285,988	223,442	-	521,870
Net profit for the year	-	-	42,923	-	42,923
Depreciation transfer	-	(263)	263	-	-
Interim dividend (2011/12)	-	-	(4,800)	-	(4,800)
Balance at 31 March 2012	12,440	285,725	261,828	-	559,993
Company					
Balance as at 1 April 2010	12,440	289,928	179,229	-	481,597
Net profit for the year	-	-	46,078	-	46,078
Depreciation transfer	-	(263)	263	-	-
Transfer to deferred tax liability (Note 29c)	-	(3,677)	-	-	(3,677)
Interim dividend (2010/11)	-	-	(4,800)	-	(4,800)
Balance as at 31 March 2011	12,440	285,988	220,770	-	519,198
Net profit for the year	-	-	42,638	-	42,638
Depreciation transfer	-	(263)	263	-	-
Interim dividend (2011/12)	-	-	(4,800)	-	(4,800)
Balance as at 31 March 2012	12,440	285,725	258,871	-	557,036

The Notes on pages 21 to 39 form an integral part of these consolidated financial statements.

Notes to the Financial Statements

01- Reporting entity

1.1) General

The Autodrome PLC (the "Company") is a "Quoted Public Company" with limited liability, incorporated and domiciled in Sri Lanka. The address of the Company's registered office is No. 304, Union place, Colombo 02. The Consolidated Financial Statements of the Company as at and for the year ended 31st March 2012 comprise the Company and its subsidiary, Tourama (Pvt) Ltd (together referred to as the "Group").

1.2) Principal activities and nature of the operation

The Company is in the business of import and distribution of tires and related products and distribution of Revlon cosmetic products. The subsidiary Tourama (Pvt) Ltd, is a travel agent and destination management company.

02 - Basis of preparation

2.1) Statement of compliances

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No.7 of 2007.

The consolidated financial statements were authorized for issue by the Board of Directors on 23 August 2012.

2.2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of property.

2.3) Functional and presentation currency

These consolidated financial statements are presented in Sri Lanka Rupees, which is the Company's functional currency. All financial information presented in Sri Lanka Rupees has been rounded to the nearest thousand, unless otherwise stated.

2.4) Use of estimates and judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and 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 notes:

Classification of investment property	Note 11
Utilization of tax losses	Note 08
Measurement of defined benefit obligations	Note 19
Provisions and contingencies.	Note 26

2.5) Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature of function are presented separately unless they are immaterial.

Notes to the Financial Statements *contd.*

3. Consistency of policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform to the current year's presentation.

3.1) Basis of consolidation

(i) Subsidiaries
Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. In assessing control, potential voting rights which presently are exercisable are taken into account. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of control ceases. Accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation
Intra-group balances, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment

(iii) Accounting for investment in subsidiaries
When separate financial statements are prepared, investments in subsidiaries are accounted for using the cost method. Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

3.2) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the Sri Lankan Rupees at the foreign exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the Sri Lankan Rupees at the exchange rates on that date Foreign exchange differences arising on retranslation are recognized in the income statement.

3.3) Property, plant and equipment

3.3.1) Property, plant and equipment

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. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Notes to the Financial Statements *contd.*

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

A revaluation of land and buildings is carried out when there is a substantial difference between the fair value and the carrying amount of land and buildings, and is undertaken by professionally qualified valuers.

Increase in carrying amount on revaluation is credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset is charged against revaluation reserve directly in equity. Other decreases are expensed in the income statement.

Gains and losses on disposal
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income/other expenses" in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

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

Derecognition
The carrying amount of an item of Property, Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Property, Plant & 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.

Depreciation
Depreciation is based on the cost or revaluation of an asset or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. No depreciation is provided on assets under construction.

The estimated useful lives for the current and comparative years are as follows:

Buildings	50 years
Computer	4 years
Furniture & Fittings	4 years
Plant & Machinery	4 years
Motor Vehicles	4 years

Notes to the Financial Statements *contd.*

Land is not depreciated as it is deemed to have an indefinite life.
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.
The difference between the depreciation based on the revalued carrying amount of the asset's and depreciation based on asset's original carrying amount is transferred from the revaluation reserve to the retained earnings in the statement of changes in equity

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

Leased assets
Leases in terms of which the Group 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 payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.4) Investment Property
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

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 cost.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Buildings classified as investment properties are depreciated over a period of 50 years.

3.5) Long term investments
Quoted and unquoted investments in shares held on long term basis are measured at cost.

In parent company's financial statements, investments in subsidiaries are carried out at cost under the parent company accounting policy for long term investments.
Provision for diminution in value is made in the opinion of directors, when there has been a decline other than temporary in the value of the investment.

Notes to the Financial Statements *contd.*

3.6) Short term investments
Investments in repurchase agreements are stated at cost and interest is accrued up to year end.

3.7) Inventories
Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.
Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

3.8) Trade and other receivables
Trade and other receivables are stated at the amounts estimated to be realized after providing for bad and doubtful debts.

3.9) Cash & cash equivalents
Cash and cash equivalents comprise cash in hand and short term deposits with maturities of 3 months or less from the acquisition date. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as components of cash and cash equivalents for the purpose of presenting the Cash flow statement.

3.10) Impairment of assets
The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, recoverable amount is estimated at each balance sheet date and impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

Calculation of recoverable amount
The recoverable amount of an asset or cash-generating unit 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 the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Recognition of Impairment loss
An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Notes to the Financial Statements *contd.*

Reversal of impairment
An impairment loss in respect of goodwill is not reversed.
In respect of other assets, impairment losses recognized in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.
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. Reversals of impairment losses are recognized in the income statement.

3.11) Employee benefits
Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the SLAS 16. However, under the Payment of Gratuity Act, No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded, nor actuarially valued. The Gratuity Liability is valued using Gratuity Formula method as allowed by the Sri Lanka Accounting Standard 16 "Employee Benefits".

Defined contribution plan
A defined contribution plan is a post employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as expense in income statement as and when they are due.
The Group contributes 12% and 3% of gross emoluments of employees as provident fund and trust fund contribution respectively.

Short - term benefits
Short term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.12) Trade and other payables
Trade and other payables are stated at their cost

3.13) Interest bearing borrowings
Borrowings are recognized at the proceeds received.

3.14) Provisions
A provision is recognized if, as a result of a past event, the Group 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.

3.15) Stated capital
Ordinary shares and share premium are classified as stated capital.

Notes to the Financial Statements *contd.*

3.16) Income statement

For the purpose of presentation of the income statement, the function of expenses method is adopted, as it represents fairly the elements of company performance

3.17) 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 of returns, trade discounts and volume rebates. Revenue is recognised 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, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue excludes value added taxes or other sales taxes.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of Tyres and cosmetic products, usually transfer occurs when the product is received at the customer's warehouse.

Rental income

Rental income from investment property is recognised as other income in profit or loss on a straight-line basis over the term of the lease. Rental income from other property is recognised as other income.

Interest income

Interest income from time deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable unless collectability is in doubt.

Dividend income

Dividend income is recognised in the income statement when the right to receive payment is established.

Other income / Other operating profits/losses

Gains/losses on the disposal of investments held by the Group have been accounted for as other income in the income statement.

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

3.18) Finance income & expenses

Finance income comprises interest income on funds invested, and gains on translation of foreign currency. Interest income is recognized in the income statement as it accrues.

Financing expenses comprise interest payable on borrowings and losses on translation of foreign currency.

Notes to the Financial Statements *contd.*

3.19) Tax expenses

Tax expense comprises current and deferred tax. Income tax is recognized in the income statement 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 balance sheet date.

The principal temporary differences arise from revaluation and depreciation of property, plant and equipment, tax losses carried forward and provisions for defined benefit obligations.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Deferred tax assets are reviewed at balance sheet 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 tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised 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.

Economic Service Charge (ESC)

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

Notes to the Financial Statements *contd.*

3.20) Earnings/(Loss) per share
Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.21) Segment reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3.22) Events occurring after the balance sheet date
All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in respective notes to the financial statements.

3.23) Comparative figures
Where necessary, the comparative figures have been reclassified to conform to the current year's presentation.

3.24) Commitments and contingencies
Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Company's control. Contingent liabilities and commitments are disclosed in Note 26 to the financial statements. Commitments are disclosed in Notes to the financial statements.

3.25) New Accounting Standards issued but not Effective as At Balance Sheet Date
The Institute of Chartered Accountants of Sri Lanka (ICASL) has issued a new volume of Sri Lanka Accounting Standards - 2011, applicable for financial periods beginning on or after 1 January 2012. These Standards have many changes and consequential changes from the adoption of LKAS 32 and 39. These new Accounting Standards are prefixed both SLFRS and LKAS which correspond to the relevant IFRS and IAS. Disclosure requirement under SLAS 10.30 and 10.31 have been exempted by the ICASL and therefore all differences and impacts arising from the new Standards are not presented in these financial statements.

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

04 - Revenue

	Group		Company	
	2012	2011	2012	2011
Gross sale of tyres, tubes & other automotive accessories	552,223	534,525	552,223	534,525
Sale of Cosmetics -Revlon Lanka	92,229	84,442	92,229	84,442
Sale of airtickets	1,242	1,339	-	-
Tour package sales & commissions	191	122	-	-
	645,885	620,428	644,452	618,967
Less: Turnover tax	-	(5,298)	-	(5,298)
Nation Building Tax	(8,649)	(393)	(8,649)	(393)
	637,236	614,737	635,803	613,276

05 - Investment and other income

	Group		Company	
	2012	2011	2012	2011
Interest from bank deposits	1,012	428	774	209
Dividends from equity securities	-	-	126	157
Income from tyre fitting centre	816	778	816	779
Rent income	4,006	3,542	4,006	3,542
Others	414	53	409	35
Commission income	1,773	1,262	1,773	1,262
Gain on sale of property, plant & eqpmt.	702	-	702	-
	8,723	6,063	8,606	5,984

06 - Profit from operations has been arrived at after charging the following:

Results from operating activities are stated after deducting all operating expenses including the following,

	Group		Company	
	2012	2011	2012	2011
Directors' emoluments	14,340	10,800	14,340	10,800
Depreciation	11,401	6,721	11,401	6,721
Auditor's remuneration - Audit	330	297	300	270
- Audit related services	90	40	90	40
Donations	346	220	346	220
Wages and salaries	18,295	11,216	17,990	10,915
Defined contribution plan	4,751	3,591	4,707	3,591
Defined benefit plan	2,181	1,384	2,181	1,384

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

07 - Finance Income

	Group		Company	
	2012	2011	2012	2011
Net foreign exchange gain	-	4,484	-	4,484
Total finance income	-	4,484	-	4,484
Finance costs				
Loan interest	(82)	(113)	(82)	(113)
Overdraft interest	(409)	(1,769)	(409)	(1,769)
Exchange loss	(12,514)	-	(12,514)	-
Total finance expense	(13,005)	(1,882)	(13,005)	(1,882)
Nett finance income / (expense)	(13,005)	2,602	(13,005)	2,602

08 - Taxation

	Group		Company	
	2012	2011	2012	2011
Current tax expense	15,591	29,066	15,457	28,760
Deferred tax	(4,751)	583	(4,751)	583
Total income tax expense	10,840	29,649	10,706	29,343
Current tax expense				
Reconciliation of effective tax rate				
Profit before income tax	53,763	76,163	53,344	75,421
Add: Disallowable expenses	15,988	18,061	15,981	17,720
Deduct : Allowable expenses	(12,532)	(11,279)	(12,322)	(11,024)
Add : Interest income	1,124	263	860	233
Deduct : Income not subject to tax	(2,406)	(1,262)	(2,406)	(1,262)
Deduct: Qualifying payments	(255)	(128)	(255)	(128)
Taxable income	55,682	81,818	55,202	80,960
Income tax using the company's domestic tax rate (28%)	15,591	28,636	15,457	28,336
Social Responsibility Levy (1.5%)	-	430	-	424
Change in temporary difference	(4,751)	583	(4,751)	583
	10,840	29,649	10,706	29,343

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

9 - Earnings per share - Basic

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Basic earnings per share for the years ended March 31, 2011 & March 31, 2012 is calculated as follows:

	Group		Company	
	2012	2011	2012	2011
Net profit attributable to shareholders	42,923	46,514	42,638	46,078
Weighted-average number of ordinary shares in issue	1,200	1,200	1,200	1,200
Earnings per share	35.77	38.76	35.53	38.40

10 - Property, plant and equipment

Group & Company	Freehold land and buildings	Plant and machinery	Motor vehicles	Furniture and fittings	Computers	Total
Cost or valuation						
Balance as at 01 April 2011	428,697	22,781	24,228	8,921	5,317	489,944
Additions during the year	188	790	16,070	69	996	18,113
Disposals during the year	-	-	(4,164)	-	-	(4,164)
Balance as at 31 March 2012	428,885	23,571	36,134	8,990	6,313	503,893
Accumulated depreciation and impairment						
Balance as at 01 April 2011	11,147	21,049	7,999	7,456	4,360	52,011
Disposals	-	-	(1,248)	-	-	(1,248)
Depreciation charge for the year	2,704	1,055	6,231	642	523	11,155
Balance as at 31 March 2012	13,851	22,104	12,982	8,098	4,883	61,918
Carrying amount						
Balance as at 01 April 2011	417,550	1,732	16,229	1,465	957	437,933
Balance as at 31 March 2012	415,034	1,467	23,152	892	1,430	441,975

10.1) Capital work in progress

Balance as at 01 April 2011	1,299	-	-	-	-	1,299
Additions during the year	317	-	-	-	-	317
Balance as at 31 March 2012	1,616	-	-	-	-	1,616

10.2) Freehold land & building

Company

Location	Last Revaluation Date	Land Extent	Carrying Value as at 31/03/2012
304, Union Place, Colombo 02	10/01/2006	108.72 P	394,502
58/10A, Raja Mawatha, Jaela	Not revalued	88.40P	20,532
			415,034

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

10.3) Freehold land & building

The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less accumulated depreciation is as follows:

(Rs. Millions) Company and Group	Cost as at 01/04/2011	Accumulated Depreciation	NBV 31/03/2012
Land	6	-	6
Building	125	13	112

10.4) Freehold land and building with a carrying amount of Rs.415Mn (2011- Rs.417.5Mn) has been pledged to secure borrowing facilities for the company. Freehold land and buildings have been pledged as security for bank facilities under a mortgage. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another company

Primary mortgage over properties located at No 304 & 304/1 Union place, Colombo 02.for Rs.272.75Mn.
Primary mortgage over property at No 58/10A, Raja Mawatha, Ekala, Ja-ela for Rs.5Mn
Primary mortgage over stocks and book debts for Rs.100Mn
Secondary mortgage over stocks for Rs.5Mn
Secondary mortgage over stocks and book debts for Rs.50Mn

10.5) Property, plant and equipment include fully depreciated assets, the cost of which as at 31st March 2012 amounted to Rs. 35,203,136. (2011 - Rs. 34,991,265)

11 - Investment property

Group and Company	Land	Building	Total
Cost			
Balance as at 01/04/2011	18,702	12,298	31,000
Balance as at 31/03/2012	18,702	12,298	31,000
Accumulated depreciation			
Balance as at 01/04/2011	-	492	492
Depreciation for the year	-	246	246
Balance as at 31/03/2012	-	738	738
Carrying amount			
Balance as at 31/03/2012	18,702	11,560	30,262
Balance as at 31/03/2011	18,702	11,806	30,508
All of the company's investment properties are freehold.			

11.1. The investment property of the company consists of the following properties that are held for capital appreciation. The investment properties have been re valued on 08 April 2011 by L M P Perera - Ass't Gov't Valuer.

Property	Address	Extent	Cost	Fair value	Number of buildings
Land & Building	513B, Wewa Rd, Battaramulla	13.9 perches	17,406	18,000	One
Land	78/4 MedaWelikada Rd, Rajagiriya	14 perches	13,594	18,200	Bare land
			31,000	36,200	

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

12 - Investment in subsidiary

Company	% share holding		No. of shares		Value	
	2012	2011	2012	2011	2012	2011
Tourama (Private) limited	99.99%	99.99%	49,994	49,994	500	500

Tourama (Private) Limited is a wholly owned subsidiary of the Company which was incorporated on January 21, 2004 and investment in Tourama (Private) Limited is stated at cost. Cost is the aggregate of the nominal value of the relevant number of the Company.

13 - Investments in non quoted companies

Group and Company	% share holding		No. of shares		Value	
	2012	2011	2012	2011	2012	2011
Unlisted equity investments						
Global Films Limited	0.01%	0.01%	500	500	5	5
					5	5

14 - Inventories

	Group & Company	
	2012	2011
Finished goods	110,394	88,518
Goods in transit	30,791	-
	141,185	88,518
Less : Provision for non moving items	(706)	(706)
	140,479	87,812

15 - Receivables and prepayments

	Group		Company	
	2012	2011	2012	2011
Trade receivables	65,509	73,439	64,898	72,619
Less: Provision for doubtful debts	(689)	(689)	(689)	(689)
	64,820	72,750	64,209	71,930
Other receivables	6,694	18,599	6,685	18,550
Deposits & prepayments	3,038	2,135	3,038	2,135
	74,552	93,484	73,932	92,615

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

16 - Cash in hand and at bank

	Group		Company	
	2012	2011	2012	2011
Cash in hand	423	284	251	157
Cash at bank	47,631	6,504	43,151	1,697
	48,054	6,788	43,402	1,854
Bank overdraft	(1,086)	(20,538)	(423)	(20,538)
Cash & cash equivalents for the purpose of cash flow statement	46,968	(13,750)	42,979	(18,684)

17 - Stated capital

	Group & Company	
	2012	2011
1,200,000 ordinary shares	12,440	12,440

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.

18 - Revaluation reserves

	Group & Company	
	2012	2011
Balance at the beginning of the year	285,988	289,928
Depreciation transfer	(263)	(263)
Transfer to deferred tax liability - Note 29 (c)	-	(3,677)
Balance at the end of the year	285,725	285,988

The properties revaluation reserve arises on the revaluation of land and buildings.

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

19 - Employee benefits

	Group & Company	
	2012	2011
Present value of unfunded obligations	8,392	6,211
Present value of funded obligations	-	-
Total present value of obligations	8,392	6,211
Fair value of plan assets	-	-
Total employee benefits.	8,392	6,211
Movement in the present value of the employee benefits		
Employee benefits as at 1 April	6,211	4,922
Benefits paid by the plan	-	(95)
Current service cost	830	761
Interest cost	688	442
Transition obligation/(asset) recognized in income statement	663	181
Employee benefit as at 31 March	8,392	6,211
Expense recognized in income statement		
current service cost	830	761
Interest on obligation	688	442
Transition obligation/(asset) recognized in income statement	663	181
	2,181	1,384

Principal Assumptions as at the Balance Sheet Date
(Expressed as weighted averages)

Discount rate at 31st March	11.00%
Future salary increase	10.00%
Staff turnover	12.49%

The average life expectancy of an individual retiring at age 55.
The provision for retiring gratuity as at 31 March 2012 was made based on the gratuity formula method.

20 - Deferred tax liability

	Tax liability		Tax asset		Net asset / liability	
Deferred tax liabilities	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Property,plant & equipment	-	-	5,618	10,194	5,618	10,194
Employee benefits	(2,349)	(2,174)	-	-	(2,349)	(2,174)
Revaluation gain	-	-	3,677	3,677	3,677	3,677
	(2,349)	(2,174)	9,295	13,871	6,946	11,697

	Balance 01-Apr-10	Recognized in Income Statement	Recognized in reserves	Balance 31-Mar-11	Recognized in Income Statement	Balance 31-Mar-12
Property,plant & equipment	9,160	1,034	-	10,194	(4,576)	5,618
Employee benefits	(1,723)	(451)	-	(2,174)	(175)	(2,349)
Revaluation gain	-	-	3,677	3,677	-	3,677
	7,437	583	3,677	11,697	(4,751)	6,946

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

21 - Borrowings

	Group & Company	
	2012	2011
Loans from directors	630	630

Loans from directors and their families are unsecured and have no fixed repayment terms. The weighted average interest rate for loans from directors was 13% (2011: 18%) per annum.

22 - Trade and other payables

	Group		Company	
	2012	2011	2012	2011
Trade payables	139,974	60,406	139,012	58,062
Accruals	1,701	1,332	1,585	1,212
Social security and other taxes	3,314	1,488	3,312	1,486
Other payables	14,889	20,324	14,808	20,255
Dividend payable	285	285	285	285
	160,163	83,835	159,002	81,300

23 - Amount due to related parties

	Group		Company	
	2012	2011	2012	2011
Tourama (Pvt) Ltd	-	-	1	3

24 - Current tax (assets) / liabilities

	Group		Company	
	2012	2011	2012	2011
Balance at the beginning of the year	13,047	2,943	12,948	2,916
Provision for current year tax	15,591	28,641	15,457	28,335
Withholding tax paid	(50)	(364)	(50)	(364)
Tax paid	(27,202)	(16,579)	(26,961)	(16,345)
ESC paid during The Year	(1,653)	(1,594)	(1,653)	(1,594)
Balance at the end of the year	(267)	13,047	(259)	12,948

Notes to the Financial Statements *contd.*

(all amounts in Sri Lanka Rupees '000)

25 - Related party transactions

Transactions with key management personnel

Key management personnel include all the members of the Board of Directors of the company having authority and responsibility for planning, directing and controlling the activities of the company as well as the subsidiiaries, directly or indirectly.

The Autodrome PLC, considers its Board of Directors as the key management personnel of the Company and the group.

Loans from Related Parties

The Company has obtained unsecured loans from the related parties on which the interest payable by the Company is at 13%. Furthermore, the loan repayment period for the said loans are not specified. As at 31 March 2012 the balance outstanding Rs.630,000 (2011: Rs. 630,000) is included under borrowings.

Compensation to Key Management Personnel

Addition to their salaries, the group also provides non-cash benefit to directors and contributes to a post-employment defind benefit plan on their behalf. The compensation paid to the key management personnel of the Company is follows

	Group		Company	
	2012	2011	2012	2011
Short term employee benefit	16,372	12,330	16,372	12,330
Post employment benefit	2,151	1,620	2,151	1,620

Mr. Joseph A. Aloysius, Mrs. Bernadette J. Aloysius, Jeremy D. Aloysius, Rajeev A.J.Aloysius, Ms. Joanne Aloysius and Ms. Julie A. Aloysius who are Directors of this Company are also Directors of Tourama (Pvt) Ltd.

Other Related party Transaction

Directors of the Company control 67% (2011: 67%) percent of the voting shares of the Company. A number of key management personnel, or their related parties, hold positions in other entities that result in them having control of significant influence over the financial or operating policies of these entities.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Name of the Related Party	Relationship	Nature of Transaction	Transaction Value	Balance as at 2012 Due From (Due To)
Tourama (Pvt) Ltd	Subsidiary	Purchase of air tickets,Tour packages and travel insurance by Directors	326	-
		Facilities reimbursement paid	360	(1)
Mrs.Lorna Sylvia Est of Late P.	Close relations of Directors	Loan interest	55	(420)
Mrs.Mangalam St.George	Close relations of Directors	Loan interest	14	(110)
Seventy Limited	Common Directors	Loan interest	13	(100)
Joseph A. Aloysius	Chairman	Payment of TV Bills	29	-

Notes to the Financial Statements *contd.*

26 - Commitments and contingencies

There were no capital commitments and / or contingencies as at the balance sheet date except Letter of Credits open for import of tyres for Rs. 139,011,849. Mortgages over properties for this facilities is disclosed under note 10.4.

27 - Events after the balance sheet date

No circumstances have arisen since the balance sheet date which would require adjustments to or disclosure in the financial statements.

28 - Litigation and claims

There were no litigations and claims filed against the Group as at the Balance Sheet date.

29 - Comparative information

Comparative information in financial statements have been reclassified as follows.

(a) Reclassification of current investments as cash and cash equivalents

Balance sheet as at 31 March 2012	Cash in hand and cash at bank	Current Investments	Total
As per last year financial statements	3,788	3,000	6,788
Restated in 2012 financial statements	6,788	-	6,788
	(3,000)	3,000	-

Reclassification of treasury bill REPO's as cash equivalents

(b) Reclassification of disposal of furniture and fittings as disposal of motor vehicles

Balance sheet as at 31 March 2012 *Property, plant and equipment*	Motor vehicle	Furniture & fittings	Total
As per last year financial statements	16,329	1,365	17,694
Restated in 2012 financial statements	16,229	1,465	17,694
	100	(100)	-

(c) Restatement of deferred tax liability (Group and Company)

Balance sheet as at 31 March 2012 *Property, plant and equipment*	Deferred tax liability	Revaluation reserve	Total
As per last year financial statements	8,020	289,665	297,685
Restated in 2012 financial statements	11,697	285,988	297,685
	(3,677)	3,677	-

Deferred tax on revaluation performed in 1995 and 2005.

30 - Number of employees

Total number of employees of the Company and the Group as at 31 March 2012 is 60 (2011-65).

TEN YEAR SUMMARY

Year ended 31 March (In Rs. '000)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING RESULTS										
Turnover	**637,236**	614,737	511,571	482,521	462,039	417,528	423,239	324,453	316,544	297,881
Profit before finance charges	**66,768**	73,561	55,650	70,248	63,163	47,624	49,457	17,439	22,006	13,571
Finance cost	**13,005**	2,602	3,196	7,556	4,479	4,760	5,949	2,814	5,307	2,943
Non operating income	**8,723**	6,063	2,985	5,168	6,588	3,201	3,667	3,968	1,314	181
Profit before taxation	**53,763**	76,163	52,454	62,692	58,684	42,864	43,508	18,593	18,014	10,809
Taxation	**10,840**	29,649	22,069	23,728	21,829	14,117	14,131	5,912	5,843	4,283
Profit after taxation	**42,923**	46,514	29,845	38,964	36,862	28,746	29,377	12,681	12,170	6,526
BALANCE SHEET										
Stated Capital	**12,440**	12,440	12,440	12,440	12,440	12,440	12,440	12,440	12,440	12,440
Capital Reserves	**285,725**	285,988	289,927	290,190	290,453	290,868	291,130	97,186	97,221	97,221
Revenue Reserves	**261,828**	223,442	181,466	154,956	120,586	85,709	58,500	30,661	19,747	9,075
	559,993	521,870	483,833	457,586	423,479	389,017	362,070	140,287	129,408	118,736
CAPITAL EMPLOYED										
Property , Plant, Equipment and Investments	**473,858**	469,744	458,236	433,401	398,653	394,825	374,045	183,127	168,463	150,311
Current Assets	**263,352**	188,084	138,134	178,393	140,291	122,345	85,109	92,341	66,174	56,770
Current Liabilities	**(161,879)**	(118,050)	(100,178)	(145,380)	(108,154)	(121,571)	(91,372)	(129,394)	(100,400)	(84,748)
Non - Current Liabilities	**(15,338)**	(17,908)	(12,359)	(8,828)	(7,311)	(6,582)	(5,712)	(5,788)	(4,830)	(3,598)
	559,993	521,870	483,833	457,586	423,479	389,017	362,070	140,286	129,407	118,735
RATIOS & OTHER INFORMATION										
Liquidity										
Current Ratio	**1.63**	1.59	1.38	1.23	1.23	1.01	0.93	0.71	0.66	0.67
Quick Ratio	**0.76**	0.85	0.75	0.36	0.68	0.39	0.35	0.21	0.22	0.25
Capital Adequacy										
Total Liabilities / Sales (%)	**27.81**	22.12	22.00	31.96	25.00	30.70	22.94	41.66	33.24	29.66
Interest Cover (No. of times)	**5.13**	28.27	17.41	9.30	14.10	10.01	8.31	11.76	7.80	8.88
Profitability										
Return on Equity (%)	**7.66**	8.91	6.17	8.52	8.70	7.39	8.11	9.04	9.40	5.50
Return on Total Assets (%)	**5.82**	7.07	5.00	6.37	6.83	5.56	6.40	4.60	5.05	3.15
Operating Margin / Sales (%)	**22.87**	21.34	21.18	24.68	22.48	21.53	21.99	15.89	17.64	13.21
Earning Per Share (Rs.)	**35.77**	38.76	24.87	32.47	30.71	239.55	244.81	105.67	101.42	54.39
Revenue Growth (%)	**3.59**	20.13	6.02	4.43	15.16	(1.35)	30.44	2.50	6.27	9.51
Profit Before Tax Growth (%)	**(29.41)**	45.20	(16.33)	6.83	36.90	(1.48)	134.00	3.22	66.65	69.45
Profit After Tax Growth (%)	**(7.72)**	55.85	(23.41)	5.70	28.23	(2.15)	131.66	4.19	86.48	219.51
Efficiency (turnover ratios)										
Inventory Turnover (times)	**4.31**	6.44	4.26	3.76	5.06	5.12	6.21	5.00	6.55	8.66
Average Collection (days)	**37.13**	43.20	35.26	17.44	26.94	23.88	15.99	27.07	24.25	27.74

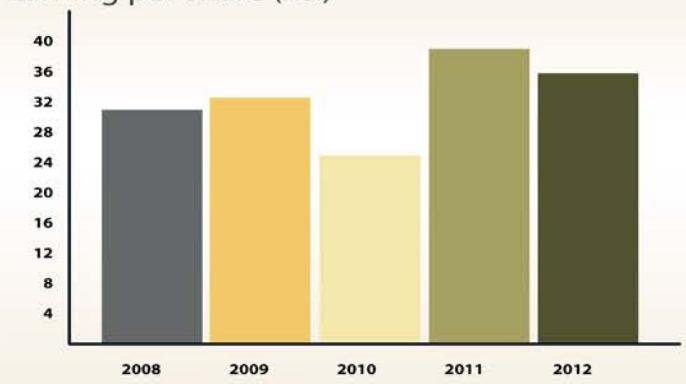
Ten year summary contd.

Year ended 31 March (In Rs. '000)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
MARKET - BASED RATIOS										
Firm Ratios										
Dividend Payout Ratio	0.11	0.10	0.12	0.12	0.06	0.06	0.06	0.14	0.12	0.23
Dividend Cover (Times)	8.94	9.69	8.29	7.83	15.95	1.60	1.63	0.70	0.81	0.44
Net Assets Per Share	466.66	434.89	403.19	381.32	351.90	324.18	301.72	116.90	107.84	98.95
Combined Ratios										
Dividend Yield	0.5	1.54	0.11	0.15	0.06	0.86	0.86	1.25	3.13	5.00
Price Earning Ratio (Times)	22.37	22.19	14.85	7.97	9.76	7.30	7.15	11.36	3.94	4.60

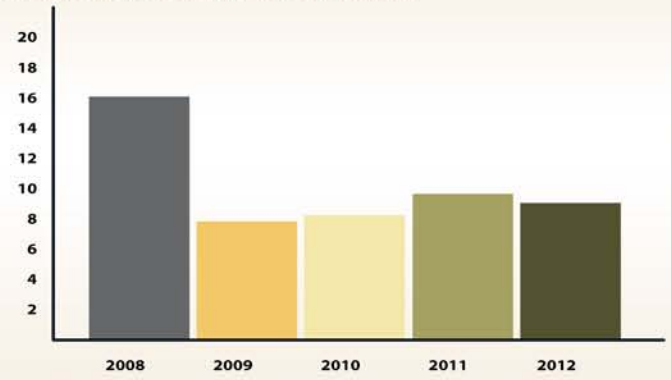
All figures are for the Group except for Market-based ratios.

GRAPHICAL REVIEW

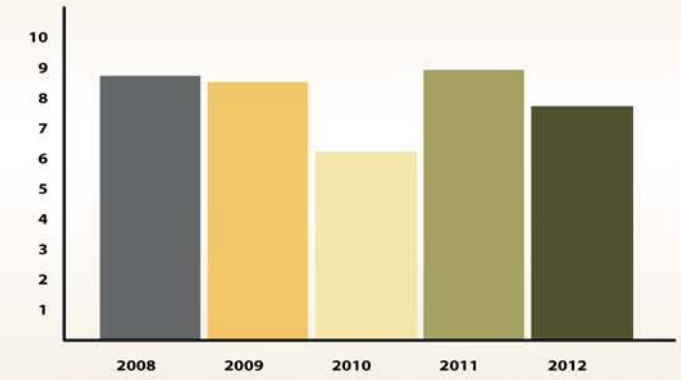
Earning per share (Rs.)



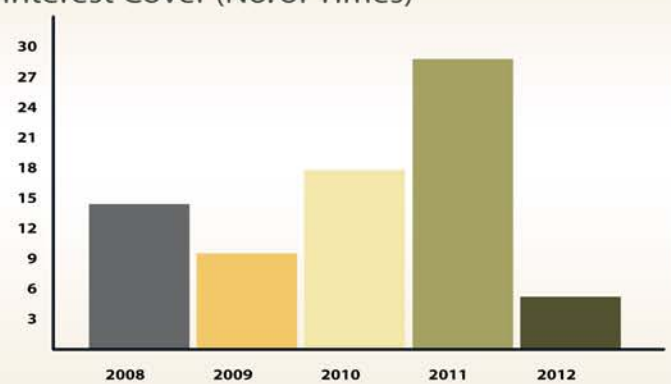
Dividend Cover (No. of times)



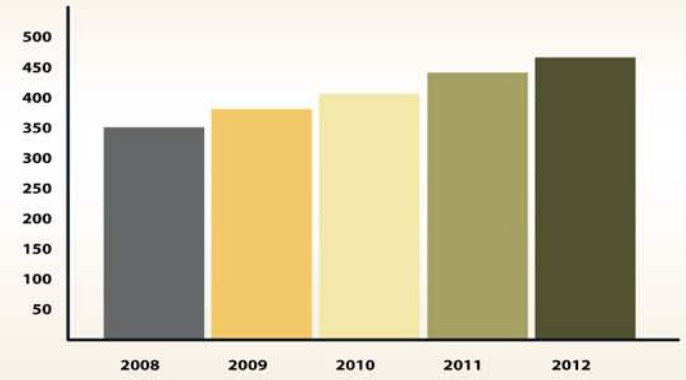
Return on investment (%)



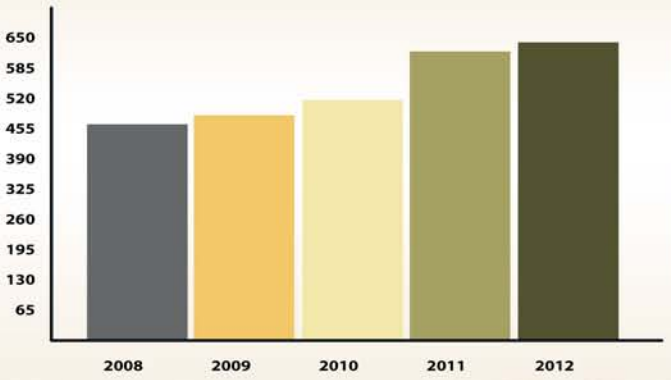
Interest Cover (No. of Times)



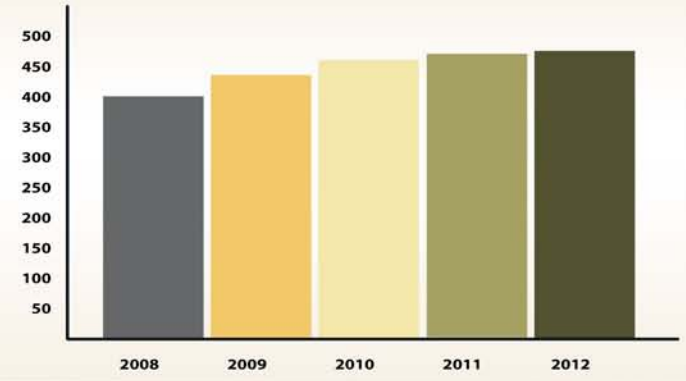
Net Assets per Share (Rs.)



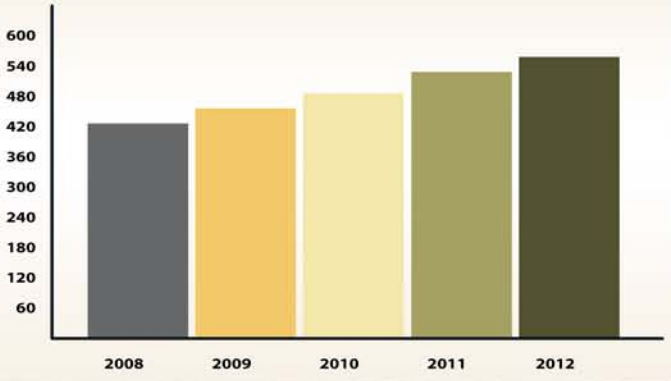
Turnover (Rs. Mn.)



Fixed Assets (Rs. Mn.)

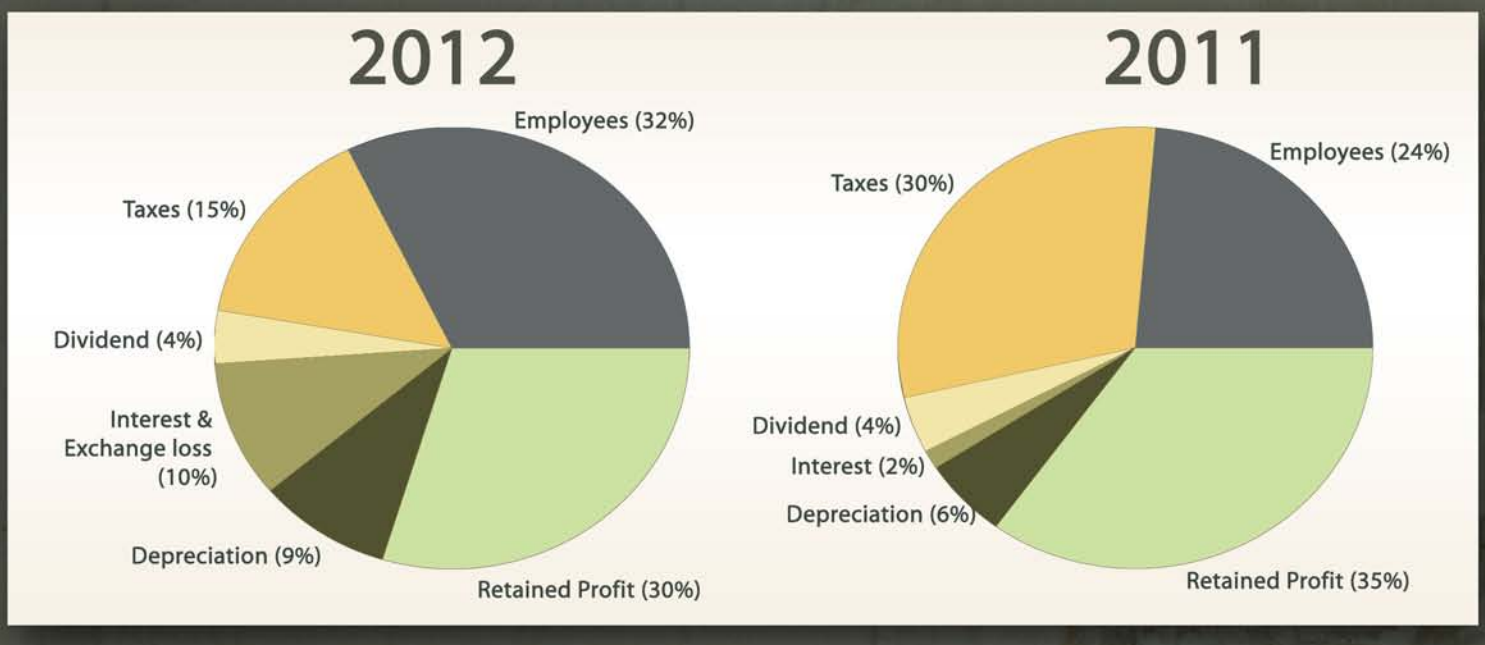


Shareholder's Funds (Rs. Mn.)



STATEMENT OF VALUE ADDED

CREATION OF VALUE ADDED	2012 Rs.	2011 Rs.
Gross Sales	645,885	620,428
Other Income	8,723	6,063
	654,608	626,491
Less: Cost of Materials & Services purchased from External Sources	(526,885)	(507,670)
Total Value Added	127,723	118,821
DISTRIBUTED AS FOLLOWS		
To Employees as Remuneration	41,139	28,127
To Government as Taxes	19,255	35,577
To providers of Capital as Dividend	4,800	4,800
Interest & Exchange loss	13,005	1,882
Retained in the business as Depreciation	11,401	6,721
Retained Profit	38,123	41,714
	127,723	118,821
Distribution of Value Added	127,723	118,821



SHARE INFORMATION

1. GENERAL

Stated Capital - Rs. 12,440,000
No. of Ordinary Shares - 1,200,000
Voting rights - One vote per ordinary share

2. STOCK EXCHANGE LISTING

The issued Ordinary Shares of The Autodrome PLC are listed under the "Motors" Sector on the Main Board of the Colombo Stock Exchange. There are no sub-classes or special voting rights on any share or class of shares. The Company Symbol is AUTO.N0000.

3. DISTRIBUTION OF SHAREHOLDING

The Shares of The Autodrome PLC were held as follows :

Size of shareholdings	31 March 2012				31 March 2011			
	Shareholders		Holdings		Shareholders		Holdings	
	No	%	No	%	No	%	No	%
1 - 1000	326	91.57	35,318	2.94	308	90.06	36,414	3.03
1001 - 5000	16	4.49	39,805	3.32	19	5.56	40,946	3.41
5001 - 10000	2	0.56	14,347	1.20	2	0.58	12,110	1.01
10001 - 50000	2	0.56	57,110	4.76	2	0.58	57,110	4.76
50001 and over	10	2.81	1,053,420	87.79	11	3.22	1,053,420	87.79
	356	100.00	1,200,000	100.00	342	100.00	1,200,000	100.00

4. ANALYSIS OF SHAREHOLDERS

	31 March 2012				31 March 2011			
	Shareholders		Holdings		Shareholders		Holdings	
	No	%	No	%	No	%	No	%
Institutions	17	4.78	201,666	16.81	12	3.51	204,290	17.02
Individuals	339	95.22	998,334	83.19	330	96.49	995,710	82.98
Total	356	100.00	1,200,000	100.00	342	100.00	1,200,000	100.00
Non Residents	1	0.28	63,850	5.32	1	0.29	63,850	5.32
Residents	355	99.72	1,136,150	94.68	341	99.71	1,136,150	94.68
Total	356	100.00	1,200,000	100.00	342	100	1,200,000	100.00

5. SHARE VALUATION

(Company)

Market Value	as at 31 March 2012	**Rs.800**	as at 31 March 2011	Rs.860
No. of shares in Issue		**1,200,000**		1,200,000
Market Capitalisation	as at 31 March 2012	**960,000,000**	as at 31 March 2011	1,032,000,000
Highest	Yr.2011/2012	**Rs.1,250**	Yr.2010/2011	Rs.1,550
Lowest	Yr.2011/2012	**Rs.655**	Yr.2010/2011	Rs.500
Earnings Per Share		**Rs.35.53**		Rs.38.40
Dividend per share		**Rs.4**		Rs.4
Net asset value per share		**Rs.464.20**		435.73

FORM OF PROXY

THE AUTODROME PLC. Reg. No. PQ-84
Registered Office, Autodrome Building, 304 Union Place, Colombo 2. Tel: 2326181.
For use at the Sixtieth Annual General Meeting

I/We……..of……

……being member/s of **The Autodrome PLC,** appoint:

1. ……..……..., whom failing

2. ……..……, whom failing

3. The Chairman of the Meeting.

as my/our proxy to represent me/us and to vote on my/our behalf at the Sixtieth Annual General Meeting of the Company to be held on Friday, 28 September 2012 at 3:30pm and at any adjournment thereof, and at every poll which may be taken in consequence thereof to vote in the manner indicated below:

(Please indicate with an X in spaces below how you wish your votes to be cast. In the absence of any such indication the Proxy will vote or abstain from voting as he/she thinks fit. Please also delete any resolution on which you wish your Proxy to abstain from voting)

RESOLUTION	FOR	AGAINST
1. Adoption of Annual Report & Audited Accounts for the Year ended 31 March 2012		
2. To re-elect as a Director Ms. Julie A. Aloysius to the Board		
3. To re-elect as a Director Prof. John A. Aloysius to the Board		
4. To re-elect Mr. J.A. Aloysius who retires under s. 210 of the Companies Act		
5. To re-elect Mr. S.C.Weerasooria who retires under s.210 of the Companies Act		
6. To re-elect Mrs. B. J. Aloysius who retires under s.210 of the Companies Act		
7. To re-appoint Auditors and authorise Directors to fix their Remuneration		
8. To authorise Directors to determine Contributions to Charities		

As witness under my/our hand this…….day of September 2012.

Signature of Member(s)

INSTRUCTIONS FOR COMPLETION OF PROXY FORM

1. To be valid this Form must be filled, signed, dated and deposited at the Registered Office of the Company at 304 Union Place, Colombo 2, not later than 48 hours before the time appointed for holding the meeting.
2. The Form of Proxy must be signed by the appointer or by his/her Attorney duly authorised in writing.
3. In the case of a Corporation, the Form of Proxy must be either under its Common Seal or under the hands of Officers or Attorneys.
4. In the case of joint holders, only one need sign. The votes of the senior holder who tenders a vote will alone be counted.
5. If you wish to appoint any other person other than the Chairman as your proxy, please insert the relevant details at (1) and (2).

For any clarification, please contact Accounting Systems Secretarial Services (Pvt) Ltd., Company Secretaries, Level 5, No 2, Castle Lane, Colombo 4. Tel: (011) 5444426. Fax: (011) 5364295.

Important: Scripless Shares (reminder) .....

Central Depository Systems (Pvt) Ltd.
Fully owned subsidiary of the Colombo Stock Exchange

CDS

04-01 West Block,
World Trade Centre, Echelon Square,
Colombo 00100, Sri Lanka.

cds@cse.lk
www.cse.lk

November 30, 2010

CIRCULAR NO: 13/2010

To : - All Listed Companies

Dear Sir/Madam,

DIRECTIVE UNDER SECTION 13 (C) OF THE SECURITIES AND EXCHANG COMMISSION OF SRI LANKA ACT NO.36 OF 1987 (AS AMENDED)

The Securities & Exchange Commission of Sri Lanka (SEC) has directed the CSE and CDS to mandate the lodging of certificates pertaining to all listed securities at the Central Depository Systems and thereby implement a system of dematerialization for all listed securities.

In connection with the above the SEC has directed the CDS/CSE to implement the following to be effective of the dates mentioned below.

1. To mandate securities of new listings to be in de-mat form with effect from 1st January 2011.
2. To mandate securities of all existing listing entities which obtained listed status before 1st January 2011 to be in dematerialized form within a transitional period of one year from 1st January 2011 and to give prior notice to the existing listed entities of the said requirement.

The CDS will inform the procedure to be adopted for the creation and maintenance of 'Client Locked Accounts' by 10th December 2010.

The Directive dated 22nd November 2010 is attached.

Yours faithfully
For and on behalf of
CENTRAL DEPOSITORY SYSTEMS (PVT) LTD

Rajeeva Bandaranaike
ASSISTANT GENERAL MANAGER – CLEARING & SETTLEMENT
COLOMBO STOCK EXCHANGE

-ng

Voice: +94 11 2446581
Fax: +94 11 2440396

Important: Scripless Shares (reminder)

Full Dematerialisation of listed securities

Locked balances

In order to facilitate the full dematerialisation of securities the CDS would provide a "locking" facility for securities held by a CDS account holder within a CDS account. The "locking" facility would be a method for shareholders of listed companies to hold securities that they would not wish to trade, in the CDS. Once deposited into a "locked balance", the securities can only be "unlocked" and made available for trading upon the written authorisation given by the shareholder.

- The CDS would maintain two balances for each CDS account, namely a trading balance and a "locked" balance.
- The trading balance would be visible to the CDS Participants (Broker firms and custodian banks) and dealings and trading would be permitted on the said trading balance, as done presently.
- As opposed to the trading balance, the "locked" balance will not be visible to the CDS participants (other than in the instances set out below) thereby maintaining the confidentiality of the information and also safeguarding the account holder from any possible unauthorized sale by a broker. Trading on locked balances would be suspended.
- On a written request made by an account holder submitted to the CDS through the relevant Participant , the CDS would transfer the specified quantity of securities from the "locked" balance to the trading balance of a CDS account or from the trading balance to the "locked" balance as the case may be.
- New CDS forms would be issued to deposit , transfer and withdraw securities to and from "locked" balances.

Note :

The "locked" account balances will not be visible to CDS Participants except in the following instances .

1. When a deposit of an existing share certificate is made to a "locked" balance.
2. When a transfer request is made to transfer securities from a trading balance to a "locked" balance or vice versa.
3. When a withdrawal request is made to withdraw securities from a "locked" balance.

Autodrome
SINCE 1953
The Autodrome PLC
304 Union Place
Colombo 02
Tel: 2326181
www.autodrome.lk