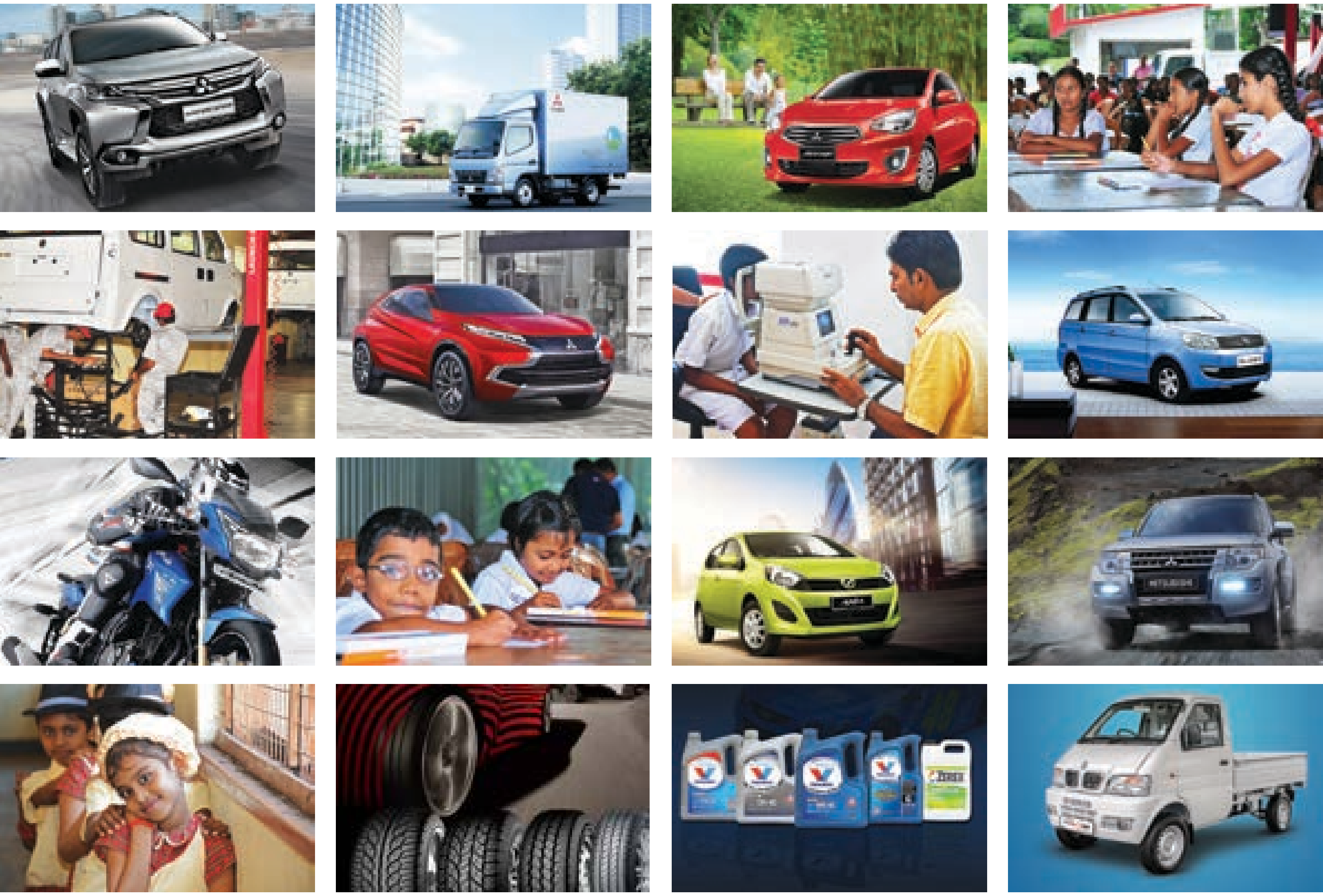
United Motors Lanka PLC

Annual Report 2015/16



At United Motors Lanka PLC., we believe in providing something special for everyone. Shaping a better, safer and exciting future on this remarkable journey we started 69 years ago.

To our shareholders, a better financial performance with one of the highest returns ever. To our customers, transport solutions from two wheelers, to three wheelers & a range of commercial vehicles and passenger vehicles coupled with a customer centric after sales service platform. To our staff, a work environment that rewards merit and encourages out of the box thinking, innovation and performance. To our principals, a partner passionate in building growth and brand equity. To our society, activities that increase awareness of sustainability and CSR efforts to improve the health and education sectors. To all our other stakeholders, a responsible and transparent partner that they can depend on and trust.

We believe in many things, so that
we can serve you better.

Contents

The Company

The Company was incorporated in 1945 as a Private Limited Liability Company. It was vested with the Government on 8 March 1972 and carried on operations as the Government Owned Business Undertaking (GOBU) of United Motors. In 1985, the Company entered into a distributor agreement with Mitsubishi Motors Corporation, Japan and has since then been the sole distributor for brand new Mitsubishi vehicles in Sri Lanka. In 1989 the Company was selected as the first Government venture for 'Peoplisation' with the intention of broadening its ownership amongst the public. Accordingly, on 9 May 1989, the Company was renamed as United Motors Lanka Limited and incorporated as a Public Limited Liability Company. On 30 August 2007, the Company was reregistered under the new Companies Act No. 07 of 2007 as United Motors Lanka PLC. Since becoming a Public Limited Liability Company, United Motors has achieved remarkable results and is a leading blue-chip company in Sri Lanka today.

Vision

To be the best company in Sri Lanka through diversification whilst maintaining the leadership position in the transport industry.

Mission

To delight and make lifelong relationships with our customers by providing high quality products, services and transport solutions using state-of-the-art technology and developing a team of people who are committed to excellence with the highest level of integrity through a corporate culture that encourages participative management to create a socially responsible corporate entity,whilst ensuring optimum returns to shareholders.

Values

Our customers and our business: we believe in being customer oriented and possess a policy of providing first place to the customer. Customer needs drive our choice of products and services and the way we deliver them.

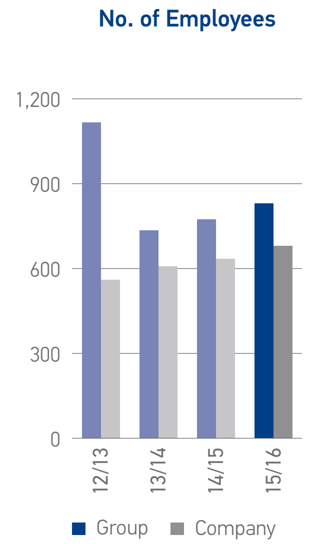
Our people are our most valuable asset: we will retain and develop quality people committed to working as a team to fulfil our corporate mission. We will provide our staff with the opportunity to realise their full potential and cultivate their abilities to the utmost. Whilst individual initiative and performance are recognised, all are identified with the success of the company and a winning attitude prevails.

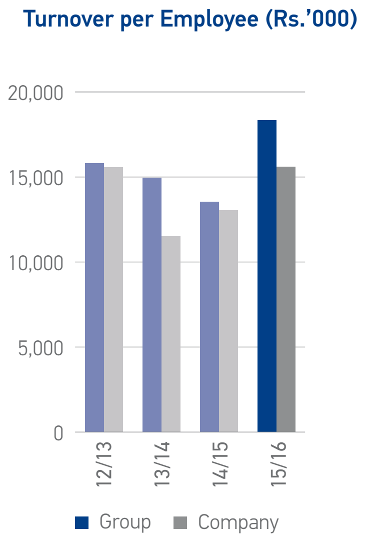
Our style of management will encourage employee involvement and a positive work attitude: we will utilise our resources effectively to maintain a superior quality of service by following a policy of continuous improvement, openness to change, search for better ways, speed of action, hard work and an aggressive determination to get things done, which will characterise our attitude towards every aspect of our work.

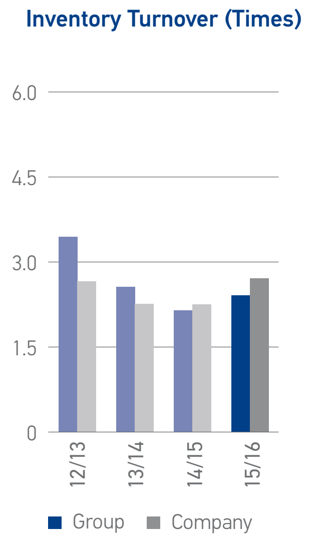
Our principals / suppliers are essential to our business: we will pursue a confident and mutually beneficial relationship. We will deal fairly and impartially and provide principals, suppliers and their accredited agents with timely advice of future requirements and quality expectations.

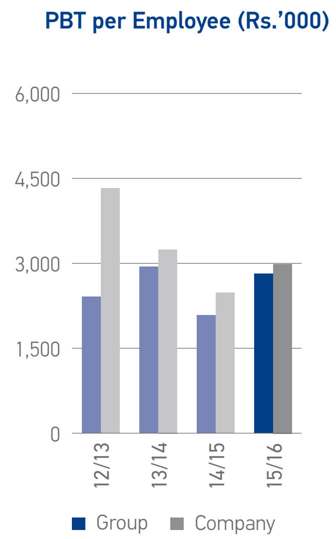
Our company is a responsible member of our community: we believe that our success and growth will contribute to the quality of life of our people and towards this end we will work in harmony with nature and would seek to eliminate all forms of pollution.

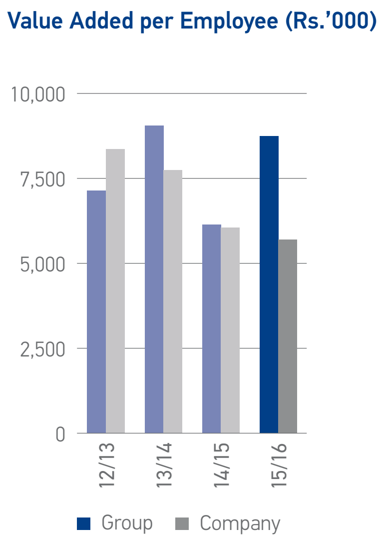
Operational Highlights

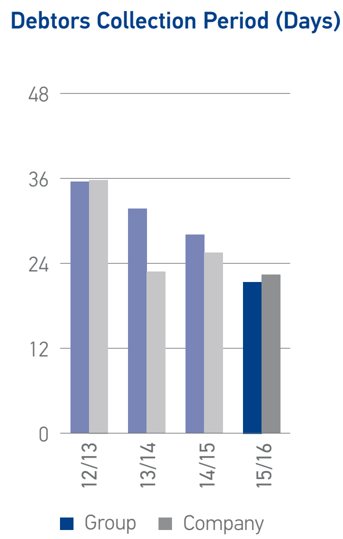


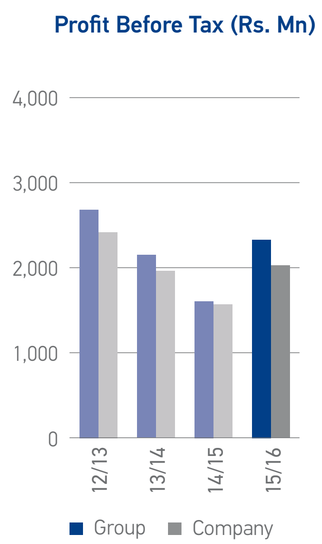


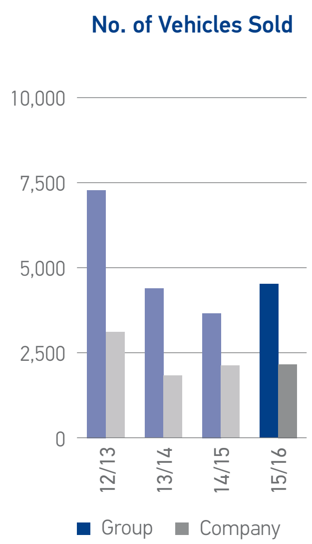


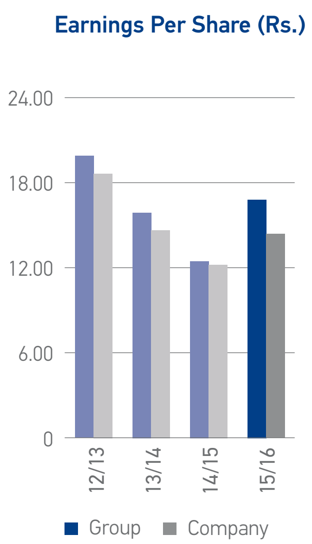












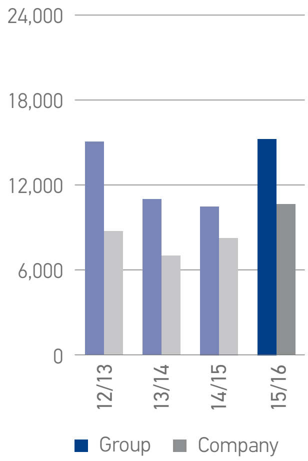
Financial Highlights

	Group			Company		
	2016	2015	Change %	2016	2015	Change %
Profitability (Rs.'000)						
Turnover	15,303,852	10,538,194	45.22	10,695,375	8,316,203	28.61
Profit before tax	2,353,603	1,625,881	44.76	2,049,981	1,586,165	29.24
Profit attributable to equity holders of the parent	1,702,223	1,262,332	34.85	1,457,126	1,236,867	17.81
Financial position (Rs.'000)						
Investment in PPE and intangible assets	273,819	141,639	93.32	253,700	139,267	82.17
Non-current assets	6,356,068	5,868,063	8.32	5,694,367	5,388,705	5.67
Current assets	8,735,328	7,281,121	19.97	4,753,719	5,392,161	(11.84)
Current liabilities	4,598,093	2,532,239	81.58	1,595,419	1,665,376	(4.20)
Non-current liabilities	181,188	181,374	(0.10)	154,070	152,919	0.75
Shareholders' funds	10,312,115	10,435,571	(1.18)	8,698,597	8,962,571	(2.95)
Ratio						
Interest cover (times)	17.70	20.74	(14.66)	28.51	49.06	(41.89)
Profit before tax to revenue (%)	15.38	15.43	(0.32)	19.17	19.07	0.52
Return on capital employed (%)	16.51	12.10	36.45	16.75	13.80	21.38
Dividend cover (times)	-	-	-	1.31	2.04	(35.78)
Borrowings to equity (%)	27.67	11.68	136.90	1.93	6.40	(69.84)
Current ratio	1.90	2.88	(34.03)	2.98	3.24	(8.02)
Quick asset ratio	0.72	1.32	(45.45)	1.51	1.44	4.86
Share Performance						
Number of shares ('000)	100,901	100,901	-	100,901	100,901	-
Earnings per share (Rs.)*	16.87	12.51	34.85	14.44	12.26	17.78
Dividend per share (Rs.)**	-	-	-	11.00	8.00	37.50
Dividend yield (%)	-	-	-	13.25	9.08	45.93
Dividend payout (%)	-	-	-	76.17	65.26	16.72
Net assets per share (Rs.)*	102.20	103.42	(1.18)	86.21	88.83	(2.95)
Market value per share as at 31 March (Rs.)	-	-	-	83.00	88.10	(5.79)
Price earning ratio	-	-	-	5.75	7.19	(20.03)
Market capitalization as at 31 March (Rs.'000)	-	-	-	8,374,752	8,889,345	(5.79)
Highest recorded share price (Rs.)	-	-	-	118.00	154.00	(23.38)

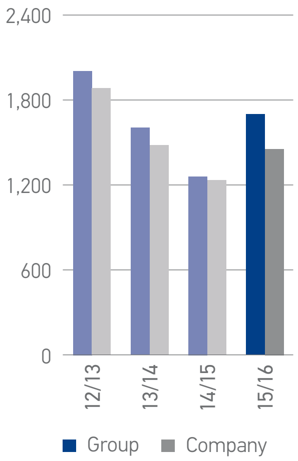
** Net assets per share and Earnings per share have been calculated for all periods based on the number of shares in issue as at 31 March 2016*

*** Dividend per share represents the per share value at the point of payment*

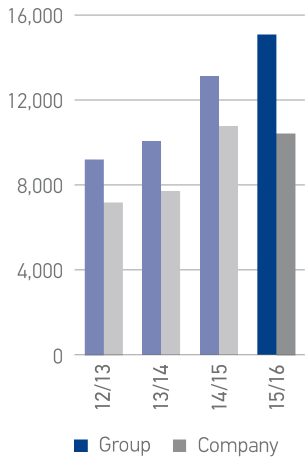
Turnover (Rs. Mn)



Profit After Tax (Rs. Mn)



Total Assets (Rs. Mn)



Events of the Year

We strive to engage our customers through a series of events and activations.

CMTA Motor Show
The company participated at the Motor show organized by Ceylon Motor Traders Association (CMTA) at BMICH. The Mitsubishi, FUSO, Perodua, MG, and DFSK range of vehicles were on display.

Mitsubishi Launch
Mitsubishi launched the all new Gasoline Outlander 2016, The Plug-In-Electric Vehicle (PHEV) and The L200 Double cab.

May 2015

DFSK Unimo Lokka Service Campaign
Orient Motor Company continued to conduct free service campaigns for DFSK Unimo Lokka mini trucks with the participation of Chinese's Technicians at Orugodawatte workshop.

June 2015

Build Sri Lanka
The Chinese vehicle division took part in Build Sri Lanka, a three day exhibition at BMICH, Construction and Regenerating Expo is organized by the Chamber of Construction Industry Sri Lanka with the objective to highlight the positive growth and development that has taken place recently in both Urban and Rural areas of Sri Lanka.

Fuso Service Campaign

UML together with NDB leasing conducted a free service campaign in Nuwara Eliya for NDB and UML customers for the first time which was a huge success.

July 2015

FUSO & NDB Customer Night

The Mitsubishi Truck & Bus division conducted a customer night jointly with NDB Leasing at Nuwara Eliya Golf Club.

Home & You

The Company displayed the Mitsubishi Outlander PHEV at the exhibition which was conducted over a three day period at BMICH with a view to create awareness to the large crowd that visited the exhibition.

August 2015

Construction Expo

Construction Expo provided a common platform for all industries with links with construction and gave the participants a chance to showcase their products & services to a large number of customers from construction related businesses who visited the three day exhibition at BMICH.

Events of the Year (contd.)

Mitsubishi Display at Royal Colombo Golf Club
Mitsubishi displayed the Gasoline Outlander and Diesel Montero as a part of its sponsorship of the American Chamber of Commerce (AMCHAM) Golf Tournament.

August 2015

Mitsubishi Display at Colombo Good Market, Race Course
Mitsubishi displayed the Outlander PHEV at the Colombo Good Market which attracted a large crowd.

Innovative Brand of the year and Turnaround Brand of the Year
Brand TVS was recognized as Product Brand of the Year across all Industries. This is the First time an Automobile Company has won this Prestigious Award from Sri Lanka Institute of Marketing. Further, brand TVS was recognized as the Most Innovative Brand of the year and Turnaround Brand of the Year."

September 2015

DFSK Vehicle Display at Crescat Boulevard
Unimo displayed the DFSK range of vehicles at Crescat Boulevard.

Colombo Motor Show

The company participated at the Colombo Motor show organized by Asia Exhibitions at BMICH. The Mitsubishi, Perodua, MG, JMC and DFSK range of vehicles were on display including Valvoline Lubricants. United Motors was awarded the Most Elegant Stall while Unimo was awarded the Most Innovative Stall at this exhibition.

Mitsubishi & DFCC Customer Gathering

United Motors together with DFCC Bank conducted a customer night for all its valued customers and prospective customers in Kandy.

October 2015

Mitsubishi Service Campaign - Orugodawatte

UML continued vehicle clinics free of charge with the participation of Japanese Technicians at Orugodawatte workshop.

Valvoline wins the highest sales volume in South East Asia

Valvoline was awarded for its outstanding sales performance for the 2nd consecutive year in South East Asia at the Valvoline South East Asia Conference held in Hongkong.

Events of the Year (contd.)

Mitsubishi Display at Crescat Boulevard
Mitsubishi displayed the ASX and Attrage at Crescat Boulevard.

British School Christmas Carnival
Unimo Enterprises Ltd participated at the British School Christmas Carnival organized by The British School of Colombo. The MG, Axia and Glory vehicles were on display.

December 2015

JMC Road Show
JMC range of trucks were paraded from Panadura to Tissamaharama.

DFSK Vehicle Display at Crescat Boulevard
Unimo displayed the DFSK range of vehicles at Crescat Boulevard.

Sirasa Auto Vision Motor Show
Unimo Enterprises Ltd participated at the Sirasa Auto Vision Motor Show organized by CEC Events. The Axia, DFSK Glory and V27 vehicles were on display.

FUSO Driver Training Session
The Mitsubishi Truck & Bus division conducted a driver training programme to improve driving skills while also enlightened them on road rules and safety.

February 2016

Tie ups with financial institutions for special leasing promotions
Signing of MOU with NDB bank for a joint leasing promotion for Perodua Axia vehicles.

March 2016

Valvoline Dealer Conference and Award Ceremony, Cambodia
The Valvoline division awarded a foreign trip to its top dealers for outstanding performance.

Milestones

1945

Incorporation of United Motors Limited as a Private Limited Liability Company.

1972

Vested in the Government on 8th March commenced as a Government Owned Business Undertaking.

1985

Entered into a distributor agreement with Mitsubishi Motors Corporation (MMC).

1989

May
United Motors Lanka Limited was incorporated as a Public Limited Liability Company with an authorised share capital (now referred to as stated capital) of Rs. 100,000,000/-.

1994

Incorporation of a subsidiary - UML Property Developments Ltd., for the construction of a warehouse complex on a five acre land at Orugodawatte.

1995

September
Celebrated 50 years of excellence.

1997

November
Perodua brand from Malaysia was introduced.

1999

July
The Orugodawatte Complex was opened.

2002

March
The Valvoline brand from USA was introduced by the Company.

October
Acquisition of Unimo Enterprises Limited (UEL).

2003

April
UML acquired 50% interest in TVS Lanka (Pvt) Ltd.

2004

September
The Yokohama brand from Japan was introduced by UEL.

2006

January
Unimo Enterprises Ltd launched a range of Chinese vehicles.

2007

March
TVS Lanka (Pvt) Ltd. signed a distributor agreement with Bharat Petroleum Corporation of India.

June
JMC brand from China was introduced by UEL.

August
The Company was re-registered as United Motors Lanka PLC.

December
Zotye brand from China was introduced by UEL.

2008

March
Incorporation of TVS Automotives (Pvt) Ltd as a fully owned subsidiary of TVS Lanka (Pvt) Ltd.

2009

December
Unimo Enterprises Ltd opened a local assembly facility within the Orugodawatte Workshop Complex to assemble the Zotye Nomad SUV.

2010

December
The Company increased the number of shares by way of a share split on the basis of two new ordinary shares for every existing issued ordinary share.

2011

February
OMCL added the DFSK Mini truck brand to its portfolio.

December
The company was awarded a citation for order intake development from Mitsubishi Fuso Truck and Bus Corporation Japan for the FUSO brand.

2012

January
The Group achieved its highest ever profit in the financial year.

2013

October
United Motors was ranked amongst the top 100 corporates in Sri Lanka across all industries in 2012/13 by LMD.

November
United Motors was ranked among the top 25 companies in Sri Lanka across all industries by Business Today, in 2012/13.

2014

March
Unimo Enterprises Ltd opened its assembly plant in Ranala.

The legendary brand MG launched by Unimo Enterprises Ltd.

October
United Motors was ranked amongst the top 100 corporates in Sri Lanka across all industries in 2013/14 by LMD.

November
United Motors was ranked among the top 25 companies in Sri Lanka across all industries by Business Today, in 2013/14.

Valvoline was awarded for its outstanding sales performance in South East Asia at the Valvoline South East Asia Conference in Mumbai.

2015

February
The Simoniz brand from United Kingdom (UK) was introduced by the Company.

2015/16

May
The Brilliance brand from China was introduced by UEL.

June
Aashiq Lafir Executive Director - Finance was appointed President of the Sri Lanka-Malaysia Business Council.

United Motors Group entered in to Hybrid Vehicle business through its latest venture "Drive Clean".

October
United Motors was ranked amongst the top 100 corporates in Sri Lanka across all industries in 2014/15 by LMD.

Valvoline was awarded for its outstanding sales performance for the 2nd consecutive year in South East Asia at the Valvoline South East Asia Conference in Hongkong.

November
United Motors was ranked among the top 25 companies in Sri Lanka across all industries by Business Today, in 2014/15.

Group Structure

	Company	Incorporated on	Reg: No	Chairman	
Parent Company	United Motors Lanka PLC	09 May 1989	PQ-74	Sunil G. Wijesinha	
Subsidiaries	Unimo Enterprises Ltd (100%)	17 March 1994	PB 218	Sunil G. Wijesinha	
	Orient Motor Company Ltd (100%)	27 March 1992	PB 117	Sunil G. Wijesinha	
	UML Property Developments Ltd (100%)	08 October 1993	PB 253	Sunil G. Wijesinha	
	UML Agencies & Distributors (Pvt) Ltd*	12 November 2001	PV 1514	Sunil G. Wijesinha	
Joint Venture	TVS Lanka (Pvt) Ltd 50%	21 November 1995	PV 9382	V. Sirinivasan	
Subsidiary	TVS Automotives (Pvt) Ltd 100% Effective 50%	27 March 2008	PV 63607	Sunil G. Wijesinha	

** Steps have been initiated to strike off UML Agencies and Distributors (Private) Limited from the register maintained by the Registrar General of Companies, under section 394 of the Companies Act No. 07 of 2007 (as amended).*

	Directors	Secretary	Auditors	Activities
	C. Yatawara (Group Chief Executive Officer/ Executive Director) A. W. Atukorala A. C. M. Lafir (Executive Director - Finance) R.H.Yaseen (Executive Director-After Sales Services) Mrs. A. H. Fernando M. Sawada - resigned w.e.f 31.03.2016 A. D. E. I. Perera Prof. K. A. M. K. Ranasinghe	Mrs. R.M.Hisham	KPMG	Import and distribution of brand new Mitsubishi, FUSO vehicles, genuine Mitsubishi spare parts and provision of workshop facilities for repairs and lubrication services for vehicles. Distribution of Valvoline lubricants, Simoniz & Eagle One car care products.
	M. Gunathilake (Chief Executive Officer/ Executive Director) C.Yatawara R. H. Yaseen Mrs. A. H. Fernando A. W. Atukorala	Mrs. R.M.Hisham	KPMG	Import and distribution of Perodua,Morris Garages (MG) cars, Zotye SUV, JMC Commercial Vehicles, Yokohama tyres. Assembly and marketing of DFSK and Zotye products.
	C. Yatawara Mrs. A. H. Fernando	Mrs.R.M.Hisham	KPMG	Import and distribution of DFSK trucks. Hiring of motor vehicles.
	C. Yatawara	Mrs.R.M.Hisham	KPMG	Construction of warehouse complex for hiring purpose. Development of Company owned properties.
	C. Yatawara	Mrs.R.M.Hisham	KPMG	No commercial operations during the year.
	R. Dinesh R. Haresh C. Yatawara Sunil G. Wijesinha K. N. Radhakrishnan Mrs. A. H. Fernando A W Atukorala	Jacey and Company	KPMG	Import and distribution of TVS motor cycles, three wheelers, spare parts and operation of workshops.
	R. Dinesh N. Krishnamoorthy C. Yatawara	Jacey and Company	KPMG	Import and distribution of BPCL-MAK lubricants, JK and TVS tyres.

Chairman's Message

"We diversified our portfolio and sourced products to meet impending developments in government policy and the changing aspirations of the customer base."

Sunil G. Wijesinha
Chairman

It gives me great pleasure to welcome you to the 27th Annual General Meeting, and to present to you the annual report and audited financial statements of United Motors Lanka PLC (UML) for the financial year ended 31 March 2016. I trust this report will give you an understanding of the stakeholder-centric approaches adopted during the year under review, and the measures taken to ensure that your company continues to improve shareholder value and grow in a sustainable manner.

I am also pleased to inform you that the Board of Directors recommends a final dividend of Rs. 2.00 per share which would be in addition to the Rs. 7.00 interim dividends declared so far. If approved, this will amount to a total dividend of Rs. 9.00 per share for the current year.

The year has been an exciting one, in which we were able to successfully predict future trends and respond with innovative strategies that countered sudden vicissitudes. Compared with the previous year Group revenue grew by 45% while the profit after tax increased by 35% to Rs. 1.7 billion. All subsidiaries and joint venture companies performed better although Orient Motor Company Ltd still showed a loss. Our new strategies for the subsidiaries with new products seem to have paid dividends. Our assembly plant which was hitherto under-utilised improved its capacity utilisation. However the recent floods disrupted its operations.

Your company operates within the sphere of influence of the global economy, as well as in the context of the Sri Lankan economy and government dictates, since the demand for vehicles is determined by economic growth and state policies. The Sri Lankan economy experienced turbulent times during the year, which caused many unforeseen and significant responses to economic developments that created huge uncertainties for businesses. Your company realised that a carefully strategised approach was necessary to circumvent shocks. Taking a holistic view of the automobile sector, we focused on the fact that the government faced a huge strain on foreign reserves due to the indiscriminate importation of vehicles and would not, consequently, continue to encourage vehicle imports indefinitely. So we diversified our portfolio and sourced cheaper products from all over the world additionally we increased the capacity of our assembly plant to meet impending developments in government policy and the changing aspirations of the customer base. We are pleased to say that this strategy enabled us to continue to respond successfully to customer needs despite the turbulent environment.

Global perspective

In terms of the overall macroeconomic climate, the year in review was a challenging one, with the global economy growing at a disappointing 3.1% in 2015, much lower than the projected growth of 3.5%. While South Asia remains the fastest growing region in the world at a growth rate of 7.1% expected for 2016, the global economy is projected to grow by only 3.2%, that too with increasing uncertainty. Developed economies, on which

Rs. **15,304** Mn

Group Revenue

Sri Lanka's exports largely depend, have not seen an upturn sufficient to spur export growth. A main reason for this was the recent performance of some of these economies, especially those of exporters, who had an anxious year due to the plummeting prices of oil and commodities that continued from the previous year. Yet all was not lost, as global growth was counterbalanced by the increased spending of oil importers in segments that were more sensitive to oil prices, which offset the decline in spending by exporters. Oil prices seem to be bottoming out with significant reductions in production in Iraq, attacks on oil pipelines in Nigeria and oil outages caused by wild fires in Canada, which anticipates a more stable situation in the not-so-distant future.

Automobile manufacturers, too, experienced turbulent times globally, with allegations relating to falsifications in emissions and fuel consumption claims. These will no doubt result in investigations and further regulatory checks and controls. However they are unlikely to impact the Sri Lankan market significantly. Changes also took place in ownership of the global giants with Nissan Motors of Japan and Mitsubishi Motors of Japan announcing the investment in Mitsubishi Motors shares by Nissan Motors. The resultant synergies are expected to greatly benefit both companies.

Local perspective

Due to pressure on the balance of payments and the precarious reserve position, the Sri Lanka Rupee was allowed to slide and reach a more realistic value. The depreciation of the Rupee further affected the cost of imported vehicles already impacted by the enhanced duty.

The continuous decline in the Rupee along with the implementation of the 70% loan-to-value ratio in obtaining finance for vehicles, placed the owning of a vehicle beyond the reach of a substantial segment of the burgeoning middle class. Although the rationale for this initiative by the government is understood, it will undoubtedly impact on their aspirations. This situation must be addressed.

Credit to the private sector reached dizzy heights and is likely to slow down in the near term, which, along with increasing interest rates, could further squeeze credit- driven importation of vehicles.

Although the downgrading of Sri Lanka's sovereign credit rating to 'B+' from 'BB-' by Fitch Ratings in March 2016 was a blow to government expectations, there appears to be considerable goodwill from around the world owing to the good governance initiatives of the new government. Re-gaining the GSP+ trade

Chairman's Message (contd.)

concession could be seen as the EU's vote of confidence in the government, which will bring further credibility to the country as well as give exports a much needed boost. Sri Lanka recently became an area of focus for investors and other aspirants wishing to enter into business partnerships. These positive developments overwrite many of the negatives experienced during the period and augur well for the development and expansion of the country's business sector.

Future outlook

The new government is still at an experimental stage and seems to be using dipstick measures to fuel economic growth. Several tax and other regulatory changes announced in the Budget 2016 in November 2015 were not proceeded with. Changes in duty structures and methodology, VAT and NBT, were hastily implemented. The company was compelled to expend considerable management time on educating government officials and clearing misconceptions. Long-term planning was impossible under these circumstances.

Sri Lanka needs a more sustainable economic model and awaits the economic strategy to be revealed shortly by the Prime Minister. We sincerely hope this will herald the end of experimental strategies and propel the government to launch a policy framework and economic strategy that could be depended on when planning our strategies for the next few years.

The UML Group works on a sustainable business model that is based solely on ethical values and guidelines. We follow government rules and regulations to the letter, and make no compromises. This approach is at times challenging in the present highly competitive environment in which we do not operate on a level playing field, but we pride ourselves on conforming to the spirit of the law.

"Sri Lanka needs a more sustainable economic model and awaits the economic strategy to be revealed shortly by the Prime Minister."

Greening the business

We continue to look at introducing vehicles running on green energy, and are following up on developments in energy efficiency and cleaner vehicles and options available to connect with renewable energy. We have oriented our operations across the board to focus on sustainability and promote green initiatives. We are eagerly looking forward to the technology innovations our suppliers are currently engaged in to create more energy efficient and green energy vehicles.

668,907

Vehicles registered in 2015

Customer focus and HR

We consider ourselves a responsible customer-centric and innovative organisation and have, over the past years, focused on the needs of our customers and staff, a focus we will continue into the future.

We are constantly evaluating our customers' requirements to enable them to enjoy a higher standard of living. Our relationship is not terminated at the sale, but rather, we believe the customer must enjoy his purchase, and this philosophy has been inculcated in our staff. We have minimised the response time on customer issues, and provide our customers with all facilities when they visit us, including comfortable waiting areas with amenities.

The worker has evolved today, and redefines himself as an intelligent human being who is now not only hands-on but brain-on as well, and demands more egalitarian working conditions, with more engagement. We respect this evolution and give our employees their due place as the backbone of our business. We build up their competencies and provide them with a good working environment that will enable them to have a rich and satisfying working life, using team based structures, quality circles and employment engagement techniques to ensure an enriched work experience. We work on the premise that if our employees are valued and their voices heard, they would be more willing to commit to their jobs and stay long-term with the organisation.

As an innovative company, we will continue to offer new products, new solutions to customers, new business processes, and new strategies to enhance our customer base. We have no illusions that we have enormous hurdles to overcome in the face of the gloomy global economic landscape projected for the next few years, and the turbulent economic and political realities of our own country. But we are a company that has withstood challenges in the past, which has built up our team spirit and fortitude. This gives us the assurance that we will continue to respond positively to whatever the coming year will bring, with the able support of our motivated and competent team.

Appreciation

Last but not least, I wish to place on record my appreciation to my colleagues on the Board of Directors for their valuable support and direction that inspired the company to pursue its growth trajectory of recent years. Mr. Masafumi Sawada resigned from the Board of Directors in March 2016. I appreciate the valuable contribution by Mr. Sawada during his tenure. Mr. Eardly Perera will not be presenting himself for re-election and will be retiring at the conclusion of the Annual General Meeting. I sincerely appreciate the advice and guidance by Mr. Perera. I welcome Mr. Toshiaki Nomura, a representative of Mitsubishi Motor Corporation, to the Board of United Motors. Our business partners too have responded well to our numerous requests and thank all of them and we sincerely believe our relationships will grow stronger. I express my special thanks to the GCEO/ED, Mr. Chanaka Yatawara for his strategic thinking and initiatives that contributed in no small measure to the company's success. The entire team at UML and the Group Companies deserve appreciation for their untiring efforts in improving the Group performance in a most challenging year.

Sunil G. Wijesinha
Chairman

30 May 2016

Group Chief Executive Officer's Review of Operations

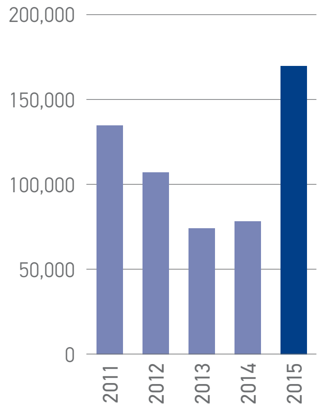
"Group Profit After Tax improved by 35% in the year under review, and posted a net profit of Rs. 1.7 billion, compared to the previous years Rs. 1.3 billion."

C. Yatawara
Group Chief Executive Officer/
Executive Director

Industry Overview

Total brand new vehicle Industry volumes in the current financial year were 86,859 units in total, in comparison with 45,112 units in the previous year. For used vehicle imports it was 50,937 in the current financial year vs 39,032 the previous year. This significant increase took place during the first nine months of the year and tapered off during the last three months. The increase was mainly due to the government reducing duties on the less than 1,000 cc vehicles in January of 2015 and the consequent surge in vehicle demand in that category. The lower duty on the electric car and hybrid car segments continued to be attractive during this period, and consumers took advantage of this, especially in the used car segment. Vehicle sales under the concessionary duty scheme of the government continued from the previous year and throughout the first half of the year, vehicles that came under the permit value ceiling continued to flow into the country. All in all, it was the best year for the industry, for both brand new and reconditioned vehicles.

No. of Motor Vehicles Registered (Excluding two wheeler and three wheeler)



As the year progressed, the government, in its November 2015 budget, brought in changes to influence the number of vehicles imported to the country in a bid to manage the macro economic challenges the country was facing. In a move to stem the foreign exchange out flows, the government took several steps. The main impact came from the imposition of a 70% restriction in the financing of vehicle purchases, the cessation of duty concessionary permits for government officials, and the increase of duties on several categories of vehicles. This had a detrimental effect not only on the sales of four wheel motor vehicles, but also on the market for three-wheelers and motor cycles. The events of the last quarter of the financial year saw the market contract by more than 60% for three wheelers and 15% for motor cycles.

Group Performance

Profit After Tax improved by 35% in the year under review, and the Group posted a net profit of Rs. 1.7 billion, compared to the previous year's Rs. 1.3 billion. Turnover increased to Rs. 15.3 billion during the year, as against Rs. 10.5 billion last year.

United Motors Lanka PLC (UML)

The company posted a profit of Rs. 1.5 billion, compared to the previous year's Rs. 1.2 billion. One of the main factors for this growth was our negotiations with Mitsubishi Japan to give us a range of products that came within the tax ceiling of the duty free permit. We were one of the few Japanese car companies, if not the only one, to offer a top-of-the-range flagship product for customers within the permit ceiling. The attractiveness of this offer enabled us to extend the benefits to these customers, which resulted in the sale of 530 units of the Montero during the year, enabling us to maintain healthy margins. The balance order of 1,000 units of double cabs to government ministries was mainly delivered during the year.

Our Daimler/Fuso truck business had its most profitable year so far, with the sale of 747 units as against 550 units sold in the previous year. A combination of retail business and semi-government institutional orders pushed up the numbers during the year. The demand for our extended product offerings, especially for value added trucks for different applications, was also encouraging.

The other three income generating areas of our business, spare parts sales, workshop repairs and the Valvoline oil business, also made a significant contribution to company profits during the year, with a growth of 11%, 18% and 73% respectively.

It was an exciting year for our workshop operation following its expansion to service hybrid and electric vehicles of all brands under the 'Drive Clean' brand. Despite the fact that over 83,298 units of hybrid and electric vehicles have been brought into the country in the last 3 years, most were imported by used car dealers who did not offer adequate workshop facilities. We seized the opportunity to meet this market need.

The Valvoline lubricants division had a good year, and grew their bottom line by 73%. They posted robust growth in almost all segments in which they have products. Approximately 18% of their oil is consumed by our own workshop and the balance is marketed to direct and indirect customers. The decision to add a new car care range from the "Fram Group," one of the largest car care producers in the world paid off for the division, with the market's acceptance of the product range exceeding expectations.

Unimo Enterprises Ltd our fully owned subsidiary, recorded a healthy 97% growth in profit over last year's Rs. 70 million, to Rs. 138 million this year. Although the first half was slow, the second half saw an improvement in performance due to the launch of the long-awaited new Perodua Axia in the under 1,000 cc small car category, and the new "Glory" seven-seater MPV. The Axia is the successor of the Viva Elite. The "Glory" has created a new market segment in the country and demand for the product has been very encouraging. Families find it the ideal vehicle for transporting seven persons, and its low price, leather interior finish and diesel engine make it a cost-effective option.

Group Chief Executive Officer's Review of Operations (contd.)

Orient Motor Company Limited reported a better year than previously. The company reduced its losses considerably, from Rs. 113 million in the previous year to Rs. 14 million in the current year. The company would have reached at least a break-even figure if not for the Central Bank's decision to impose a 70% limit on the extent of financing motor vehicle leases. The industry contracted by 50% in the last quarter as a result of this higher down payment requirement, which also affected the sales of our DFSK brand since about 70% of customers obtain a lease to finance these trucks.

TVS Lanka (Pvt) Limited, our joint venture with TVS India which imports and distributes two wheelers and three wheelers, more than doubled profits during the year, from Rs. 111 million last year to Rs. 230 million in the current year, with an aggressive strategy focused on the customer and the channel that helped expand volumes. Market share was correspondingly increased by 2.9% for two- wheelers and by 2.6% for three-wheelers. In addition to a wide range of motor bikes and scooters, TVS Lanka is one of the few companies in the country to sell mopeds, and we were successful in leveraging on the benefits of the product to increase its sales, from 6,402 units in previous year to 11,994 units during the year. The vehicle's low price and ability to carry heavy loads has created a new profitable segment for the moped as a passenger cum goods transportation vehicle.

TVS Automotives (Pvt) Limited represents Bharath Petroleum India, in marketing its range of MAK Lubricants and the import and distribution of JK & TVS tyres. The company doubled profits during the year by optimising its dealer network to improve channel effectiveness. Unprofitable dealerships were closed and business increased with profitable dealers. The unit was further streamlined to carefully manage debtors and curtail costs. This restructuring has resulted in a more effective, efficient and better managed organisation. The year saw lubricant volumes reach the highest so far to occupy fourth place in an industry that has 14 players from all over the world. It was also commendable that the MAK lube brand now holds 5% of market share as one of the newcomers to the industry.

Other income

We were able to realise a gain of Rs. 58 million from our equity portfolio during the year and continue to invest in the market in fundamentally strong companies. We believe that we have made some robust investments during this year too, which we hope to realise returns in future.

Innovation

We have built an innovative culture over the years, based on the fact that our business is sensitive to the vagaries of government policy. On this understanding, we have designed strategies to grow the business in lean times, and have successfully tailored our products to meet fluctuating market needs. We have a good product based on sound principles of ethics and good governance, which gives us confidence in our capabilities to expand the business well into the future.

"We have built an innovative culture over the years, based on the fact that our business is sensitive to the vagaries of government policy."

We have, over the years, carefully selected products and agencies to fulfil almost all the transportation solutions of our customers. A noteworthy achievement is that the vehicles now being assembled at our assembly facility have a considerable component of local value additions. The buffers, dash boards, tyres, seats and radiators of most of these vehicles are sourced from local manufacturers, which make the vehicles cheaper to produce as well as increases employment and skill levels in our country.

Plans for 2016/2017

The company has commenced construction of a new workshop in Ratmalana at a cost of approximately Rs. 500 million to cater to the needs of the vast concentration of customers in the south of the city, which is planned for completion in August 2016. The capacities of our workshops in Anuradhapura, Kurunegala and Ratnapura will also be doubled to meet the demand for aftersales service in the regions.

Three new models will be launched under the Mitsubishi banner next year, and our assembly plant will increase its capacity to cater to the demand for more affordable vehicles of other brands.

Despite the fact that the coming year may bring on more challenges with more stringent government regulations, we are confident that our strategy to diversify our business to areas not sensitive to government policy will continue to keep us firmly on the road to profitable growth.

Awards received during the year

We were the proud recipients of four recognitions during the last financial year:

UML - Winner of the Gold Award (Automobile sector) - Annual Report Awards Competition 2015 - Awarded by the Institute of Chartered Accountants of Sri Lanka.

UML - Winner of the award for the Fastest Growing Distributor Network in the World – by Valvoline USA.

UML - Recognition among LMD's Top 100 Most Reputed Companies.

TVS - Innovative Brand of the Year and Turnaround Brand of the Year by SLIM.

Corporate Social Responsibility (CSR)

We will continue our commitment to our communities in the areas of education and health. But rather than take on new projects in an ad hoc manner, we will expand our current projects and improve them by learning to do them better. We are also committed to building a greening business, and have a green team on board who continue to pursue new initiatives. More information on our CSR initiatives are in the Sustainability Report.

Appreciation

In conclusion, I thank our Chairman Mr. Sunil Wijesinha and the Board of Directors for their strategic direction and support to meet the challenges in our industry. To the President of Mitsubishi Motor Corporation, Mr. Osamu Masuko and his team, my sincere appreciation of their co-operation, foresight and support in partnering us in our mission to provide our customers with products of the highest quality. To my staff, I am deeply appreciative for your commitment and loyal service over the years, and rely on you to extend the same standards of professionalism that have made us a market leader in the local automobile industry. To our customers, I express my deep appreciation for your loyalty in staying with us in good times and in bad. Please be assured that we will continue to provide you with innovative products that will keep pace with the thinking and technology of the times. To our shareholders, my most sincere thanks for being our support throughout the years. We are pleased to partner you as we move forward to face the fresh challenges that the next year will bring.

C. Yatawara
Group Chief Executive Officer/
Executive Director

30 May 2016

Board of Directors

01 **Mr. Sunil G. Wijesinha**
Chairman - Non- Executive Director (Independent)

Mr. Sunil G. Wijesinha was appointed to the Board as Chairman and Non-Executive Director in July 2013.

Mr. Sunil Wijesinha holds a MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura. He is a Fellow Member of the Chartered Institute of Management Accountants (UK), a Fellow Member of the Institute of Management Services (UK) and an Associate Member of the Institution of Engineers, Sri Lanka.

Mr. Wijesinha is the Chairman of Watawala Plantations PLC, Unimo Enterprises Limited, Orient Motor Company Limited, UML Property Developments Limited, TVS Automotives (Pvt) Ltd and RIL Property (Pvt) Ltd.

Mr. Wijesinha is also a Director of BizEx Consulting (Pvt) Ltd, Siyapatha Finance PLC, Sampath Centre Limited, TVS Lanka (Pvt) Ltd and Watawala Dairy Limited.

He was the former Chairman of NDB Bank PLC, Merchant Credit of Sri Lanka Ltd and Employees' Trust Fund Board. He was also the Chairman and MD of Dankotuwa Porcelain PLC, Deputy Chairman of Sampath Bank PLC and Managing Director of Merchant Bank of Sri Lanka PLC. He was the former President of Japan Sri Lanka Technical and Cultural Association (JASTECA). He is the Immediate Past Chairman and a Trustee of Employers' Federation of Ceylon and Immediate Past President of the National Chamber of Commerce of Sri Lanka. He was also a former Director of National Institute of Business Management.

02 **Mr. C. Yatawara**
Group Chief Executive Officer/ Executive Director

Mr. Chanka Yatawara was appointed to the Board in June 2004 as a Non-Executive Director and has joined the Company in November 2004.

He holds a degree in Economics from Lewis & Clark College, Oregon, (USA).

Mr. Yatawara is a Director of Unimo Enterprises Ltd, Orient Motor Company Ltd, UML Property Developments Ltd, TVS Lanka (Pvt) Ltd, TVS Automotives (Pvt) Ltd, Wall Art (Pvt) Ltd and House of Plating (Pvt) Ltd.

04 05 06

03 **Mr. A.W. Atukorala**
Non-Executive Director (Independent)

Mr. Ananda Atukorala was appointed to the Board in November 2005.

Mr. Atukorala holds a B.SC (Leeds UK), MTT (North Carolina) USA, and a MBA.

Mr. Atukorala serves as an Independent Non-Executive Director of Orient Finance PLC, DFCC Bank PLC, UB Finance Company Ltd, Pragnya Tech Parks Lanka (Pvt) Ltd, Unimo Enterprises Limited, TVS Lanka (Pvt) Ltd, Arni Holdings and Investments (Pvt) Ltd and Unawatuna Boutique Resort (Pvt) Ltd.

Mr. Atukorala was a former Deputy General Manager, ANZ Grindlays Bank, Sri Lanka; Country Manager Sri Lanka-Mashreq Bank PSC, advisor to the Ministry of Policy Development & Implementation. He was also a Director of Union Bank PLC for a period of nine years and retired in 2012.

Mr. Atukorala had also served as a Member of the Technology Initiative for the Private Sector - an USAID sponsored project with the Ministry of Industrial Development. He was also a Working Committee Member - Commercial Banking Sector - Presidential Commission on Finance and Banking, Committee Member - Banker's Club of Sri Lanka and a former Director - Sri Lanka Banks Association (Guarantee) Ltd and CRIB - Credit Information Bureau of Sri Lanka.

04 **Mr. A.C.M. Lafir**
Executive Director – Finance

Mr. Aashiq Lafir joined the Company in January 2006 and was appointed to the Board in May 2006.

Mr. Lafir is a Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants (CIMA)-UK.

He also holds a Masters Degree in Business Administration from the Post Graduate Institute of Management of the University of Sri Jayawardenapura and has over 25 years of senior management experience in diversified entities.

Mr. Lafir is also a Director of Skills International (Pvt) Ltd. Currently he is the President of Sri Lanka-Malaysia Business Council.

Board of Directors (contd.)

07 08 09

05 **Mr. R.H. Yaseen**
Executive Director – (After Sales Service)

Mr. Ramesh Yaseen joined UML Group in September 2002 and was appointed to the Board in June 2008.

Mr. Yaseen is a Director of Unimo Enterprises Limited. He was a former Director of Readywear Industries Limited.

06 **Mrs. A.H. Fernando**
Non - Executive Director (Non-Independent)

Mrs. Hiroshini Fernando was appointed to the Board in July 2013.

Mrs. Fernando, an Associate member of Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka has over 20 years' experience in the field of auditing, management consultancy, finance and administration.

Mrs. Fernando is an Executive Director of R I L Property (Pvt) Ltd, Readywear Industries Limited and Foodbuzz (Pvt) Ltd. She serves in the Boards of Videowall (Pvt) Ltd and R I L Trust, which promotes computer literacy among under privileged schools around the country. She is also a Non-Executive Director of Unimo Enterprises Limited, Orient Motor Company Limited and TVS Lanka (Pvt) Ltd.

07 **Mr. A.D.E.I. Perera**
Non-Executive Director (Independent)

Mr. Eardley Perera was appointed to the Board in May 2014.

Mr. Perera is a Chartered Marketer and Graduate of the Chartered Institute of Marketing, UK with a membership spanning over forty years. He has had extensive management training in Sweden, Netherlands, the UK, India, South Korea, the Philippines and Singapore.

His management experience, spanning over four decades, include the sales and marketing, commercial and general management functions. He now serves as a Non-Executive Director in several Public Companies, viz. Janashakthi Insurance PLC, Keells Food Products PLC, Dunamis Capital PLC, Kelsey Development PLC, First Capital Holdings PLC and Janashakthi PLC.

10

He is a Non-Executive Director of STING Consultants (Pvt) Ltd, MAS Tropical Foods (Pvt) Ltd., Brand Finance Lanka (Pvt) Ltd., Janashakthi General Insurance Limited, Premier Synthetic Leather Manufacturers (Pvt) Ltd and First Capital Limited. He is actively engaged in management consultancy and has also had extensive experience in education as a lecturer on the CIM (UK), Postgraduate Course in Marketing and on the MBA programme of the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardanepura, where he now serves as a member of the Board of Study.

08 Professor K.A.M.K. Ranasinghe
Non-Executive Director (Independent)

Professor Malik Ranasinghe was appointed to the Board in July 2014.

Prof. Malik Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, Member of the University Grants Commission, Chartered Engineer and International Professional Engineer, Fellow of the Institution of Engineers, Sri Lanka, National Academy of Sciences, Sri Lanka, and Institute of Project Managers, Sri Lanka.

Prof. Ranasinghe obtained his PhD in 1990 from the University of British Columbia, Vancouver, Canada as a Canadian Commonwealth Scholar. He was honoured with, the Education Leadership Award 2013 at the 4th Asia's Best B-School Awards, Singapore, the Award for Outstanding Contribution to Education at the World Education Congress 2012, India, the Most Outstanding Senior Researcher in Technology and related Sciences award in 2012 by the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, the Trinity Prize for Engineering in 2004 for outstanding contributions made to his chosen profession and the Sri Lanka Association for the Advancement of Science (SLAAS) General Research Committee Award for Outstanding Contribution to Sri Lankan Science in 1999.

He is also an Independent Non-Executive Director of Sampath Bank PLC, Access Engineering PLC, Textured Jersey Lanka PLC and Resus Energy PLC. He is the Immediate Past Vice-Chancellor of the University of Moratuwa, past Chairman of the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, former Council Member of the Association of Commonwealth Universities (ACU), former Fellow of the National University of Singapore, and former Non-Executive Director of the Colombo Stock Exchange and Lanka IOC PLC.

09 Mr. Toshiaki Nomura
Non- Executive Director (Independent)

Mr. Toshiaki Nomura was appointed to the Board in April 2016.

Mr. Nomura is the General Manager, South Asia Department of Mitsubishi Motor Corporation.

He was a former President of Mitsubishi Motor's Middle East & Africa F.Z.E. (MMMEA), Mitsubishi Motor Corporation's Subsidiary Company in U.A.E.

10 Mrs. R.M. Hisham
Company Secretary

Mrs. Rinoza Hisham was appointed as Company Secretary in January 2008.

Mrs. Hisham is an Associate Member of the Institute of Chartered Secretaries & Administrators (ICSA- UK). She holds a Diploma in HR from the Institute of Personnel Management (IPM), Sri Lanka and the Masters Degree in Business Administration from the Post Graduate Institute of Management of the University of Sri Jayawardenapura.

Senior Management Team of UML

General Managers

Mr. G. Pilapitiya
General Manager (New Vehicle Sales)

Mr. B. Singhage
General Manager (Technical, Parts & Accessories)

Mr. R. Siriwardene
General Manager (Human Resources & Administration)

Mr. T. Jayasekara
General Manager (Finance & Planning)

Mr. P. Ellepola
General Manager (Lubricants & Car Care)

Heads of Departments UML

Mr. S.de Silva
Deputy General Manager (Marketing)

Mrs. S. Fernando
Deputy General Manager (Internal Audit & Monitoring)

Mrs. R. M. Hisham
Assistant General Manager (Legal/Human Resources)

Deputy General Managers & Assistant General Managers

Mr. A. S. J. Cooray
Deputy General Manager (Truck & Bus)

Mr. T. Madugala
Assistant General Manager (Public Sector Sales)

Mr. M. Dissanayake
Assistant General Manager (New Vehicle Sales)

Mr. W. P. S. Kumara
Assistant General Manager (Technical)

Mr. K. Gunatilleka
Assistant General Manager (New Vehicle Sales)

Mr. H. D. Rajapakse
Assistant General Manager (Sales Support Services)

Mr. B. De Fonseka
Assistant General Manager (Technical)

Mr. T. Hopwood
Assistant General Manager (Projects)

Mr. T. Peiris
Assistant General Manager (Technical)

Senior Management Team of UML (contd.)

Deputy General Managers & Assistant General Managers (contd.)

Mr. Sudhakaran
Assistant General Manager (Technical)

Mr. T. Gunathilaka
Assistant General Manager (Branch Operations)

Mr. A. N. De Silva
Assistant General Manager (Spare Parts)

Mr. I. U. Manthilake
Assistant General Manager (Information Technology)

Subsidiaries' CEOs & Heads of Companies

Mr. M. Gunatilleke
Chief Executive Officer/Executive Director

Unimo Enterprises Ltd.

Mr. R. Liyanage
Chief Executive Officer

TVS Lanka (Pvt) Ltd.

Mr. K. P. N. C. M. Silva
Deputy General Manager (Operations)

Orient Motor Company Limited

Mr. P. de Silva
Deputy General Manager

TVS Automotives (Pvt) Ltd

Senior Management Team of Subsidiaries & Joint Venture

Unimo Enterprises Limited

Mr. L . Wijeratne
Assistant General Manager (Perodua)

Mr. U. Fernando
Assistant General Manager (Operations)

Mr. D. K. N. Nanayakkara
Assistant General Manager (Chinese Vehicles)

TVS Lanka (Pvt) Ltd

Mr. S. Mohanty
Chief Financial Officer

Mr. S. D. R. L. Wickumsiri
Assistant General Manager (After Market)

Mr. S. Bandarawatta
Assistant General Manager (Finance)

Mr. G. Anthony
Assistant General Manager (2W Sales)

Mr. M. L. K. Gunawardena
Senior Manager (Human Resources & Administration)

Mr. H. T. Haputhanthri
Head of Marketing

Mr. S. Palliyaguru
Head of Sales - 3W

Management Review

> The Company has demonstrated remarkable resilience and fortitude in overcoming many challenges over the years.

Group Review

History of the Company

United Motors Lanka PLC (UML) can trace its beginnings to as far back as 1945, when the company was established as a modest family- owned entity. UML was vested with the Government of Sri Lanka in 1972 and became a Government Owned Business Undertaking (GOBU). The first step to UML's present business was taken in 1985, when the company was appointed sole distributor of brand new Mitsubishi vehicles in Sri Lanka. In 1989, the Company was selected as the first GOBU to be privatised. UML subsequently transformed into a Public Limited Liability Company, a status the Company continues to date. Today, over seven decades later, UML has progressed and developed into a well-recognised blue chip listed on the Colombo Stock Exchange.

The journey has not been an easy one, but the Company has demonstrated remarkable resilience and fortitude in overcoming many challenges over the years, to become a premier corporate with a diversified business portfolio, well-equipped to meet the ever-changing transportation needs of the country.

The United Motors Group is now considered Sri Lanka's leading player in the automobile industry. The Company markets brand new Mitsubishi cars, SUVs, Hybrids, Dual Purpose Vehicles and Trucks & Buses as its core business. In 2003, Mitsubishi Fuso Truck & Bus Corporation (MFTBC) was founded, and Daimler AG acquired a controlling interest in MFTBC in 2004, but UML continued as sole distributor in Sri Lanka of all brand new Mitsubishi trucks and buses as well.

Exploring New Horizons

We continuously source new opportunities to expand our business within the automotive industry, which ensures that resources are diverted into selling brand new vehicles and providing an efficient customer service. While we continue to aggressively develop our flagship brand, Mitsubishi, we also search out opportunities to invest in innovative business areas that yield favourable returns aligned with our investment criteria and the expectations of our shareholders.

In the past, UML has invested in acquiring land, and expanding existing business as well. We entered into long-term leases to expand our after sales services. In 2013, the company purchased 10 acres of land in Ratmalana to develop a logistics hub for vehicles and spare parts and set up a fully-equipped workshop for Mitsubishi and Fuso vehicles, with special facilities to repair and service large trucks. As planned, we commenced construction in January 2016 and completion of the workshop is expected in August 2016.

We also acquired 1.16 acres in early 2014 in Jaffna to set up a workshop. This new workshop facility was declared open in March 2016 and provides a full range of workshop services hitherto unavailable in Jaffna. An additional 69 perches of land adjoining our existing property in Orugodawatte was purchased in 2013, and now accommodates a brand new workshop to service and repair all hybrid vehicles.

Our expanded properties in Anuradhapura and Kandy are making active contributions to company profits.

During the current year, we also rented a property on long term lease in Ratnapura and plan to expand our workshop facilities at this location. We will provide a full range of workshop facilities at these expanded locations, which includes all mechanical repairs, painting, servicing and lubricating facilities. Matara is another city to which we plan to expand our workshop facilities, and are in the process of obtaining Board approval for this project.

Plans are also underway to construct additional workshops facilities in other areas of the country. As a company with a foreign shareholding of more than 50%, we are precluded from purchasing land in accordance with the Land (Restriction on Alienation) Act No. 38 of 2014. This has proved to be a major hurdle for future expansion, and look forward to a change in this piece of legislation.

45%

Group Revenue Growth

Achieved a remarkable growth in revenue during 2016 increasing it's revenue to Rs. 15.3 billion

Rs.1.7billion

Group Net Profit

The Group grew after tax by 35%

Economic Review

GDP growth reduced marginally in the year under review, from the previous year's 4.9% (revised downwards from the previously reported 7.4%) to 4.8% this year. The economy slowed down for the third consecutive year following the economic boom of the post-conflict years.

The year was characterised by weak global demand, plummeting oil and commodity prices, as well as political change both at home and abroad. In Sri Lanka, an expansive fiscal policy change followed Presidential elections in January 2015 and Parliamentary elections in August 2015 which brought in a coalition cabinet.

Investment faltered as investors adopted a 'wait and see' attitude in the face of the political changes as the new administration cut capital spending and temporarily suspended some large investment projects approved by its predecessor. As a result, fixed capital investment slowed to 2.9%.

A surge in private and government consumption spending was left to sustain growth during the year. Government consumption accelerated to 25.3% growth from 15.9% in 2014, which reflected the higher salaries, allowances and larger transfers for public employees as granted in its interim Budget of 2015. This contributed to widen the budget deficit to the equivalent of 7.4% of GDP in 2015, well above both the 5.7% in the previous year and the budgeted target of 4.4%. Total government debt is estimated to have increased to equal 76% of GDP in 2015.

Private spending increased to about 8.3%, from 4.7% in 2014, and accounted for 70.1% of gross national income. This increase was due to the declining prices of fuel, several key consumer goods and the prevalent low interest rates which expanded disposable income. Private spending was also fuelled by the expansion of credit to the private sector, which accelerated sharply from mid-2014 to reach 25.1% in December 2015. Growth was mainly from expansion in consumer credit due to the excess liquidity in the domestic money market.

Sector-wise growth was mainly sluggish. On the supply side, the service sector, which accounts for 56.6% of GDP, grew by 5.3% and was the main driver of growth. The higher outcome for services came from accelerated financial activities and from the transportation of goods and passengers.

The contribution from industry declined, affected by the lower manufacturing and construction activity in the country. Construction sector declined by 0.9% as a result of fall in public and private investment.

Agriculture expanded by 5.5%, up from 4.9% a year earlier as the paddy harvest recovered and the production of fruit and vegetables increased, despite having had to bear the brunt of inclement weather during most of the year. Growth in both the agricultural and service sectors was due to increased domestic consumption

United Motors won the gold award for the 8th consecutive time for its Annual Report in the "Automobile Category" at the Chartered Accountants Annual Report Awards.

as a consequence of the lower international commodity prices including fuel. Table 1 below highlight the sectorial contribution to the Total GDP.

Table 1

Sector wise GDP

	2014 (%)	2015 (%)
GDP (Overall)	4.9	4.8
Agriculture	4.9	5.5
Industry	3.5	3.0
Services	5.2	5.3

(Source: Central Bank Annual Report 2015)

A major contributor to the lower economic growth during the year was the slowdown of the country's traditional export markets, which reflected the decline in global commodity prices and the slower growth of larger economies and Sri Lanka's major export destinations. Traditional exports of tea and rubber - the two main export commodities that make up 14% of Sri Lankan exports – experienced a sharp decline in demand, along with coconut and spices. The decline in tea prices was particularly disappointing since global tea prices had shown an encouraging improvement and economic sanctions on Iran had been removed. Manufacturing exports were also slow to pick up due to the slow growth in international trade.

Non- traditional exports fared no better. The declining demand for textiles and garment exports to the European Union, a main export destination, due to the continued weakness in the Eurozone, also decreased export volumes during the year. Added to this was the ban on seafood exports imposed by the European Union which was another contributor to the increase in the trade deficit. Export earnings from all major export categories declined substantially, by 5.6%.

Imports also fell by 2.5% during the year due to various developments in the market. All imports other than oil, one of the main imports being motor vehicles, increased sharply by 10%, while oil imports fell by 41% because of lower prices, to a total $1.9 billion less than a year earlier. The trade deficit narrowed by 6.8% to US $791 million in October 2015 because of the decline in expenditure on imports was greater than the decline in earnings from exports. However, on a cumulative basis, the trade deficit during the first ten months of the year widened by 2.5% to US $6,936 million due to continued increase in non- oil imports.

The current account deficit narrowed correspondingly, but because of the much lower spending on oil imports and robust tourist arrivals - earnings from tourism, the country's third highest foreign exchange earner grew by 23% to $2.9 billion. The deficit recorded in the current account was equal to 1.9% of GDP in 2015, which was narrower than the 2.6% deficit in 2014.

However, the country's second highest foreign exchange earner, namely worker remittances, contracted by 0.5% to $6.9 billion during the year. This was attributed to the lowered prosperity of middle- eastern countries caused by the worsened prices of oil which, consequently, lessened the demand for overseas labour. The decline in exports, weak remittances from overseas workers, and large capital outflows resulted in the balance of payments under pressure during the year. The expected relief following the lower global oil prices did not take place as lower international commodity prices prompted Sri Lankans to expand domestic consumption rather than increase investment.

To reduce the growing pressure on the balance of payments and the outflow of foreign exchange reserves, the Central Bank tightened its monetary policy and in mid-January 2016 raised the statutory reserve ratio by 1.5% points to 7.5%. As a result, excess liquidity declined to Rs. 42 billion, from Rs. 90 billion in December 2015, causing a slight upward adjustment in market interest rates. In February 2016, the Central Bank firmed its policy rates by 50 basis points. Growth in credit to the private sector has slowed slightly.

These movements put pressure on the interest rates to increase and the exchange rate to depreciate, which slowed the overall growth of the economy.

Interest Rates

Interest rates befitted from the relatively relaxed monetary conditions and remained mainly low throughout the year under review, although there were sporadic upward movements off and on. Overnight interests, which had remained below the SDFR upto the end of the previous year, moved upwards and settled within the policy rate corridor close to the lower band. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank were held unchanged at 6% and 7.5% respectively. Excessive increases in some interest rates, including yields on government securities was observed in the aftermath of the removal of restriction placed on the SDF. This trend was dampened by the reduction in policy rates of the Central Bank in April 2015, during which time interest rates reached an all-time low of 6%. With the decline in market liquidity levels, a gradual upward adjustment was observed in overnight interests since August 2015. Retail interest rates remained low throughout the year, although some increases were seen towards year end. Market interest rates increased further in the first quarter of 2016 following the Central Bank's decision to raise SRR from January 2016 and the increase in policy interest rates the following month. Some pressures in short term interest rates were observed during the year, along with declining liquidity levels in the domestic money market.

Table 2 below shows the movement of the rates of interest over the last five years in respect of the commercial bank's Average Weighted Prime Lending Rate (AWPLR). The weekly AWPLR increased slightly, from 6.26% in 2014 to 7.53% in 2015. This did not, however deter purchases of motor vehicles due to favourable government policies during most of the calendar year.

However, although low interest rates could help to augment the credit growth necessary to boost investment and economic activity, keeping interest rates at low levels for long periods of time may generate inflation, which defeats the very purpose of relaxed monetary policy used as a tool to improve investment and economic growth. The detrimental effects of low interest rates on household savings and the balance of payments is another area of concern.

Table 2

Rates of Interest

Year	AWPLR (%)	Treasury Bill Yield Rate (91 days) (%)
2011	10.77	8.68
2012	14.40	10.00
2013	10.13	7.54
2014	6.26	5.74
2015	7.53	6.54

(Source: Central Bank Annual Report 2015)

Exchange Rate

The Sri Lanka rupee was broadly stable against the US dollar for most of 2015 but weakened after September 2015, when the Central Bank stopped intervening on the foreign exchange rates. This decision was taken to contain the increasing balance of payment deficit that resulted from the substantially reduced export earnings and foreign remittances, coupled with high level of outflows, which consequently put pressure on the exchange rate to depreciate.

The rupee depreciated by 6.6% from Rs. 137 to the dollar at the end of August 2015, ended the year at Rs. 144 to the dollar, and stood at Rs. 146 to the dollar as of 11 February 2016. The rupee showed a mixed performance against other currencies during the year under review, depending on the movement of cross currency exchange rates. During the year, the rupee depreciated against the Japanese Yen by 8.2%, and against the Sterling Pound by 4.4%.

Table 3

Exchange Rates Vs. LKR

Year Ended	USD	JPY
2011	113.90	1.4699
2012	127.16	1.4799
2013	130.75	1.2459
2014	131.05	1.0979
2015	144.06	1.1960

(Source: Central Bank Annual Report 2015)

Table 3 above shows the year end value of the rupee against the US dollar and the Japanese Yen over the past five years. The US dollar traded at Rs. 144.06 and the Japanese Yen at Rs. 1.0979 at the close of the calendar year. Throughout 2015, the rupee depreciated by 9% against the dollar, especially during the latter half of the year, and by nearly 4% in nominal and real effective terms.

Inflation

The year on year inflation as reported by the Colombo Consumer Price Index (CCPI) was at a single digit for the seventh consecutive year. Food inflation was almost 20% in January and February 2015, but stabilized subsequently to bring average annual food inflation to 5.4%, while nonfood inflation hovered at around 2% in the first half of 2015. Inflation was negative between July and September 2015, the first time that inflation was recorded at a negative figure since 1985, but trended up in the second half of the year partly because of the Sri Lankan rupee's depreciation from September, and averaged at 2.8% for the year. The low inflation was driven primarily by the enhanced growth of bank credit and as well as higher wages offered to government employees and employees in other sectors as well. Although inflation was 4.2% year-on-year in December 2015, in January 2016, prices were 0.7% below those a year earlier because of a sharp fall in food prices. Table 4 below indicates rates of inflation over the past five years.

Table 4

Rates of Inflation

Year Ended	Year on CCPI (%)	Annual Average CCPI (%)
2011	4.9	6.7
2012	9.2	7.6
2013	4.7	6.9
2014	2.1	3.3
2015	2.8	0.9

(Source: Central Bank Annual Report 2015)

Foreign investments in government securities recorded a net outflow of $1.1 billion, while foreign direct investment and portfolio inflows were well below the levels of a year earlier. The Central Bank estimates the overall balance of payments deficit to be $1.5 billion, reversing a surplus of $1.7 billion in 2014.

Colombo Stock Market

The CSE recorded sluggish performance under volatile movements in the price indices in 2015. The all share price index remained high at around 7,000 at the beginning of the year, on the expectation that the new government would set private sector oriented economic policies.

As shown in Table 5 on next page which gives the movement of the ASPI over the past five years, the ASPI closed the current year with a 5.4% decline to 6,894 points, from 7,299 points at the end of the preceding year. This slump can be attributed to the deepening economic uncertainty amidst the government's announcement to suspend tax reforms announced in the 2016 Budget, increased investor uncertainty resulting from delayed policy directions coupled with changes in policy, increasing interest rates, and the depreciating exchange rate. The ASPI grew by a substantial 23% in 2014, showed a marginal growth of 4.8% in 2013, a negative growth of 7.15% in 2012, and a growth of 8.5% in 2011. Market capitalisation decreased by Rs. 167 billion to close the year at Rs. 2.9 trillion. This slow performance could put off new portfolio and foreign direct investment.

Table 5

Colombo Stock Exchange Indices

Year	CSE ASPI	CSE Motor Sector	Market Capitalization Rs. Bn
2011	6,074	27,115	2,214
2012	5,643	15,652	2,168
2013	5,913	14,955	2,460
2014	7,299	18,209	3,105
2015	6,895	17,631	2,938

(Source: Central Bank Annual Report 2015)

Gross international reserves fell to $7.3 billion in December 2015 from $8.2 billion a year earlier and declined further to $6.3 billion in January 2016. Gross international reserves were supported by a $1.1 billion currency swap arrangement with India concluded in September 2015. Sri Lanka's latest sovereign bond, for $1.5 billion, was issued on 28 October 2015 at a coupon rate of 6.85% per annum. Fitch Ratings rated it BB–, Moody's Investors Service B1, and Standard and Poor's B+.

External debt in June 2015 was $43.5 billion, equal to 58.1% of GDP, of which 83% had a maturity of more than 1 year and was categorized as long term. The government's outstanding external debt amounted to $24.3 billion or 56% of all external debt, of which $8.4 billion was in debt securities (treasury bills and international sovereign bonds) and $6.8 billion was from multilateral lenders, $6.1 billion from bilateral lenders, and $3.0 billion from commercial sources.

Fiscal Consolidation

Efforts at fiscal consolidation were reversed in 2015. The new government's revised budget for 2015 aimed to provide more support for the poor and to collect more revenue from high-income groups and large commercial entities. The budget provided for a sizeable monthly allowance for public employees and higher transfers and subsidies. These changes were combined with higher interest payments (which consume about one-third of budget revenue) to boost recurrent expenditure to 14.7% of GDP, from the previous year's 12.9%. Reversing recent trends, revenue increased to 12.2% of GDP from 11.6% in 2014 following increases in excise and custom duties on vehicle imports as imports surged in response to lower import tax rates set in the revised budget.

The Budget policy for 2016 sought to enhance tax revenue, and set a lower minimum threshold for liability under the Value-Added Tax (VAT) to Rs.12 million, from Rs.15 million, and revised the prevailing 11% single rate into three bands: 0%, 8%, and 12.5%. The threshold for Nation Building Tax, a levy on gross business receipts, was also revised lower and the tax rate doubled from 2% to 4%. The budget also aimed to stop ad-hoc and unproductive tax concessions offered by various government agencies. Moreover, tax concessions granted for any investment project were brought under the supervision and monitoring of the Ministry of Finance. The implementation of major tax reforms to the VAT and National Building Tax were deferred in January 2016. The latest fiscal projection taking into account these developments, estimates a more modest increase in revenue equal to 13.2% of GDP, rather than 16.3% as proposed in the original budget, while the original ambitious public investment target is reduced. In this fiscal framework, recurrent expenditure is to be contained at 14.1% of GDP, while public investment will be 5.2%. The fiscal deficit excluding grants is estimated to narrow to 5.9% of GDP in 2016.

Automobile Market – Sri Lanka

Sale of brand new cars during the year under review surged to a substantial 51,206 units, a massive increase of 260% over the previous year's figure of 14,242 units. This is mainly due to the increased sales volumes of the under 1,000 cc category and is due to the government's relaxing of duties for this category of cars during the first half and more of the calender year.

On the other end of the spectrum was the low sales volumes of buses, which halved in volume to 2,175 units during the current year, from 4,203 units in the previous year. This was tied to the government policy introduced in December 2015 to introduce a 70% lease restriction on the financing of the asset value, which had a high impact on this category of vehicles that are purchased mainly by self employed customers or small businessmen who go in for lease financing.

Sales volumes of the dual purpose vehicles remained unchanged from last year, primarily due to the fact that no new purchases were made by the government, one of the largest customers for this category of vehicles. Table 6, below indicates volumes of vehicles sold.

Table 6

Performance of the Sri Lankan Automobile Industry Over the Past Three Years

Description	2013/14 No. of Units	2014/15 No. of Units	2015/16 No. of Units	Increase (Decrease) Over 2014/15 (%)
Car	7,657	14,242	51,206	260
SUV	4,542	2,615	2,660	2
Dual Purpose	1,397	6,061	6,073	0
Truck	20,906	17,991	24,745	38
Bus	1,562	4,203	2,175	(48)
Total	36,064	45,112	86,859	93

Operations Review

Mitsubishi Vehicle Sales

The overall sales of Mitsubishi vehicles saw a comfortable increase during the current financial year over the figures of the previous year (1,190 against 855 vehicles). The advent of the new government proved propitious for the automobile industry during the first three quarters of the financial year.

The purchase of dual- purpose vehicles, SUVs and plug-in hybrid (PHEV) increased during the first three quarters of the year, although sales of the plug-in hybrid were less than anticipated. This was due to MMC introducing the previous model of the PHEV in Japan immediately after the launch of the previous model in Sri Lanka and MMC's inability to supply the latest model to UML. Market demand for the Fuso buses and Canter trucks grew substantially, and resulted in this segment of vehicles out-performing all other categories of vehicles. We were also able to sustain sales of the Montero and Outlander into the third quarter, mainly due to the duty free concessions available up to that period. However, purchases of these vehicles by the public sector reduced substantially. But UML supplied of over 1,000 units of double cabs to the Ministry of Finance (MOF) carried forward from the previous year fuelled sales of these vehicles into the current year also.

From December 2015, however, policy changes were effected to curb the outflow of foreign reserves for the purchase of vehicles and this resulted in a contraction of the market. In a bid to stem the flow of foreign reserves, the government introduced several policies geared to control indiscriminate purchases of vehicles. These included a requirement where lease financing was restricted to 70% of the asset value on vehicle financing and complete withdrawal of duty free concessions, these measures had a heavy impact on purchases of certain categories of vehicles, especially high end SUV's, since owners in some of these market segments go in for heavy financing. UML was able to successfully counter the envisaged shortfall in profits by negotiating with Mitsubishi Motors, Japan, for a variety of products that came within the tax ceiling of the duty free permit. We were thus one of the few Japanese car sales companies to be able to offer our flagship product, the Montero, and other products such as the Outlander under the tax ceiling.

The floating of the Rupee against the US $ in the last quarter of the calendar year also increased prices of vehicle imports which had a further impact on the sales volumes of Mitsubishi vehicles, although not as much as on the sales of vehicles of other brands, as most categories of buyers of Mitsubishi brands, which comprise large and medium-scale corporates, are less sensitive to price fluctuations.

There were, unfortunately, some missed opportunities that precluded us from gaining from market dynamics. We were disappointed at being unable to respond to the reduced duties imposed on under 1,000 cc cars early in the financial year, since

From December 2015, policy changes were effected to curb the outflow of foreign reserves for the purchase of vehicles and this resulted in a contraction of the market.

we did not have vehicles in the small car category at the time. Another segment we were unable to compete in, this year too, was the van segment which was still bereft of a vehicle following the discontinuity of the L 300 last year, which had dominated the market segment for brand new vans over the past several years. The Lancer range was also affected by the product's discontinuity.

Mitsubishi, Japan, experienced some turbulence during the year, the company was implicated, along with several other leading global manufacturers, for falsifying emission levels in its domestic cars. A few months later, the company formed what is widely believed to be a mutually beneficial strategic alliance with Nissan, which gave Nissan a 34% stake and extended their existing partnership to new collaborative areas that include common vehicle platforms, technology-sharing, joint plant utilisation which will promote growth in all market segments.

Table 7

Composition of Mitsubishi Share

	2014/15 (%)	2015/16 (%)
Car	1	0.23
SUV	15	25
Dual Purpose	17	9
Truck	3	2
Bus	2	5
Total market	5	2

Our overall market share of brand new Mitsubishi vehicles decreased from 5% in the previous year to 2% in the year under review. Table 7 above indicates the Mitsubishi share in each category of brand new vehicles registered in 2015. Government policies had a heavy impact on our sales volumes. Our inability to avail ourselves of the market demand for a small car under 1,000 cc following the reduction of duty on that category, contributed towards the erosion of our market share in the car category, which fell from 1% in the previous year to 0.23% in the current year. Although withdrawal of concessionary duty privileges during the last quarter of the financial year did have an impact on high end SUVs it was less than anticipated and this category of vehicle expanded its market share from 15% of the market in 2014, to 25% of the market in the current year. Imposition of the 70% restriction on lease finance reduced purchases of mini trucks and buses, and consequently, performance of the vehicles in those categories was not up to earlier expectations, with the truck category was not reducing its market share by 1%, although the bus category as high as anticipated, UML's bus category expanded its market share by 3%. Our market share in dual purpose vehicles dropped sharply to about half of its previous volume, from 17% in 2014 to 9% in the current year resulting a loss of sales particularly from the government sector which curtailed purchases due to excess vehicles left behind by the previous regime.

A more detailed analysis of the performance of the Mitsubishi brand verses the other brand new Japanese brands indicates that share of this SUV market segment was 28% in 2014, dropped to 15%. In 2015 and 25% as of now.

Our share has decreased in total in comparison to the previous year. The Mitsubishi share of recent import of brand new Japanese vehicle imports is given in Table 8 below. The tapering off of the permit scheme has also had its impact on our overall sales volumes.

Table 8

Import statistics

Year	B/N Jap Units Imported	Mitsubishi Share	Mitsubishi Share %
2011	5,694	1,061	19
2012	2,851	852	30
2013	4,351	1,780	41
2014	3,069	855	28
2015	3,947	1,190	30

The overall motor vehicle registration has increased in 2015. The segmental analysis shows that new registration increased from 429,556 in 2014 vehicles to 668,907 in 2015 with large increase in numbers being seen in the two and three wheelers sectors. The motor car segment also showed a significant increase an almost 90% of the increase over the previous year. The following increases were seen,

Motor Car	66,648
Three wheelers	50,509
Two wheelers	98,004

Continuous initiatives with financial institutions are taken to stimulate demand. However, these have met with limited success. The issue of permits has now slowed down to a trickle. This has seriously affected bottom line performance as the quantities issued have decreased from the previous year. Until new permits are issued we do not see much contribution from the permit operation. The demand for Mitsubishi ex stock vehicles will be seriously under threat as many customers continuously look for cheaper options from China, India and Korea.

Purchases of vehicles for stock follow strict guidelines. In assessing the order quantities demand, stock in hand and stock on order are considered and followed meticulously with stock norms being adhered to. Efficient working capital management has ensured that interest cost is been maintained at the lowest possible while earning interest on surplus funds.

Spare Parts, Repairs & Services

Spare Parts

The spare parts division was once again, a significant contributor to the Company's profitability in the year under review, and added a substantial 15% or Rs. 1.6 billion to total net turnover. This revenue was derived from sale of spares throughout our islandwide network of branches and outlets, as well as at our extensive dealerships and workshops.

The expansion of our island wide workshop facilities further enhanced spare part sales. Another fully equipped workshop will be opened in Ratmalana during the next financial year, which will have all facilities to repair and service Mitsubishi and Fuso vehicles, and will contribute towards spare part division profitability.

Spare part sales are becoming increasingly more challenging in a very competitive market. The major drawback faced in improving the genuine parts business in Sri Lanka is the free availability of used accident parts in the unmonitored second hand market. The fact that certain motor insurance companies promote these used parts to their clients exacerbates the problem.

The management's continued monitoring of the performance of each sales unit, to ensure optimal performance and results were successfully maintained, and resulted in an increase in sales performance by Rs. 77 million, which was 5.2% more when compared to last year's performance of Rs. 1.5 billion. The company continues to offer attractive incentives to drive the sales team. New reward schemes were introduced this year too, which included cash and non-cash incentives which helped the team to achieve peak performance. All spares division currently operates sales counters at our own branches and sales points at the Headoffice, Orugodawatta, Panchikawatte, Nugegoda, Matara, Ratnapura, Kandy, Kurunegala, Anuradhapura and Jaffna. All our branches now operate workshops and this has helped to increase branch spare parts sales as well.

Another fully equipped workshop will be opened in Ratmalana during the next financial year, which will have all facilities to repair and service Mitsubishi and Fuso vehicles

The spare parts division in a bid to capture greater market share introduced a second line of spares from Mitsubishi Motor Corporation (MMC) and Mitsubishi Fuso Truck and Bus Corporation (MFTBC), a market dominated by spurious spare parts. The MMC line is called Value Selection Parts and the MFTBC line is known as Diamond Value Parts. All these lines have been very successful.

Our principals (MMC and MFTBC) are constantly made aware of the ever changing market conditions in Sri Lanka through regular meetings and presentations. The constant movement of the Rupee has meant that selling prices are constantly changing with each shipment. MMC and MFTBC are appreciative of the activities of the division.

Repairs & Services

During the year under review, all workshops including branch workshops, delivered to their full potential. Kandy, Jaffna & Hybrid workshop which were setup recently, are now equipped to handle all types of body repairs, body painting, service and lubrication facilities. Plans are underway to further expand the workshop and facilities in Anuradhapura, Matara, Ratnapra and Kurunegala. Some expansion projects are currently in progress. The company has invested in excess of Rs. 99 million to further upgrade all our workshop facilities including our main workshop at Orugodawatte.

The equipment installed will deliver value to the workshop through quality enhancement which will result in improved productivity and faster turnaround times and also increased capacity. Quality assurance enjoys an important place in our internal processes and is vital to control and reduce the occurrence of efficiency and productivity losses and returned jobs.

Our training unit continued the “M-step” programme in line with the Mitsubishi Motors training programme and all our technicians were trained to achieve “M-step” Level II. In addition our in house service advisors were trained in Japan at the Mitsubishi Training Centers at Okazaki and other overseas training centers. The training divisions continue to conduct training programmes for fleet owners.

Value added services were also continued into the current year served to increase sales as well as to forge customer loyalty. We conducted a number of service campaigns for the Mitsubishi range, for trucks and buses, as well as for the Unimo range of vehicles, with the participation of our Japanese, Malaysian and Chinese principals. All of these campaigns were well attended by customers and various offers were introduced, such as free lubrication services, special discounts for parts and labour as well as the free inspection report provided by UML technicians along with the principals’ experts. These services were greatly appreciated by customers.

The waste water generated from our workshop operations continue to be purified and recycled to Central Environment Authority and the Municipal Council standards, as part of our environment-friendly initiatives which ensure that our business has the minimum adverse impact on the environment.

The Islandwide branch network, originally set up to supply spares to our vehicle customers, expanded its sphere of operations into fully fledged workshops in Jaffna, Kandy and Ratnapura, and now, in addition to selling genuine spares, also provide general repair services, lubricant services as well as accident repairs. These workshops function at full capacity, and the state of the art equipment introduced to the workshops have enhanced capacity, productivity as well as turnaround times. This expansion of facilities has correspondingly increased the workload of the workshops, and several measures were taken during the year to ensure that standards of quality and customer service were maintained. A daily review of customer satisfaction was introduced and corrective measures are taken immediately to bridge perceived gaps. The workshops contributed Rs. 636 million to the company’s net turnover during the current year, an increase of Rs. 62 million or 11% over that of the previous year was seen.

Valvoline Lubricants, Eagle One Car Care Products & Simoniz Car Care Products

The Valvoline division posted good performance during the year, growing its top line to Rs. 609 million, from the previous year's Rs. 486 million, and experienced robust growth in almost all product segments.

The decision to add a new car care range from the US-based Fram Group, one of the world's largest car care producers, paid off, with sales of the products exceeding expectations.

The company introduced Valvoline viper blades to the Sri Lankan market during the year, and is now in the process of initiating a new car care range, VPS (Valvoline Professional Series) recently announced by Ashland Inc.

Valvoline has been marketed in Sri Lanka since 2002 & is a well accepted brand in the Lubricant industry in Sri Lanka. Valvoline is a premium category of lubricant, the company has had to contend with the disadvantage of price differentials in the market over the years, and this year proved no exception. Despite these challenges, UML was recognised by Valvoline, for the second consecutive year, as the best distributor in sales volumes, from among 40 countries in the South East Asian region. Valvoline presented UML with a trophy in recognition of this outstanding performance, at the Valvoline South East Asia Conference held in Hong Kong, and elected UML to the Valvoline Championship Club in Kentucky, USA, which has a membership of the best performers globally.

The division rewarded its best performing Valvoline dealers with a trip to Cambodia and hosted a conference in the country at which high performers were presented with awards at a gala 'Valvoline Night'.

A new initiative, the 'Bike Expert' concept, was launched by the division, with the support of the principal, to improve the motorcycle lubricant segment and increase performance among the dealerships. The first programme under this concept is due to be completed in June 2016.

To cater to the demands for the Valvoline brand, UML appointed distributors in main towns around the island to cater to small scale business needs as well as to speed up delivery.

UML was recognised by Valvoline, for the second consecutive year, as the best distributor in sales volumes, from among 40 countries in the South East Asian region.

Valvoline is a business of Ashland Inc., and has been supplying premium automotive lubricants, industrial lubricants and vehicle appearance products to more than 160 countries & operates more than 40 blending plants worldwide for over 150 years, and is the first trademarked lubricant brand. Both Valvoline and Ashland Inc. are Fortune 500 companies. Ashland Inc. sold its Eagle One car care range to Niteo Products USA, during the financial year.

Information Technology

Our IT division plays a vital role in supporting our current operations and initiatives. The division also manages and maintains UML systems and the IT systems of most of our group companies.

Our ERP system continues to integrate divisions and functions across the company, and facilitates the general operation of all processes and controls.

We constantly upgrade our system hardware to keep us on par with the latest technology available, and in the year under review, replaced many desktop and laptop computers and ancillary equipment. We also continue to develop in-house software capable of addressing a variety of issues related to the ERP system.

The company has decided to replace the ERP system with a more efficient system, and has completed the current state reports and is in the process of finalising the future state reports. Our existing systems are over 8 years old and now need to be replaced so that we can take advantage of all the benefits that new technology affords.

Capital Expenditure

Group capital expenditure in the year under review amounted to Rs. 274 million, an increase of Rs. 132 million over that of the previous year.

A major portion of capital expenditure was spent on the acquisition of motor vehicles and the construction of buildings.

Performance by UML Subsidiaries

Unimo Enterprises Limited (Unimo)

The year under review was one of recovery for the company, from a sluggish performance in the previous year to a surge in growth of 129%, turnover increased from Rs. 1.6 billion in the previous year to Rs. 3.6 billion. The company's bottomline also grew by almost 100%. Unimo was well geared this year to ensure that production meets market demand, and the company was able to assemble the volumes needed by the sales divisions.

These noteworthy results were due mainly to the robust performance of the Perodua division, the Chinese Commercial and Passenger Vehicle divisions as well as the Tyre division.

The supply issues faced by Perodua, stabilised during the second half of the financial year, which enabled the division to achieve a sales volume of 766 cars during the financial year, as against the sale of 425 cars in the previous year. The division's inability to achieve budgeted volumes was due to the dearth of supplies in the first half of the year. Sufficient supplies are now available, as division's prospects for the new year look good.

Despite some pricing issues and lack of a product portfolio, the Chinese Commercial Vehicle division performed better than in the previous year, recording a sales volume of 207 vehicles. But bottomlines declined against the previous year due to heavy financing costs and, resultant profit margins.

The newly formed Chinese passenger vehicles division could not achieve its budgeted volumes and bottomline, mainly due to the non-availability of Zotye Z100 cars during the year. However, our latest introduction to the market, the 7 seater DFSK Glory, captured a new market segment because of its utility and appeal, which resulted in sale of 147 vehicles within just 5 months. The division looks forward to more sales of the DFSK Glory and the arrival of new stocks of the Zotye Z100 in the coming year.

The Hybrid vehicle division, which was established to meet market needs, did not perform to expectations. We will re-strategize our role in the reconditioned Hybrid vehicle market.

The Tyre division continued its good performance last year into this year too, and recorded an exceptional year with a bottomline of Rs. 45 million been reported despite severe market competition.

Operations of the manufacturing division were streamlined during the year, which included the satisfactory resolution of many issues related to assembly policies stipulated by regulatory bodies. The production capacity of DFSK mini trucks and other Chinese brands was also increased to 300 vehicles per month.

The company incurred heavy finance costs during the second half of the year, due to increased levels of activity and the need to maintain adequate stocks of all brands. This significantly reduced the bottomline and compelled the company to explore more options. This situation is now well under control and the company is poised for another successful year.

Orient Motor Company Ltd (OMCL)

The company's turnover in the current financial year reported an increase of Rs. 315 million over that of the previous financial year and generated revenues of Rs. 1.2 billion in the year under review. 1,208 units of DFSK trucks were sold, which is a volume growth of 27% over the previous year. The share of the DFSK market also expanded to 12% in 2015/16 from 8.6% in the previous year, this expansion was less than the 25% market share anticipated for the year.

Sales grew by a promising 44% during April to September 2015, but reduced by 8% during the last six-months of the year due to changes in government policy which stipulated a 70% loan-to-value ratio for vehicle financing. This led to a considerable loss of revenue and budgeted profits, and the company recorded a loss of Rs. 14 million in 2015/16 which, when compared to the losses of the previous year, an improvement of Rs. 100 million was seen.

This government policy resulted in a substantial drop in industry volumes as well, and reduced industry growth projected at 16%, to just 2%, and dropped the overall sales volume of mini trucks with an engine capacity of less than 1,300 cc, to almost the same volumes as in the previous year. The first three quarters of the year saw industry volumes at around 2,300 vehicles per quarter, but the volumes reduced by 67% during the last quarter.

Recovery of sales volume is progressing very slowly as 93% of customers purchase vehicles through financing, as the majority of these mini truck users are either those self-employed or owning small businesses.

Certain changes were successfully introduced in to our operational activities, to improve productivity and efficiency and to reduce operational costs. These strategic initiatives helped balance costs and reduce losses and also helped us manage finance costs even during the period when the fluctuating Rupee against the US $ caused market uncertainty. One of the key initiatives introduced was to build the brand name, which had a positive result and positioned the DFSK mini truck in the market as the highest selling brand in the mini truck category of Chinese origin. Other initiatives taken to counter losses included appointing new dealers, improving the productivity of existing dealers, enhancing customer convenience by adding to the number of service stations available in strategic parts of the country, as well as increasing spare parts availability.

Two new models of the commercial LCV will be introduced to the market at the beginning of the second quarter of 2016/17 which are expected to be well received by the market.

Given the fact that the present market conditions are not favorable to the industry, OMCL will be taking several steps to increase market share and volumes in the future. These include approaching potential customers with product offers at more competitive prices, supported by a superior customer service. We are confident that these initiatives will increase revenue and profits in the next financial year.

Performance by Joint Venture Companies

TVS Lanka (Private) Limited (TVSL)

The company surpassed all key objectives for the current financial year and successfully achieved both topline and bottomline targets. Revenue reached an all- time high of Rs. 13 billion, which is a mammoth increase of Rs. 5.67 billion and a growth of 79%. Profit from operations grew by 108% with a PBT growth of 87%.

TVS was recognised as the product Brand of the Year across all industries by the Sri Lanka Institute of Marketing in the year under review, the first time that an automobile company won this prestigious award. An additional accolade received was the recognition of the TVS brand as being the Most Innovative Brand of the Year as well as the Turnaround Brand of the Year.

TVS was recognised as the product Brand of the Year across all industries by the Sri Lanka Institute of Marketing in the year under review, the first time that an automobile company won this prestigious award.

Two Wheeler Segment

Despite the infusion of over 200,000 two wheelers to the market for government employees, TVS showed outstanding performance in the two wheeler business. Two wheeler sales volumes grew by 58% during the year, as against the retail industry's growth of 27%. The average monthly volume of the company showed notable growth, from 2,282 units in 2014/15 to 3,608 units in 2015/16. This growth improved the two wheeler market share from 11% to 14% in a highly competitive and fragmented market.

The successful performance of the two wheeler category was mainly due to well-focused strategies introduced during the year under review. Brand equity was built by re-positioning “Brand TVS” as the ‘Warranty Leader’ and ‘Mileage Leader.’ Market development focused on dividing the market into high growth, average growth and low growth geographical areas with specific activities initiated for each market. Network expansion was also carefully mapped out in relation to the product's geographic potential, which successfully expanded the two wheeler sales network from 182 to 226 localities, and the service and spares network from 606 to 789 locations.

Another key initiative carried out to identify uncontested markets and utilise the strength of the two wheeler portfolio was an application-based approached focused at the SME category - the HD super model was re-positioned as “Roda Deykey Loriya – RDL.” The success of this strategy was confirmed by a growth in sales volumes of nearly three times. Rationalization of the two wheeler portfolio also provided directions for growth and effective resource allocations that achieved set objectives. Table 9 given below shows registrations of two & three wheelers.

Table 9

New Registrations of Motor Vehicles

	2013 (units)	2014 (units)	2015 (units)
Two Wheelers	169,280	272,885	370,889
Three wheelers	83,673	79,038	129,547

Three Wheeler Segment

The three wheeler business also showed significant growth in 2015 and then dropped after the imposition of LTV directives by the Central Bank in between October to December 2015 and resulted in the sale of 4,461 units which was a corresponding volume growth of 107%. Market share also increased, from 5% to 8%, and average monthly volume increased from 350 to 721 units in the current financial year.

An integrated mass-media campaign built the brand equity of ‘TVS King’ and re-positioning it as ‘Dan Car Ekak Wagey’ (Just like a car). This utilised well-researched consumer insights, coupled with brand endorsements by premier cricketer Kumar Sangakara as the TVS King. These careful strategies served to successfully consolidate brand image.

Change of the business model from traditional Above the Line demand creation to focused market and activity-lead inquiry generation was a remarkable success. Research results confirmed market acceptance of the company’s product innovations for TVS King, which successfully captured the attention of a more aspirational group of customers who engaged with the TVS King range, namely TVS King Max, TVS King FB and TVS King FLD. These innovative local modifications contributed to 20% of the sales during the latter part of the financial year. Rationalising market development activities to ten focus markets also provided tremendous advantages in resource allocation. The network expansion of the focus markets almost doubled its reach and resulted in establishing 164 sales dealers. Strategic tie-ups with leading financial institutions were also encouraging.

Service is recognised as being one of the key competitive advantages of the TVS brand, and investments were made in re-structuring and developing the islandwide service and spare parts networks for both two wheelers and three wheelers. There are now 606 two wheeler service and spare parts networks, and 665 three wheeler service and spare parts networks islandwide.

To enhance service quality, TVS has also partnered with the Vocational Training Institute of Sri Lanka to train their instructors and develop the skills and competencies of potential technical professionals in the automobile sector represented by TVS.

The performance management and structure of the sales force was also re-designed to promote direct accountability, and more reward mechanisms were developed to reward top sales performers. Competencies were also developed to address all customer touch points which include the call centre, dealer network and company showroom network, and a structured calendar of activities was introduced to enhance the service culture of the organisation.

Prudent working capital management has also been a key factor for success, and all performance indicators, namely debtor collection days, inventory turnover days and the cost of borrowings showed notable improvement.

TVS Lanka is a joint venture between United Motors PLC, T.V. Sundaram Iyengar & Sons Limited and TVS Motors of India, specialising in motor cycles, scooters, three wheelers, spare parts and lubricants.

TVS Automotives (Pvt) Limited (TVSAM)

Company

TVS Automotives (Pvt) Limited was established to sell and distribute MAK Lubricants, TVS Tyres and JK Tyres.

The company's net turnover grew by 26% during the year and reached Rs.1.39 billion. This growth was driven by increases in lubricants sales by 33%, but tyre revenues remained stagnant. As a result, the company's PBT almost doubled to Rs. 43.6 million, a growth of 90%, against Rs. 23 million earned in 2014/15. This enabled the company to reduce its losses from the previous years to Rs. 63.4 million.

Another highlight of the current year's performance was the control of the operating expenses in an expanding company. The synergies in warehousing and distribution between the lubricants and tyre businesses were the main reasons for this control in operating expenses. The company's finance costs were also reduced by 26% against the previous year, supported by improved working capital and reduced interest rates.

Lubricants

The lubricants business continued its consistent and strong volume growth for the third consecutive year. In 2015/16 sales volumes grew by 32% over the previous year, as against a market growth of 7%. This positioned MAK Lubricants among the top two fastest growing lubricant brands in Sri Lanka. MAK also improved its ranking from sixth position to fourth, This consistent growth was the result of the company's focused promotional initiatives and investments in brand building which were in excess of Rs. 30 million during the current year. This was jointly contributed to by the principals, Bharat Petroleum Corporation (India) Limited and TVS Automotives Pvt. Limited.

The lubricants business in the New Year will pose more challenges, following the slowdown in the construction sector, strains on the exchange rate and the uncertainty of an increase in interest rates. In addition, base oil prices (the main raw material for lubricants) seem to be on a steady up-word trend.

The company, however, has a positive outlook for the next year and has budgeted a 15% volume in growth with a projected increase in market share of 5%.

Tyres

The focus in the year under review was to mainly improve the overall working capital of the business. This was achieved by reducing both debtor days (improved by 12%) and inventory days (improved by 18%). Emphasis was on overall credit control and evaluation of creditworthiness of the dealerships, which enabled the company establish island wide distributors for TVS tyres. This strategy is predicted to achieve significant growth in 2016/17.

Future Outlook

The outcome of the 2015 Presidential election signaled a change in the politics of the country. The 100 day programme of the new government and Parliamentary elections held in August 2015 also held promise, we in the business community eagerly await a stable business environment.

More than a year has passed since the Presidential election and we await the commencement of the mega projects planned by the government, investments in infrastructure, power plants and highways, especially in terms of Foreign Direct Investment (FDI) are required.

The automobile industry experienced wide swings in policy, from valuation processes to changes in duty, to a point that the industry is unable to understand or predict future thrust of government policy. The financial year in review commenced with the healthy growth of the automobile industry in the first three quarters, commencing with the relaxing for duties on small cars, and concluded with a restriction of the industry in the last quarter, as duties were changed and 70% lease restriction on the asset value finance. Duty rates for hybrid and full electric vehicles also moved over the period under review.

The change in economic dynamics will require UML and its group of companies to continue to adopt strategies of diversification and expansion to capitalise on the development plans of the government. We await the government's Economic Development Plan which is expected to be released shortly.

These new strategies will focus on exploiting the new opportunities that will arise with the upturn of business in Sri Lanka, when it is anticipated that the government's new vision will create many opportunities for companies such as ours to add to our portfolio of products and services.

We await the Government's Economic Development Plan which is expected to be released shortly.

The announcement of the restarting of the Port City Project & the new Megapolis Project has brought new hope for our industry. Much more economic activity is also possible with the opening up of the North and East. However this high-level of activity is still to be experienced. This will probably take more time as people re-build their lives, slowly and surely in the aftermath of the three-decade civil war. We are cautiously optimistic that the North and East will return to its former glory sooner rather than later. To support this vision, the company opened a branch in Jaffna in January 2012, which provides a range of services which would include vehicle sales, workshop facilities and spare parts sales counters that were not available to the peninsula at the time. We also purchased a new property in Jaffna and have setup a fully equipped workshop.

UML will continue to invest in building the Mitsubishi brand in Sri Lanka, and in upgrading all facilities including workshop facilities and spare parts availability, as well as develop our human resource skills and upgrade and maintain our groupwide infrastructure system.

With this in mind, we are upgrading, expanding and building new workshops and showrooms in Anuradhapura, Ratnapura, Kurunegala, Kandy, Orugodawatte and Matara. Work on constructing a workshop at our Ratmalana property is also well underway and the workshop is expected to be operational towards the end of August.

Unimo Enterprises Ltd has a license to assemble vehicles, We assembled and sold over 663 Chinese vehicles and are encouraged by the present demand for these vehicles. We plan to assemble over five new products in 2016.

The global economy is projected to grow at 3.2% in 2016 and at 3.5% in 2017 from 3.1% in 2015. The huge debt, the drop in international demand for our products, and contained infrastructure development restrict expansion of our economy.

In the medium term, with the dual benefits of positive economic activity within the country and the trickledown effect of expected global growth, the Sri Lankan economy is expected to register a GDP of 4.6% levels over 2016.

The Sri Lanka economy is expected to return to a high growth path in the medium term, with the right policies in place. Several constraints have been identified which include low government revenue to GDP, increasing government expenditure, falling exports to GDP and insufficient inflows to leverage on direct investments. These areas must improve if we are to achieve sustained economic growth in the medium term.

Interest Rates

Commercial rates of interest increased by 4% and currently stand at 11%. High interest rates together with the ceiling on financing of vehicles restricted to 70% has had an effect on the sale of vehicles.

Exchange rates

Exchange Rates are the other variable that is of concern as they directly impact on the cost of goods imported. With the US$ at Rs. 132.90 to the Sri Lankan rupee at the start of the year, the rates increased over the 12 months and we closed the year at Rs. 143.90 approximately and today the US$ trades at Rs. 148 per US$. The depreciation over 15 months is Rs. 15.1 per US$.

While exchange rate movements cannot be predicted, this is even more true for the Japanese Yen versus the Sri Lankan Rupee. Decisions on the import of vehicles will be carefully considered so as to ensure that stocks are available to supply our customers while at the same time ensuring that working capital levels are kept at the low levels thus ensuring low working capital cost.

The company was able to maintain profitability in the face of these uncertain circumstances because of the far-thinking and diversified strategy adopted. Since importation of vehicles became increasingly less viable, the Group expanded the capacities' of its production plant to assemble vehicles of Chinese origin which were not only affordable to the consumer, but also generated jobs and enhanced the skills and capabilities of technical staff.

The country looks to the government for a sustainable economic model that is geared to facilitate growth in all sectors and awaits political consensus to take this forward. An economic strategy and policy framework that could be used as a base is an essential requirement if the company is to plan its growth strategies well into the future.

Financial Review

GDP growth rates of 9.10% and 3.4% were achieved in 2012 and 2013 in the backdrop of the conclusion of a 30- year conflict. The post conflict period was uncertain, but since the holding of the Presidential elections in 2015, the resulting political changes contributed to a certain sense of instability in the market. Running a national government in a coalition is not easy especially in view of the divergent development objectives of the coalition partners. This resulted in a marginal drop in the country's growth, from 4.9% in 2014 to 4.8% in 2015. Increases in exchange rates and rates of interest, also contributed to the low levels of growth. High domestic consumption had a positive impact on certain sectors of the economy.

The automobile industry was also affected by the above variables and by the rise in import duties and other import levies. World economics also did not recover as expected. These events had an adverse impact on Sri Lanka as well.

The year under review has shown degrowth over that of the previous year with the rupee depreciating against the Japanese Yen. This had a negative effect on vehicle prices. New increases in duty during the year also dampened demand and we still operate in a subdued economic environment. The full impact of the recent duty increases are being assessed at present.

The availability of permits has significantly declined in the year under review. Due to the many variables, we are unable to accurately predict demand levels for 2016.

Company Review

United Motors Lanka PLC

All profit centres of the company exceeded last year's performance in terms of turnover, except for the Karma Truck division which recorded performance below last year's level.

The company recorded a turnover of Rs. 10.7 billion, compared to last year's turnover of Rs. 8.3 billion an increase of Rs. 2.4 billion or an increase of 28.9%.

Only the Spare Parts and Karma divisions fell short of achieving their budgeted turnover, but the overall turnover exceeded last year's turnover and total budgeted turnover of the group.

Profit after tax showed a growth of 18% over last year. All branches recorded profits during the year under review.

The main reason for the growth in net profit after tax from Rs. 1.24 billion to Rs. 1.46 billion was the improved market for motor vehicles. The vehicle sales divisions contributed significantly to the growth in profit after tax by selling 37 vehicles over that of the previous year.

As analysis of turnover by major product categories in comparison with the previous year is shown in Table 10 below.

Unimo Enterprises Ltd

This fully-owned subsidiary operates as a separate business, and primarily manages the sales of all non-Mitsubishi vehicles sales in Sri Lanka for the United Motors group, their partners, including Perodua, JMC, DFSK, Zotye, MG, Johnway, and DFSK Glory.

All divisions within the company exceeded last year topline performance by Rs. 2.0 billion in total or 128.8% increase, with the Perodua division showing the highest growth. Despite this, the company could not meet its budgeted turnover and fell short by 58%, which was a disturbing feature in the year under review.

Contributions by all division improved over the year, with all divisions showing growth or a breakeven performance except for the Chinese Commercial division which showed a significant decrease in growth over that of the previous year by almost Rs. 31 million, a 70% drop, mainly due to the fall in gross profit margins

Table 10

United Motors Group - Segment Turnover

Turnover	Company				Group			
	2015/16		2014/15		2015/16		2014/15	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Motor Vehicles	7,894.22	73.81	5,778.16	69.48	12,351.87	80.71	7,862.36	74.61
Spare Parts	1,555.36	14.54	1,478.49	17.78	1,564.57	10.22	1,478.54	14.03
Repairs & Services	636.32	5.95	573.70	6.90	604.00	3.95	538.00	5.11
Lubricants & Car Care	607.78	5.68	484.63	5.83	606.63	3.96	484.34	4.60
Tyres	-	-	-	-	176.77	1.16	174.96	1.66
Others	1.69	0.02	1.22	0.01	-	-	-	-
Total	10,695.37	100.00	8,316.20	100.00	15,303.84	100.00	10,538.20	100.00

The company recorded a turnover of Rs. 10.7 billion, compared to last year's turnover of Rs. 8.3 billion an increase of Rs. 2.4 billion or an increase of 28.9%.

and increase in overheads particularly due to brand building activities. Profit after tax showed improvements over last year by Rs. 67.7 million or 96.4%.

Orient Motor Company Ltd (OMCL)

Another 100% owned subsidiary, this is the only company in the group to record a loss for the year under review, but a huge reduction in the loss is seen between 2015 and 2016 - last year's loss was Rs. 113 million and this year turnaround resulted in almost Rs. 100 million reduction in the loss, which was Rs. 14 million in 2016. We are confident of turning this company around in 2016.

TVS Lanka (Pvt) Ltd (TVSL)

This is a jointly controlled entity as explained previously, with the UML holding 50% ownership.

The company recorded a turnover of Rs. 12.9 billion compared to last year's Rs. 7.2 billion, which is a growth of Rs. 5.7 billion or 80%. Net profit after tax also grew by Rs. 125 million or 113%.

TVS Automotives (Pvt) Ltd (TVSAM)

We are proud of the turnaround of this company over the last few years. The company consistently delivers profits on a month-to-month basis. In the year under review, profit after tax of Rs. 31.7 million was achieved, which is a growth of 95% over the previous year.

The subsidiary companies contributed Rs. 4.6 billion towards group turnover. This excludes the turnover generated by jointly controlled entities, as we now account for jointly controlled entities on equity basis.

Profit before Tax

Our continued vigilance of overheads ensures that increases in costs are kept at minimal levels. The initiatives taken in the previous years to reduce the cost of fuel, utility and other maintenance expenditure continued into the current year, and these efficiency measures have now been woven into the operational model of the company. Investment in capital assets follow a very strict evaluation process and all capital investment initiatives continue to be on a fit- for- purpose basis.

Despite the strict cost controls implemented throughout the company, a 15% increase in overheads amounting to Rs. 201 million incurred during the year. This was mainly due to increased expenses incurred in maintaining our outstation branches, upgrading of all facilities at branch level and general increases in services and other costs.

Finance overheads in total showed a net income position of Rs. 146 million compared to the Rs. 386 million net income in the previous year. This interest income is mainly due to the surplus funds available for investment in the company and the substantial capital gains made from our share portfolio.

Table 11

Quarterly Results

	Company					Group				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Turnover (Rs. Mn)	2,299.3	2,909.1	3,328.2	2,158.8	10,695.4	2,758.0	4,254.4	4,704.3	3,587.1	15,303.8
GP (Rs. Mn)	695.6	994.1	1,060.7	677.0	3,427.4	748.3	1,173.4	1,225.6	835.7	3,983.0
GP to Turnover	30.3%	34.2%	31.9%	31.4%	32.0%	27.1%	27.6%	26.1%	23.3%	26.0%
PBT (Rs. Mn)	394.2	623.9	713.9	318.0	2,050.0	437.9	764.3	806.4	345.0	2,353.6
PAT (Rs. Mn)	307.7	428.8	513.12	207.5	1,457.1	350.8	545.4	580.6	225.4	1,702.2
PAT to Turnover	13.38%	14.74%	15.42%	9.61%	13.62%	12.72%	12.82%	12.34%	6.28%	11.12%

UML continues to invest in the stock market and as at year end, our investments totaled Rs. 727 million, up from Rs. 436 million invested last year. This investment brought us a net income of Rs. 75 million and capital gains of Rs. 57 million during the year under review. The company continued to invest excess funds in unit trusts during the year which earned an income of Rs. 46 million.

The quarterly results and group results are shown in Table 11.

Cost of Finance

Holding Company (UML)

UML is in an enviable position of enjoying a net finance income position. There has been a decrease in finance income from Rs. 419 million to Rs. 220 million from 2015 to 2016. Finance costs also increased, from Rs. 33 million to Rs. 75 million.

Interest income is earned on surplus funds invested in call deposits and unit trust investments; dividend income is a significant contributor to finance income.

We started the year when market rates of interest were around 6% - 7% and due to reasons mentioned previously, rates were increased steadily throughout the year and we ended 2015/16 with rates in the region of 9% - 11%.

Subsidiary Companies

Our group earned a net finance income of Rs. 30 million, a decrease of Rs. 282 million of that earned in 2015. Unimo Enterprises was the highest net finance earner amongst the subsidiaries.

Increases in borrowings were evident in Unimo, OMCL, TVS Lanka, & TVS Automotives.

Table 12 shows financial cost and borrowings of the company and group.

Taxation

The interim Budget for 2016 presented on 20 November 2015 focused on simplifying the tax and regulatory environment and on moving to a low tax regime, and had significant impact on the performance of UML Group.

Salient features of the Budget are:

- Removal of certain tax exemptions
- Revision of existing exemptions
- New concession to SMEs
- Modernisation of existing factories
- Investments in lagging regions
- Construction of houses for elderly, government employees etc.
- Change proposed to the determination of taxes
- Changes in tax rates
- Turnover taxes – taxes rate reduced
- Gain on disposal of shares to be taxed
- Changes to the economic service change (ESC)
- Increases in VAT rates
- Export duties and levies
- Review of custom duty rates
- Change in the tax rates on motor vehicles - A simple rate of excise duty would be imposed on the basis of cubic centimeters based on the recently introduced tax base of full option on manufacturing prices

Super Gains Tax

This is described in detail in page 129 to the financial statements.

Working Capital and Liquidity

Interest bearing borrowings of United Motors decreased to Rs. 167 million in 2015 from the Rs. 574 million borrowed in 2014. This decrease in borrowings was mainly due to the settlement of a loan taken from a large order which has since been delivered and monies collected.

The Land (Restrictions on Alienation) Bill does not allow us to purchase any land effective from 1st January 2013 with relief for purchases between then and October 2014, as we are deemed a foreign owned company. As such there were no investments in land after passage of the bill. Details of the land owned by the Company is given in Note 18 to the Financial Statements.

We have plans to develop all properties purchased, for which further investments in non-current assets that will be allocated from internally generated funds or borrowed.

Table 12

Borrowings

Year	Company			Group		
	Borrowings as at the Year end Rs. Mn	Finance cost Rs. Mn	Interest cover (No. of times)	Borrowings as at the Year end Rs. Mn	Finance cost Rs. Mn	Interest cover (No. of times)
2014/15	574.0	31.4	51.5	1,218.6	80.8	21.1
2015/16	167.5	35.3	59.0	2,853.1	101.5	24.2

Inventories decreased in the year under review as we had to meet our stocks holdings policies. Inventories at group level increased by a substantial 38% due to the increase in range of our products and the longer time needed to assemble vehicles.

The liquidity of the company and group are shown in Table 13 below.

Table 13
Liquidity Ratios

	Company		Group	
	31-Mar-16	31-Mar-15	31-Mar-16	31-Mar-15
Current Ratio	2.98:1	3.24:1	1.90:1	2.88:1
Quick Asset Ratio	1.51:1	1.44:1	0.72:1	1.32:1
Debt/Equity %	1.93	6.4	27.67	11.68%

Profits made by both Unimo Enterprises Limited (UEL) and TVSL, and the turnaround of inventories and debtors of other companies have contributed towards a healthy position of group liquidity.

Changes in the value of assets over those of the previous year are shown in table 14 below.

Profits made by both Unimo Enterprises Limited (UEL) and TVSL, and the turnaround of inventories and debtors of other companies have contributed towards a healthy position of group liquidity.

Table 14
Total Assets

	Company			Group		
	31-Mar-16 Rs. Mn	31-Mar-15 Rs. Mn	Increase / (Decrease) %	31-Mar-16 Rs. Mn	31-Mar-15 Rs. Mn	Increase / (Decrease) %
Property, Plant & Equipment	4,482.0	4,333.1	3.4	4,747.7	4,631.5	2.5
Intangible Assets	0.9	2.5	(64.0)	3.9	5.7	(31.6)
Investment Property	150.4	150.9	-	-	-	-
Other Investments- Non current	960.5	782.3	22.8	1,486.4	1,095.8	35.6
Defined Benefit Obligation - Plan Asset	98.6	107.5	(8.3)	102.3	111.1	(7.9)
Deferred Tax Asset	1.9	12.4	(84.7)	15.6	24.0	(35.0)
Inventories	2,349.2	2,995.2	(21.6)	5,426.6	3,934.1	37.9
Trade & Other Receivables	783.5	1,279.7	(38.8)	1,498.4	1,699.2	(11.8)
Amounts due from Related Parties	18.0	15.1	19.2	1.0	1.1	(9.1)
Current tax receivables	-	-	-	4.6	27.2	(83.1)
Other Investments- current	1,282.1	924.4	38.7	1,282.1	1,402.9	(8.6)
Cash and Bank Balances	321.0	177.7	80.6	522.8	216.5	141.5
Total Assets	10,448.1	10,780.8	(3.1)	15,091.4	13,149.1	14.8

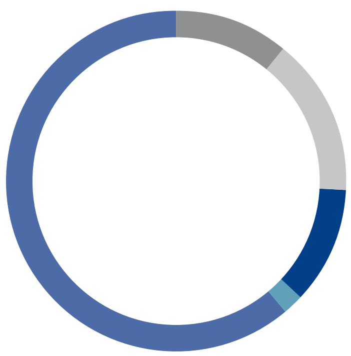
Shareholder Funds

The total number of ordinary shares issued is 100,900,626. Shareholders' funds reduced by than 2.94% over that of the previous year, mainly due to Super Gain Tax paid in 2015 and higher dividend payout ratio.

Economic Value Added Statement

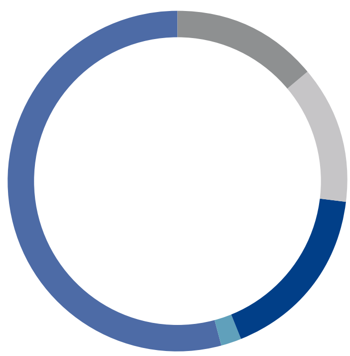
For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Sales	15,303,852	10,538,194	10,695,375	8,316,203
Other income	215,363	486,224	268,658	488,609
	15,519,215	11,024,418	10,964,033	8,804,812
Less: cost of goods & services brought in	(8,323,670)	(6,245,143)	(7,145,189)	(4,945,634)
Value added	7,195,545	4,779,275	3,818,844	3,859,178
Distributed as follows:				
To employees as remuneration & premature retirement payments	791,210	687,615	687,801	601,694
To the government as taxes	4,411,624	2,597,554	1,503,416	1,901,814
To the providers of capital				
- Dividends	1,109,908	605,404	1,109,908	605,404
- Interest on loans	140,918	82,362	74,505	33,007
	6,453,660	3,972,935	3,375,630	3,141,919
Retained within the business				
- Depreciation	141,706	137,521	91,044	73,015
- Reserves	600,179	668,819	352,170	644,244
	741,885	806,340	443,214	717,259
Value added	7,195,545	4,779,275	3,818,844	3,859,178

2016



Employees	11%
Shareholders	15%
Retained	11%
Lenders	2%
Government	61%

2015



Employees	14%
Shareholders	13%
Retained	17%
Lenders	2%
Government	54%


MITSUBISHI


GLORY330

Sustainability Report

Overview

The UML Group is committed to developing its business sustainably. As defined by the World Council for Economic Development Sustainable Development, sustainable business "meets the needs of the present without compromising the ability of future generations to meet their own needs." Accordingly, the company integrates social, environmental and economic concerns into its values and operations across the board, and follows best practices on key issues like social equity (addressing poverty, community issues and health), economic efficiency (promoting innovation, prosperity and productivity in all aspects of our operations), as well as supports the well-being of the environment (introducing initiatives that mitigate the adverse effects of climate change). This is what is known as effectively managing the triple bottomline, or working to mitigate the impact of the business on people, planet and profits.

This approach to doing business prompts UML to look beyond the narrow confines of profitability and reach out to support its people and the planet. But the company does not underplay the benefits that introducing sustainable practices to its business have had on bottomline returns, which have had a positive impact on its topline as well - the group's commitment to sustainability has given it the competitive edge, increased market share, and identified more like-minded partners who prefer doing business with 'green' organisations like UML. This translates into substantial increases in shareholder value.

Blueprint for Sustainability

UML's blueprint for sustainability needs to be prepared and should provides guidance on how to live out its mission, and takes care of the needs of all its stakeholders. The company is fully aware that successfully managing its relationships with all stakeholders is the key to running a sustainable enterprise well into the future. This means taking care of the needs of its people namely, it customers, shareholders, staff and partners and communities as well as the government and regulatory authorities, and also minimising its impact on the planet. Based on these guiding principles, the company has evolved its approach to more effectively address some of the concerns of its people, and some of the greatest risks to the environment in which it operates which ultimately impacts business continuity.

This approach to doing business prompts UML to look beyond the narrow confines of profitability and reach out to support its people and the planet.

Customers

The automotive industry has become more complex today. Social networks and Web 2.0 technologies keep customers more informed and more connected. Manufacturers and dealers no longer hold the monopoly on information about the vehicles and services they supply. Today's customers know what they want and where to get it, at the best price with a minimal wait. This makes them more demanding. This scenario presents new opportunities as well as new challenges at each phase of customer service, from pre-purchase through to ownership and maintenance.

The UML Group has adjusted to this new trend in customer dynamics with a customer centric strategy aimed at providing a 360 customer experience. The strategy is geared to achieving the company's objective of providing customers with high quality products that are safe and durable, and a service that satisfies customers to a level at which they are not only loyal to the company's brands and products, but also recommend them to others.

Understanding and reaching customers

Good service is understanding customers' needs and expectations, and delivering on promises. But providing customers with a service that exceeds their expectations involves getting to know the customer so well that their needs are anticipated even before they are expressed. This is the level of customer service the company aims to attain, and a number of strategies were introduced during the year to facilitate this.

A key advantage that the company enjoys is ease of access to its showrooms, well-equipped work shops and branch offices, situated in strategic locations across the country. They offer customers easy access to 3S facilities, namely Sales, Services, Spares of brands dealt with, all under one roof.

The Company maintains close relationships with its customers around the country through its sales network. Sales teams schedule regular meetings with customers in both the private as well as public sectors.

Promotional activities are also held frequently to increase customer awareness of the products and services on offer.

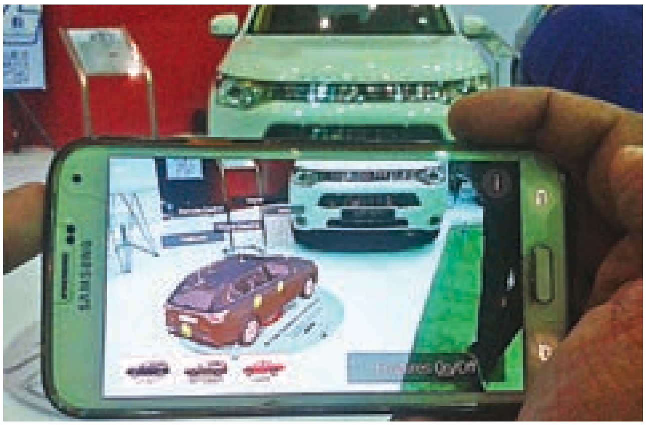
In areas that the Group has no presence, the Company utilises its network of partnership with financial institutions to engage with new and existing customers to make them aware of its portfolio of products, as well as to facilitate preferential rates of finance when purchasing vehicles from the UML Group.

The media is a main source of communications. The Company continues to utilise traditional media channels like TV, radio and press which still play a vital role in informing customers of its products and services. The Company recently commenced advertising in cinemas to access Generation Y, which is an important target market for its products. Digital media is the main platform used to reach this generation.

The Company has strengthened its online presence in recent years by investing in digital media platforms like Facebook and Twitter, the most actively used social media in Sri Lanka today. The main focus during the current financial year was to engage the company's fan base with its brand in order to make it more focused. This was achieved by organising several competitions for the existing base and targeting advertising on Facebook to engage specific segments of the yet untapped target market. This strategy proved successful, and the UML fan base grew to a record 89,000.

The next financial year will see the company strengthen its presence on platforms like Instagram, Google Plus, Google Display Network (For web display ads) while continuing to reinforce subsidiary social media platforms.

The company also introduced a new app with the launch of the Mitsubishi L200, Outlander and Outlander PHEV, to engage new customers with the Mitsubishi brand at the launch, at exhibitions and at mall displays. This is the first app of its kind provided by an automobile company in Sri Lanka. Tech savvy customers can download the app on their apple or android devices and by scanning a press ad on a Mitsubishi product, get a 3D 360 degree view of the product. The app is interactive and enables customers to change the colour of the vehicle viewed, open doors to look at the interior, and experience the product for themselves.



Facebook fan base growth

Sustainability Report (contd.)

Managing customer relationships

The Company considers its relationship with its customers to be the foundation of its business, and has a focused and strategic approach to manage these relationships. This includes customer database management, a complaint management system, and measurements to identify customer satisfaction.

We continue to ensure that our databases are updated with complete and accurate data. This enable the Company to continuously communicate with our customers to gather feedback, communicate new product offerings and also remind customers on services due and periodic vehicle maintenance.

The Company's complaint management system has been designed to capture customer grievances. The customer services team resolves these complaints in order to provide a quick solution to customers. Further preventive measures are taken where required to avoid or minimize repetition.

During the latter part of the financial year, the Company established its call centre which has greatly improved customer communication while also enabling every call received to be monitored. This provides precise measures of the effectiveness of company advertising, and also enables the company improve on customer interactions via telephone.

The call centre conducts various surveys among customers to assess the Company's overall service delivery and is also able to provide instant help to customers with queries.

Customer loyalty programme

The Privilege Circle loyalty programme has grown in membership since commencement in 2011. The Company continued to add value to its loyalty programme by inviting nine new partners on board during the year, in the kids, salon and spa, jewellery, automobiles, footwear, optometrist, phone and accessories and home automation categories, which brings the external partnership base to a total of 39 outlets, and widens the choice of special discounts and privileges available for members.

Lube Service Rewards was continued. This scheme rewards a customer on completion of five services, provided the vehicle is brought in for service every six months. The company continues to educate customers on the importance of regular maintenance and service of their vehicles to ensure optimum levels of performance.

Building a customer centric team

'Api United' Initiative

This initiative, begun in 2012, is still very much hands-on, and has made significant progress into inculcating a customer service mindset throughout the company. A cross-functional in-house team was appointed to address issues related to customer care as well as to educate employees on the importance of responsiveness to customer needs. The team overlooks to ensure conformity with the company's customer care code of conduct, which outlines the behaviour expected of the staff of a premier customer- centric company like UML. Each floor is divided into sub groups identified as cells and meets every Tuesdays to discuss any issues related to customer care, and ensures that issues are speedily addressed. Customer care centric theme is assigned for every month and at cell meetings various activities are carried out in order to improve the customer care service levels.

A special 'Api United to Serve' badge was given to all staff to promote unity and awareness of the importance of attaining excellence in customer service. Staff at all levels are also taught soft skills like grooming, etiquette and hygiene that enable them to present a personable and professional appearance to customers. Regular communication with staff maintains top-of-mind awareness of customer service through posters displayed in prominent areas of the Company, and Group emails.

Continues to add value to the lives of customers by offering them the best in class brands that have the highest standards of quality and dependability.

The team also conducts several surveys during the year to gather information for improving service levels and responsiveness, and implements the actions to fill the gaps on feedback received. A key survey conducted during the current financial year addressed a range of customer service areas and issues.

Distinctive Brand and Market Positioning

UML has a history of seven decades of trusted service in its area of expertise, and continues to add value to the lives of customers by offering them the best in class brands that have the highest standards of quality and dependability. The company ensures that every product and service offered is the best available on the market. This is supported by a long and involved process that includes rigorous market research and testing before the launch of every product, and is a practice followed by the Group at all times. The company also has a strict policy of partnering with only reputable suppliers, namely, those who use stringent quality standards and product tests and are more often than not, leaders in their respective business segments.

Shareholders

United Motors follows the practices of good corporate governance at all times and conducts its business in a manner that adds value to its shareholders and investors, and manages risks prudently. As a listed company governed by the regulations of the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange (CSE), UML is bound to deliver maximum value to its investors whilst conforming to the above regulatory procedures.

The company is also aware of its duty to engage investors by giving due consideration to their ideas and providing them with timely and accurate information on company affairs.

Enhanced shareholder value through increased returns on investment

The entire business is modelled to create sustainable value to all stakeholders and the key portion of the value created through business is distributed to its investors as its primary stakeholder.

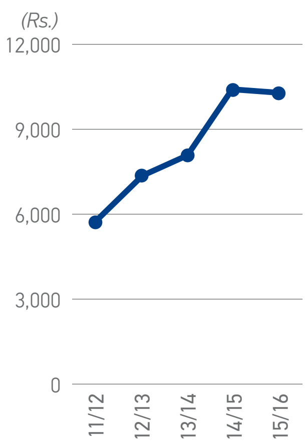
Over the years, UML delivered on its promise to shareholders by ensuring consistent returns on their investments through capital appreciation and dividends, and provided one of the most consistent and dependable investment opportunities to the investors.

The company's asset base has grown during the years and supports a strong foundation that enables the company to withstand the competitive business environment. Prudent corporate strategies have resulted in the delivery of consistent returns on capital employed in the business, which consequently enhances shareholder wealth.

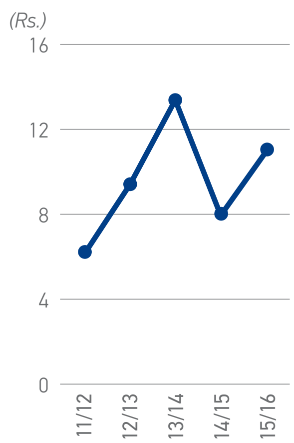
	2011/12	2012/13	2013/14	2014/15	2015/16
Shareholders' funds - Group (Rs. Mn)	5,827	7,371	8,097	10,436	10,312
Dividends per share (Rs.)	6.25	9.00	13.00	8.00	11.00
Net assets per share - Group (Rs.)	57.65	73.05	80.25	103.42	102.20
Market capitalization (Rs. Mn)	7,265	6,458	8,274	8,889	8,375

The graphs below shows the changes in shareholders' funds, net assets per share and market capitalization over the years.

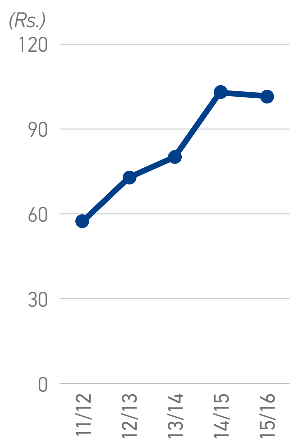
Shareholders' funds



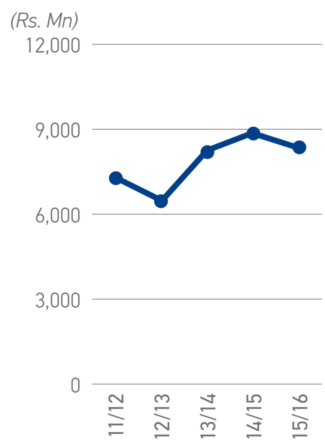
Dividends per share



Net assets per share



Market capitalization



Shareholders may at any time, direct questions, request for publicly available information and provide comments and suggestions to the Directors or management.

The Company conceptualises and implements long- term strategies aimed at ensuring consistently high returns on capital employed, which will continue to be the focus in future years.

Communicating with shareholders

The Company is committed to enhancing relationships with individual and institutional shareholders through regular communications that give clear and balanced information about the Company and its performance. The Company's shareholder communication policy strives to ensure that all shareholders have timely access to publicly available company information which enables shareholders to actively engage with the company and exercise their rights as shareholders in an informed manner.

The Company encourages shareholders to be physically present at its Annual General Meetings and other General Meetings. The Annual General Meetings and other General Meetings of the Company are the primary forum for shareholder participation, interaction and communications. If unable to attend, the shareholder can appoint a proxy, who can attend and vote at such meetings on his behalf. Notices of General Meetings, accompanying papers, circulars and required documents are dispatched to shareholders by post within the prescribed time. At the shareholders' meetings, the Board of Directors, members of the Board Sub-Committees and Auditors, where needed, are available to provide clarification to shareholders if necessary.

The quarterly financial statements and annual reports are produced in accordance with the Listing Rules of the Colombo Stock Exchange and other applicable laws and regulations. From time to time, the Company communicates information to shareholders by way of company announcement and/or circulars, in compliance with regulatory requirements.

The Company's website (www.unitedmotors.lk) facilitates communication with all stakeholders and provides information on the Company, including all annual reports as well as press releases and announcements to external stakeholders.

Shareholders may at any time, direct questions, request for publicly available information and provide comments and suggestions to the Directors or management. Such questions, requests and comments can be addressed to the Company Secretary by post to 100, Hyde Park Corner, Colombo-2 or by email to ir@unitedmotors.lk

Human Capital

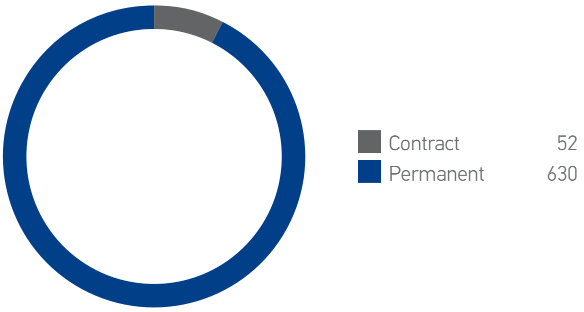
The Human Capital mandate of the United Motors (UML) Group towards sustainable performance is people excellence.

Employees are the backbone of our business. The Company strongly believes in recruiting and retaining the industry talent and offers a competitive remuneration package inclusive of financial as well as non-financial incentives, and commits to develop them personally and professionally in a working environment that always provides them with a rich and rewarding work life.

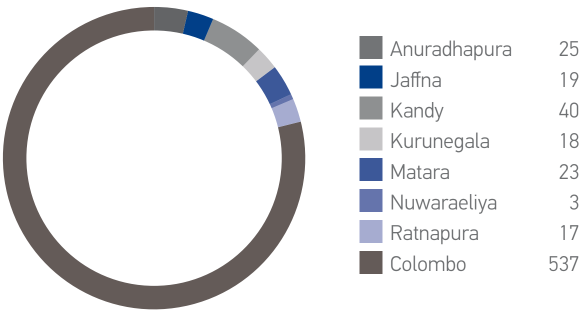
Employee profile

The United Motors has staff strength of 682 in Colombo and the branches island wide. About 91% are in the permanent cadre and the balance 9% are on fixed term contracts.

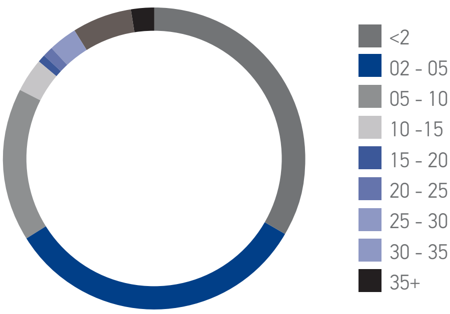
Analysis of employees by type of employment



Analysis of employees by location



Analysis of employee by years of service



The company has in place a transparent and systematic performance management process...

Period of service	No. of employees
Less than 2 years	229
02-05	222
05-10	112
10-15	25
15-20	5
20-25	9
25-30	21
30-35	42
Above 35 years	17

The employees are motivated in different ways, among the approaches adopted is that of giving workers the responsibility and accountability for their work, rewarding them for achievements, as well as building up their competencies. The success of this approach commits staff to maximize their potential which, ultimately, has a positive effect on both top-line as well as its bottom-line.

Performance management

The Company has in place a transparent and systematic performance management process which aligns organizational objectives with employees' skills, competency requirements, development plans and delivery of results.

Performance management is based on assessing individual Key Performance Indicators (KPIs) through a structured performance evaluation (PE) process. The KPIs are linked to divisional and organizational goals, and the assessment of the extent that employees have achieved their KPIs indicates their productivity. Regular feedback given emphasizes on improvement, learning and development for personal development and to contribute effectively to the overall business strategy and ultimately, create a high performance workforce.

Rewards and recognition

Our strategy is to recruit and retain the best possible talent in the professional, management, service and operational categories. The company offers a very competitive remuneration package including financial and non-financial benefits based on merit and on par with the industry standards to motivate employees to high levels of performance and to align their performance with the Company's goals and objectives.

During the year 2015/2016, 49 staff from vehicle sales, Valvoline, workshop & spare parts divisions including branches were rewarded with overseas trips in recognition of exceptional performance.

Distribution of Tikiri scholarship

Caring for our people

The company is committed to providing its employees with a meaningful, enriching work environment in terms of career opportunities, compensation, benefits and work/life balance.

UML employee benefit structure

		Permanent Employees	Contract Employees
Financial Benefits	Annual customary Bonus	✓	✓
	Encashment of leave	✓	✓
	Performance based Bonus	✓	×
	Annual Increment	✓	×
	Insurance Facilities including critical illness cover	✓	✓
Non Financial Benefits	Scholarship Programs for Children of Staff Members	✓	×
	Local / Overseas Trainings	✓	✓
	Loan Facilities	✓	×
	Memberships in Professional Institutes	✓	×

12,070

Total Training Hours

Developing talent

We are committed to develop our people and building a high performing team through training & development. The training plan is designed in accordance with training needs analysis, based on performance appraisals reviews and the competency map, recommendations of the Heads of Departments and in line with the corporate goals.

Staffs at all levels are provided with training opportunities to both upgrade their skills and make them competitive with the best in the market.

During the year 2015/2016, the Company provided six members of the corporate management team with the opportunity to fine-tune their leadership skills at a highly recognized "Maximize the Leadership Potential Programme" conducted by the prestigious Harvard Business School. Eleven staff members were also sent to Japan, Indonesia and India on technical and competency training.

Internal product knowledge training programmes were conducted for all divisions throughout the year, by resource persons within the organization. To ensure all technical staff are professionally skilled, UML introduced a National Vocational Qualification (NVQ) certification programme to UML staff and non UML staff. This certification programmes are conducted in house at our workshops is highly recognized both locally and internationally. In 2015/2016, UML has produced 15 NVQ Certification holders to the automobile industry.

The outbound training conducted for 50 of our staff members in Kithulgala helped us to build trust, enhance team spirit and motivate employees to get their full potential by participating in several team activities outside the workplace. The Company also provided opportunities for staff to participate in seminars, summits, conferences and workshops conducted by different institutions within the country.

Sustainability Report (contd.)

Our investment in training and development activities during the current year increased by 63% from the last financial year.

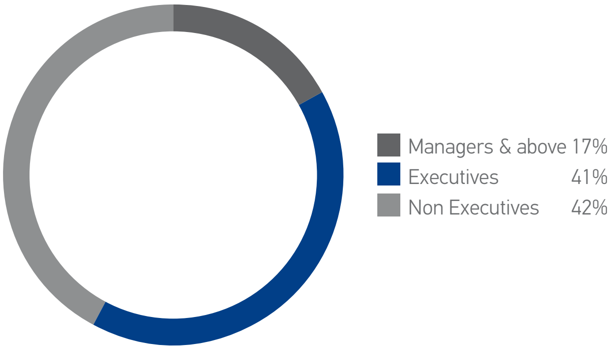
One team one goal (Out bound training 2015)

Each training programme is evaluated to assess the achievement of outcome and is monitored in line with the plan. The Company improved its training evaluation during the last financial year by introducing action plans in advance before the training, in consultation with the divisional heads, by conducting follow-up sessions and by assessing the effectiveness in three and six months intervals.

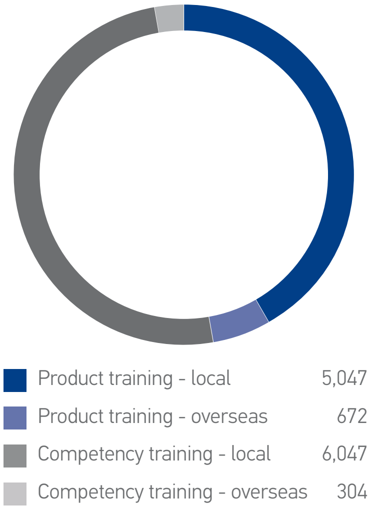
UML's succession plan is designed to build strong leadership into the future, using tools like competency mapping and personal development planning. Once potential successors are identified they are carefully groomed over the years to gain the skills and knowledge needed for the position identified. The Company is convinced that allocating resources on the talent development process yields good returns on investment.

Spare Parts staff training at Hotel Renuka

Analysis of training hours by employee category



Analysis of training hours by type of training



		Total training hours 2015/2016
Category	Managers & above	2,068
	Executives	4,954
	Non Executives	5,048
		12,070
Type of training	Local	11,094
	Foreign	976
		12,070
Nature of training	Product	5719
	Competency	6351
		12,070

Briefing on the importance of team work

Employee welfare

The Company sponsors a range of activities for staff to further strengthen the team spirit. UML's annual pirith ceremony was held on 18 September 2015 to invoke blessings for the organization and staff. The annual get-together for the staff held on 02 January 2016 at Reefs Edge Resort was a well organized successful event.

The Company continued its welfare and support initiatives into the current financial year and supported the education of children of staff who achieved outstanding performance at key examinations through three scholarship programmes – three children were awarded with the Tikiri scholarship for their achievements at the Grade Five scholarship examinations, seven children were awarded with the Navum scholarship for obtaining good results at the Ordinary Levels (O/L) examinations. In addition, gift vouchers were distributed to 310 children of our staff.

Annual staff get-together at Reef Edge Hotel

Employee engagement

UML believes that its employees are the source of ideas and inspiration, and have invaluable insights into improving the business because of their hands-on involvement. Recognizing that an engaged employee has a positive work attitude and is willing to promote the Company's reputation and interests, employees are encouraged to put forward their own ideas for changes. The Company's open door policy fosters an environment of cooperation and trust between the employees and management, and enables employees to discuss any issues of concern with senior management. Employees are kept abreast of company news and decisions via email, notice boards and at meetings.

The Company also fosters a culture of teamwork and collaboration. Employees also understand that a culture of teamwork is vital to the success of the Company as well as to the development of each and every employee.

Annual pirith ceremony 2015

Together we cross the line - Outbound Training at Kithulgala

Employee satisfaction

From 2011, the Company has been conducting an annual employee satisfaction survey (Organizational Health Index - OHI) aimed at creating a high-performance culture. The OHI focuses on areas that drive the greatest improvements in the Company and pinpoints areas that need improvement, and also identifies tangible actions that could be taken to improve these areas.

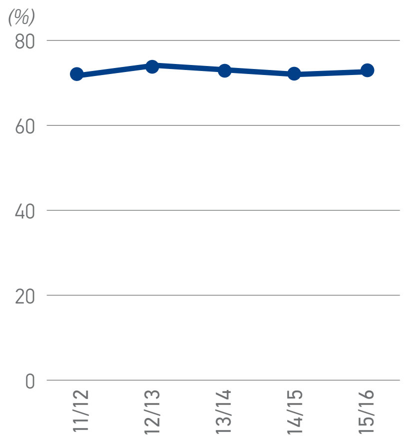
Employees can express their opinions freely, about their satisfaction in the areas of communication, teamwork, job/work, job satisfaction, rewards and recognition, relationship with superiors as well as career development.

The overall OHI has seen growth over the years since its introduction. The OHI index for 2015/2016 was 73%, with job satisfaction at 81% while the relationship with the superior improved to 83%.

The results of the survey are discussed with the respective heads of division, functional managers and team leaders, who are given the mandate to improve identified gaps within their jurisdiction.

	2012/13	2013/14	2014/15	2015/16
Organisational Health Index	72%	75%	72%	73%

Organisational health index results



Health and safety

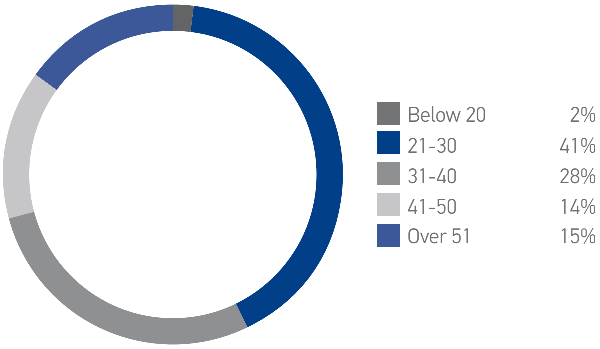
The Company prioritizes providing a safe and secure workplace for its employees, and follows national guidelines on health and safety in the workplace. Various activities related to health and safety is conducted at its workshops and offices, which include safety training and fire drills. Workshop staffs are provided with safety equipment to ensure hazard free operations.

Equal opportunity

UML an equal opportunity employer looks on diversity and inclusion as a vital strategy for driving innovation in the workplace. The Company is open to different perspectives in the realization that the voice of every employee is important and that individual differences enhance the work environment.

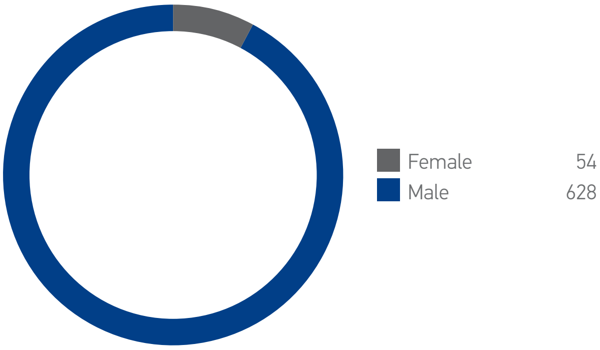
Every employee has the same opportunities as their colleagues, for recruitment, promotion, compensation, benefits and training and women are always encouraged to join UML Group.

Analysis of employees by age



Below 20	15
21-30	283
31-40	192
41-50	93
Over 51	99

Analysis of employees by gender



Industrial relations

UML maintains open and transparent processes in all aspects of its dealings with its workforce, and considers good management of industrial relations as being an essential aspect of its business. As such, the Company is committed to upholding and improving relationships with its workforce, which includes endorsing their right to be treated with dignity, respect and fair play. All applicable industrial laws, regulations, statutory obligations, awards, agreements and national codes of practice and guidelines are complied with, and an extensive grievance handling mechanism is in place to resolve any conflicts, focused on ensuring that work is carried out with minimal disruption and with harmonious industrial relations.

UML Group conducts its business to the highest standards of ethics and integrity, and expects its employees to comply with the laws and regulations applicable to its business.

The Company provides and preserves a safe and harmonious place conducive to keeping all workers contented and to achieve its operational goals, and continues to develop and improve the skills of workers to enable them to reach their maximum potential in a constantly evolving environment.

Child labour

The company practices zero tolerance of child labour and complies with the principles set out by the International Labour Organization (ILO). It does not employ anyone below the age of 18, and strongly upholds the elimination of all forms of child labour. UML also ensures that all service providers follow its policies on child labour and does not partner with stakeholders who fail to comply with these principles.

Code of conduct, ethics and integrity

The UML Group conducts its business to the highest standards of ethics and integrity, and expects its employees to comply with the laws and regulations applicable to its business. Staff are informed of the behaviour expected of them through principles and guidelines set out in the employee handbook, and directed to conduct themselves ethically at all times by following the highest standards of business integrity dictated by the Company's established Code of Conduct and Ethics.

Partners

Partnerships provide the company with the capacity to achieve what may not otherwise be achieved, and work towards a common goal that yields tangible benefits.

The company knows that successful partnerships add substantial value to its business and has over the many decades of its operations, effectively nurtured and developed relationships with global and local partners who supply the company with wide range of products and services that are the basis of its business and have earned the reputation of quality and reliability the company stands for.

UML's partners with some of the most renowned global brands, who are mostly leaders in their market segments. These partners include, from Japan - Mitsubishi Motors Corporation, manufacturers and suppliers of Mitsubishi passenger vehicles of varying categories and capacities, Fuso Trucks and Buses and also Yokohama Rubber Company Ltd, suppliers of Yokohama tyres; from Malaysia - Perodua Sales Sdn Bhd, manufacturers of Perodua compact vehicles; from China - Jiangxi Motors Import and Export Co. Ltd., manufacturers of JMC commercial vehicles; Chongqing Yuan Group Imp. & Exp. Co. Ltd., manufacturers of DFSK vans and mini trucks, SAIC Motors, manufacturers of MG cars, Zotye Automobile Co. Ltd., manufacturers of Zotye passenger vehicles and the Brilliance Auto group, manufacturers of vans and MPVs; from India - the TVS Motor Company Ltd, India, suppliers of two wheelers and three wheelers, TVS Srichakra Ltd., India, manufacturers of TVS tyres. Bharath Petroleum, manufacturers of MAK lubricants, and JK Tyre and Industries Ltd., manufacturers of JK tyres. The company also partners premium lubricant manufacturers Ashland Inc, from the USA and Simoniz from the UK.

Partnering for a sustainable future

UML is committed to growing the market share of our partners in all areas of its business operations, and has systematically invested in upgrading our facilities to the global standards of service excellence stipulated by its partners.

The company strives to exceed the expectations of its partners by meeting sales targets, ensure product availability and access, and carry out various activities to build customer loyalty and expand the customer base, in addition to ensuring premium after-sales facilities.

UML is committed to growing the market share of our partners in all areas of its business operations, and has systematically invested in upgrading our facilities to the global standards of service excellence stipulated by its partners.

MITSUBISHI MOTORS
Drive @ earth

Mitsubishi Motors Corporation, Japan (MMC)

Based in Tokyo, Japan, MMC is a global vehicle manufacturer and member of the Mitsubishi group of companies, and sells and services minicars, minivans, SUVs, LCVs, pickup trucks and passenger cars in more than 170 countries.

Highlights in 2015 included the launch of the New L200, the New Montero Sport and the New Outlander (MY16). Outlander PHEV became the best- selling plug-in hybrid vehicle in Europe, and the company's new "Dynamic Shield" visual identity was unveiled during the year.

FUSO

Mitsubishi Fuso Truck & Bus Corporation, Japan (MFTBC)

The company is a German-owned, Japanese-based manufacturer of trucks and buses, and is a fully consolidated business unit of Daimler Chrysler, the world's largest commercial vehicle manufacturer. As a member of the company's truck group, Mitsubishi FUSO takes its place alongside Mercedes-Benz, Freightliner, Western Star & Bharath Benz which are all global leading truck brands. Mitsubishi FUSO plays a crucial role as the group's Asian pillar and centre for light-duty trucks and hybrid technology, and occupies global leadership position in these areas. Mitsubishi FUSO's technology development is focused on three inter-related areas - fuel efficiency, environmental sustainability and safety.

Sojitz Corporation, Japan

United Motors's trading partner in the supply of Mitsubishi vehicles is part of the Sojitz Group, which has 409 subsidiaries and 216 affiliates all over the world, and is a general trading company engaged in a range of global businesses, including buying, selling, importing, and exporting goods, manufacturing and selling products, providing services and planning and coordinating projects, in Japan and overseas.

The corporation also invests in various sectors and conducts financing activities. These sectors include automobiles, energy, mineral resources, chemicals, foodstuff resources, agricultural and forestry resources, consumer goods and industrial parks.

Perodua Sales Sdn Bhd, Malaysia

This company is a wholly owned subsidiary of Perusahaan Otomobil Kedua Sdn Bhd (PERODUA) which was established in 1993 and sells, markets and distributes Perodua vehicles, also providing after sales services and spare parts. Operations commenced in early 1994 and the first vehicle, the popular Perodua Kancil was introduced to the Malaysian market in August 1994. A range of vehicles such as the Perodua Rusa, Kembara, Kenari, Kelisa, Myvi, Viva and Axia have since rolled out of the Perodua plant.

Yokohama Rubber Company Limited, Japan - (Yokohama)

Yokohama manufactures world renowned Yokohama tyres, and was established in 1917. The company celebrates a century next year, in 2017. Yokohama tyres are selected by almost all vehicle manufacturers in Japan as an original tyre for brand new vehicles.

Jiangxi Motors Import and Export Co. Ltd., China

Jangling Motors Import & Export Co. Ltd, was established in 1993, and serves clients from Africa, Middle East and Central and South America. The Company has a variety of products including light duty trucks, pickups, BUVs (business utility vehicles) and SUVs.

The JMC range of commercials vehicles are manufactured by Jiangling ISUZU Motors Co. Ltd. and marketed by Jiangling Motors Co. Ltd., and ranked 25th among the top 500 industrial companies in China. Jiangling Motors Co. Ltd., is a Public Limited Liability Company, with the Jiangling Holding Group and Ford Motor Company of USA as its major shareholders. Jiangling ISUZU Motors Co. Ltd., manufactures JMC vehicles and is a subsidiary of Jiangling Motors Co. Ltd., a joint venture between Jiangling Motors Co. Ltd. and ISUZU Motors Ltd. of Japan. The company caters to the top end of the commercial vehicle segment in the massive Chinese market.

JMC's strongest product line is its light truck range.

ZOTYE

Zotye Automobile Co. Ltd., China

Zotye Automobile Co. Ltd., is a Public Limited Liability Company, listed on the Hongkong Stock Exchange and is the fifth largest manufacturer of SUVs in China.

In 2007, Jiangnan Automobile Co., Ltd. was merged into the Zotye Holding Group. Jiangnan Automobile Co., Ltd. is the only sedan car manufacturer in Hunan, China, and manufactures the popular classic model sedan car, Alto. The Nomad compact SUV is also a product of Zotye Automobile Co. Ltd.

The International overseas business is managed by Zotye International Automobile Co., Ltd. The Zotye Holding Group is in the process of reforming manufacturing techniques to upgrade Jiangnan Automobile Co., Ltd. and plans to launch eight models within the next three years.

DFSK

Chongqing Yuan Group Imp. & Exp. Co. Ltd.

Chongqing Yuan group is a subsidiary of the renowned Dongfeng Group of China, the second largest vehicle manufacturer in China and sells almost 2 million vehicles annually, which represents a 10.8% share of the Chinese marketplace. The Group is considered one of the first companies in China to commence mass scale vehicle production as far back as 1930. Today, the Dongfeng Group has strategic ventures with world renowned automobile manufacturers such as KIA of Korea, Honda, Nissan of Japan and Peugeot of France.

A joint venture between DFM (Dongfeng Motor Group, China) and the Sokon Motor Group formed DFSK which operates six manufacturing sites within China, producing mini vans, motorcycles as weel as ATVs and shock absorbers, car spare parts and auto engines. Today, the DFSK mini truck is one of China's most sought after mini trucks.

MORRIS GARAGES

SAIC Motor - China

SAIC Motors is a state-owned automotive design and manufacturing company with its headquarters in Shanghai, China, which also has multinational operations. The company manufactures and sells passenger cars and commercial vehicles and is one of the "Big Four" state-owned Chinese automakers. The company had the largest production volume of any Chinese automaker in 2014, and manufactured more than 4.5 million vehicles during the year.

The historic MG brand continues with its rich heritage of 90 years, backed by SAIC Motors.

SAIC Motors is also ranked 103rd among the Fortune 500 for the ninth time Among its group companies, SAIC Motor Passenger Vehicle Company, Shanghai Volkswagen, Shanghai General Motors, SAIC-GM-Wuling are the passenger car producers while SAIC Motor Commercial Vehicle Company, Nanjing Auto Corporation, Sunwin and SAIC-IVECO Hongyan Commercial Vehicle Company manufacture vans, buses and trucks.

BRILLIANCE

Brilliance Auto Group

Officially known as HuaChen Group Auto Holding Co., Ltd., is a Chinese automobile manufacturer headquartered in Shenyang, Liaoning, China. The company manufactures a range of products for the automotive industry, including automobiles, microvans, and automotive components, but its principal activity is the design, development, manufacture and sale of passenger cars under the Brilliance brand.

From January 2010, the Group's operating segments were divided primarily into the manufacture and sale of minibuses and automotive components. Its commercial vehicle brands include Jinbei and Granse minibuses as well as Huasong premium MPVs. In 2003, the Group established a joint venture with BMW, BMW Brilliance Automotive Ltd., to produce BMW 3-series and 5-series sedans in China. BMW Brilliance also commenced production and sale of BMW SUVs in China in early 2012. In November 2013, BMW Brilliance launched ZINORO 1E, its first new energy vehicle in China. At the end of 2014, the BMW joint venture introduced the very first China-produced BMW new energy vehicle, the 5-series long-wheelbase plug-in hybrid model. In 2015, BMW Brilliance sold 287,073 BMW vehicles and the Group sold 58,023 minibuses. The Group is also manufactures diesel engines and gasoline engines for use in minibuses, sedans, SUVs and light duty trucks, as well as automotive components, including window mouldings, strips, axles and stamped parts.

TVS

TVS Motor Company Ltd, India (TVS)

TV Sunderam Iyengar & Sons Limited currently manufactures a wide range of two-wheelers from mopeds to racing inspired motorcycles, including popular models TVS Flame, TVS Apache, TVS Scooty, TVS Metro, TVS Streak and TVS King.

TVS Motor Company is the flagship company of the TVS Group, which is one of the largest conglomerates in India with a history of nearly a century in the automobile trade, and the third largest two-wheeler manufacturer in India, ranking among the top ten globally. It is the only automotive manufacturer to have been presented with the world's most prestigious Demming Prize for Total Quality Management. TVS earned a revenue of Rs.11,516 Cr ($1.7 billion) in 2015/2016 and has an annual sales of 2.5 million units and an annual capacity of over 3 million vehicles. The company is also the second largest exporter in India and exports to over 60 countries.

TVS TYRES

TVS Srichakra Ltd., India

Incorporated in 1982, TVS Srichakra Limited is part of the TVS Group and has an annual turnover of about US $ 8 billion. TVS is the largest supplier to all the leading two wheeler manufacturers in India including TVS, Honda, and Hero, and exports a full range of tyres to more than 70 countries. The company manufactures tyres for farm vehicles, trucks, OTR, agriculture, motorcycles and speciality uses. Its newest product range includes flotation radial off-road tyres, in addition to a select range of two-wheeler tyres.

JK Tyre and Industries Ltd., India

The Company is one of the largest four wheeler tyre and truck and bus tyre producers in India and also manyufactures, tubes and flaps. It is the market leader in truck and bus radial tyres in India, and the only tyre manufacturer with the entire range of 4 wheeler radials for trucks, buses and cars.

JK Tyre and Industries Ltd manufactures the JK tyre, which is a strong player in the "Off the Road" tyre segment and has a solid presence across India. Major clients are Indian automobile giants such as TATA, Mahindra, Maruti and Ashok Leyland. Currently, the company has nine plants – six in India and three in Mexico, and exports its tyres to over 80 countries across six continents, enjoying premium brand status in various markets including South America, USA and Africa. The combined capacity of JK Tyre and JK Tornel, Mexico, which the company acquired in 2008, stands at 20 million tyres per annum.

Bharat Petroleum Corporation Ltd., India

Bharat Petroleum Corporation Ltd., (BPCL), is a Fortune 500 company and among the largest petroleum companies in India, with significant in roads into lubricants and the LPG business as well. The company caters to the fuel requirements of over 8000 industries across the massive Indian subcontinent that includes the state and private sectors in defence, railways, transport and electricity. BPCL is a household name in India and has been growing at a phenomenal rate over the past decade.

The company also operates in the Middle East, Africa and some parts of South East Asia.

Valvoline, USA

Valvoline, a division of Ashland Inc., and started its lubricant operation in 1866. The company now serves more than 140 countries worldwide and is a leading marketer, distributor and producer of quality branded automotive and industrial products and services. Valvoline is a listed Fortune 500 company and presently operates 30 fully owned blending plants in various parts of the world, and has an established presence in USA, Brazil, Australia, New Zealand, China and India.

Products include automotive lubricants, transmission fluids, gear oils, hydraulic lubricants, automotive chemicals, specialty products, greases and cooling systems.

Valvoline also offers Eagle One car care products for automotive cleaning and maintenance and operates Valvoline Instant Oil Change, the second largest quick-lube chain in the US.

Simoniz Lubricants - UK

Simoniz earned its name for product quality over a century ago, with the unveiling of the legendary Simoniz Original Wax in 1910. The car care products company joined the Holt Lloyd family of car care products in 1998 which, formed by Douglas Holt in 1919, is one of the world's leading manufacturers of automotive care and repair products. Simoniz was a strong addition to Holt Lloyd, and the combined heritage of Holts and Simoniz create a strong partnership to drive Simoniz forward not only in the UK but across the world.

The Holt Lloyd company's products now cover areas which include vehicle interior/exterior trim, cleaning care, special maintenance, finishing protection, road emergency succour and vehicle cleaning tools.

Community

The UML Group is fully aware of its responsibility to contribute towards developing the communities in which it works and lives, so social equity is a key area of focus in the company's CSR initiatives. This, in a developing country like Sri Lanka, is the need of the hour. With this is mind, the company has introduced many innovative corporate social responsibility (CSR) programmes over the years to enhance the quality of life of its communities, by identifying and filling gaps that enable them to embrace knowledge, enhance skills, and empower themselves.

The company believes that a genuine commitment to care is integral to its overarching mission of making a difference in the lives of communities.

Engaging with the community

This year's CSR initiatives focused on ensuring a sustainable future for children and youth, and support the company's position that as the wealth of the nation, youth are a vital resource for a sustainable future, and must be developed and nurtured.

The UML Group pursued a two-pronged strategy in its delivery of Corporate Social Responsibility initiatives, by supporting the education as well as health of children in identified communities.

Education

The company presented 105 scholarships to schoolchildren from low-income families, of which close to 35 scholarships were to students of low income families in Wijayaba School, Grandpass. Many parents of these children are daily wage earners whose children's education is low on their list of priorities.

Executive Director - Finance distributing scholarships to students of Wijayaba School

The company also presented 50 scholarships to the children of airmen and officers in the Sri Lanka Air Force, who were deceased or disabled during the civil war. The company has also been awarding scholarships to 100 children of disabled soldiers in the Sri Lanka Army annually for the past several years.

UML focused on paediatric heart-care during the year for two children.

GCEO/ ED awarding scholarships at Sri Lanka Air Force

The initiative to assist 20 deserving engineering students from the University of Moratuwa, was continued for the third consecutive year.

Healthcare

Eye care camps

A number of eye camps were organised for visually- impaired children in several parts of the country, especially in the vicinities of branch offices. An eye camp was organised at the Ratmalana Navodya School at which the vision of 640 students was tested and the cost of spectacles for 28 students who needed spectacles was borne by the company. Despite being situated in a Colombo suburb, most of the students at the school are from underprivileged homes.

The company conducted another eye camp in the vicinity of its Orugodawatte workshop for over 300 children in the area, and financed the cost of 111 spectacles for needy children.

UML's Matara and Ratnapura branches also held eye testing camps. About 110 children who complained of visual impairments were tested in Matara, and the company provided 41 pairs of spectacles for students from poverty-stricken homes. The eye camp conducted at the company's Ratnapura branch was attended by over 120 students, of which 64 needy children diagnosed with poor eyesight were provided with spectacles by the company.

Overall, the vision of 782 children around the country were tested, of which six children were diagnosed as needing special attention and 244 children were provided with spectacles.

The heart of caring

The company focused on paediatric heart- care during the year, and financed two children from impoverished homes to undergo surgery for congenital heart disease in India.

According to the Children's Heart Project of Sri Lanka, congenital heart disease is a major killer of children under five years of age. Of every 1000 babies born around the world, six to eight new-borns suffer from a congenital heart disease. In Sri Lanka alone, an estimated 2,500 to 3,000 children are born with a congenital heart condition every year, most of whom will need either surgical or catheter- based treatment within the first year of their lives. Surgery is expensive – between Rs. 400,000 and Rs. 700,000 in a private hospital - and therefore beyond the reach of the poor. Although available free of charge in a number of government hospitals, many of the diagnosed children are unable to receive treatment on time and die while still young, because of a long waiting list at these hospitals. For instance, the Lady Ridgeway Hospital for Children performs about 650 catheter- based interventions and 900 cardiac surgeries every year, and still has a waiting list of several thousands.

Identifying this gap in the country's healthcare services, United Motors Lanka PLC., reached out to help under privileged children of Sri Lanka in need of this specialised heart surgery. Two children identified as being the most deserving were selected. A six year old girl from Vavuniya who had not been able to attend school because of her illness, is now recovered completely after the surgery and is now in school. Another four-year-old suffering from congenital heart disease was also treated, and now leads a healthy life.

Enhancing the quality of life of children in communities by giving them the advantage of good health and a solid education, adds value to the company's sustainability scorecard.

Handing over of air tickets by GCEO/ED

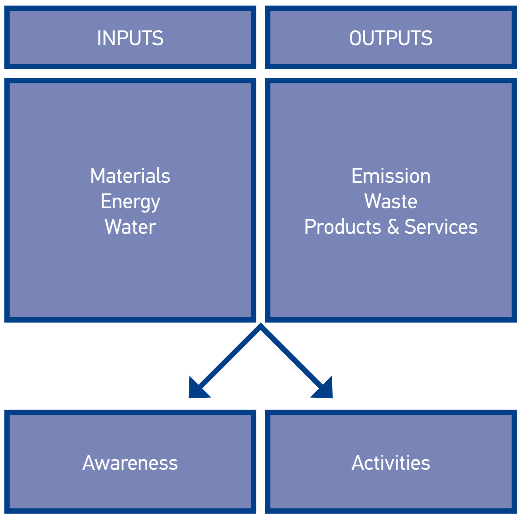
Environment

The corporate approach

The UML Group is fully aware of its responsibility to mitigate the environmental impacts of its business operations, and has taken several measures to conform to the principles of environmental stewardship while continuing to run a profitable business.

The Company has over the years, invested in environmentally friendly products, processes and initiated eco-friendly practices that have minimized the environmental impacts of our operations.

The framework used to take forward the Company's mission of building a sustainable business supports, actions for conserving the environment and reducing environmental impact through careful monitoring of our inputs and outputs.



Increasing awareness among stakeholders

The Company continued the rollout of its environment management initiative into 2015/16 and fast-tracked its commitment to sustaining the environment by external campaigns and initiating internal campaigns to raise employee awareness and obtain employee support to take the green initiative forward.

SMS and e-mail campaigns on environmental protection tips titled "eco tip of the day" carried out at regular intervals, focused on the 3R concept of reduce, re-use and recycle to inculcate a culture of environment consciousness within the organisation.

Environment-friendly initiatives featured on special green notice boards at all locations including the branches were regularly updated by providing information and tips to continuously increase employee awareness of the importance of maintaining a green environment.

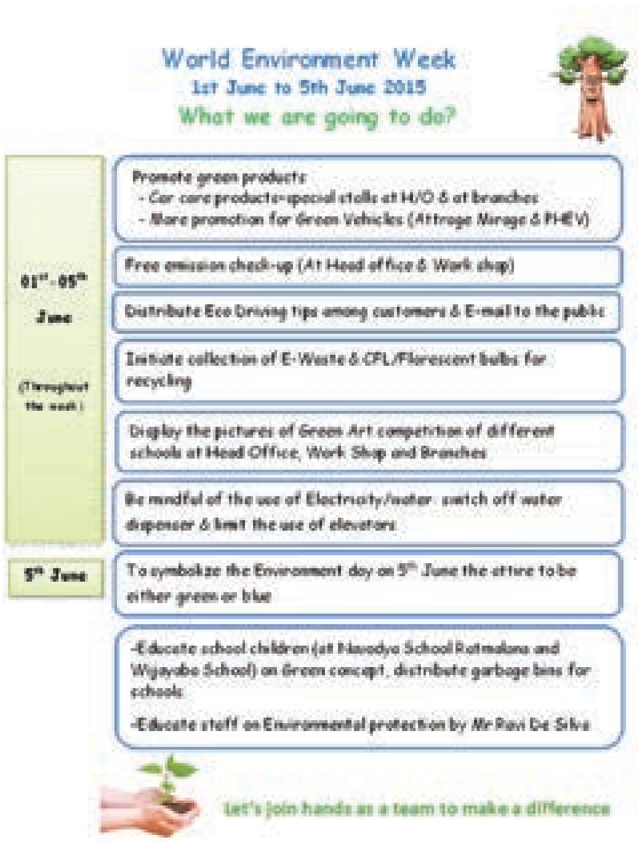
The need to build a sustainable business was disseminated through digital and social media as well as by traditional advertising.

Face book campaign on International Forest Day

Knowledge sharing sessions and training on the environmental management system and on the 7R concept of reject, reduce, reuse, reclaim, replace, repair and recycle were carried out by an eminent environmental specialist. Selected staff members were trained externally in effective environmental foot printing workshop.

Green notice board displayed at Head office

The need to build a sustainable business was disseminated through digital and social media as well as by traditional advertising. Posters and green initiatives were shared on the Company's facebook page and stakeholders were invited to suggest in such green ideas.



Face book campaign on ecofriendly PHEV

Initiatives to engage the stakeholders

The 'let's go green' campaign was intensified, and several initiatives were introduced during 2015/2016, which culminated in the environment programme introduced to mark world environment week from 1st to 5th June 2015.

Stakeholders were also made part of the company's green initiatives and several activities were carried out to gain their participation and support.

The eco-driving tips were distributed to visiting customers and also circulated to external customers by direct mailers.

The Company continued to print calendars and note books with messages on the importance of environmental conservation on environmental friendly materials.

Green boards with environmental messages educating the public were installed at strategic locations in Colombo and at the branches. In addition to the messages, we also planted several trees in the vicinity of Kandy railway station.

Green art competitions on the theme, 'environmental protection' were held at schools in Matara and Ratnapura with the participation of more than 200 school children.

The children of eight schools in Colombo and outstations were educated on the importance of separating garbage into degradable and non-degradable items. We distributed garbage bins to such schools in support of their conscious effort to reduce the negative impact of their actions on the environment. In addition, green messages on environmental protection were also distributed to such schools.

Free emission test at our workshop to mark the world environment week

Valvoline & Eagle one green products displayed at Race Course

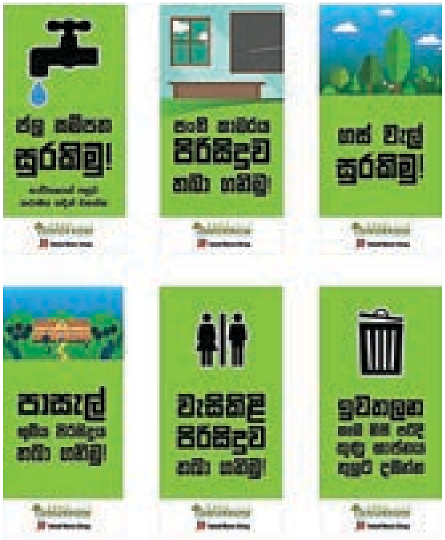
Students participating in green art competition

Planting trees in front of Kandy railway station

Green message at Green Path centre island

Green message in front of Town Hall

Distribution of bins at Jinaraja School Kandy



Green messages distributed to schools

Activities to create a greener work place

Managing energy

We understand that energy resources are limited, and using energy efficiently is of paramount importance .Energy consumption is carefully monitored at all locations and many initiatives were taken to save energy throughout our business.

Conserving electricity throughout our operation is a key energy initiative of the Company. Lighting systems were examined and changes were made wherever required to reduce consumption of electricity. Energy saving settings were installed on computers and laptops by the Company's IT division, to reduce electricity usage. Notices were also placed at prominent places reminding staff of ways to reduce electricity consumption.

The electrical equipments and air conditioning units were replaced where necessary. Transparent roofing sheets were also introduced in certain sections of the workshop to increase natural lighting and reduce the energy used for artificial lighting.

Managing waste

We realize the environmental, economic, and health consequences of waste material, and look at reducing waste generated from our offices and workshops, while identifying opportunities for using resources more efficiently which will result in reducing costs and benefiting communities. The Company's sustainable materials strategy focuses on increasing the use of recycled and renewable materials and decreasing or eliminating undesirable materials.

One of the main consumable is paper and conscious efforts were made to reduce the amount of paper used in our operations. The Company now uses a high proportion of post-consumer recycled paper, advises staff to use of both sides of a sheet of paper when printing, and to print documents only when absolutely necessary. Paper management is carried out according to the 3R concept of reduce-reuse-recycle and used papers are always given for recycling by third parties.

We have also introduced a system for collecting and recycling large quantities of cardboard used in packaging vehicle spare parts shipped from overseas. Through an agreement with a specialized service provider, we ensure safe disposal of burnt oil, used oil filters and other used components from vehicles serviced at our workshop.

The company has developed a series of tools and processes to manage environmental issues that may arise from its workshop operations, and carefully manages energy use, water use, as well as waste generation and disposal. In recognition that water is a critical and fast depleting resource, used water is recycled for other uses such as for gardening purposes.

Greening our products

The Company supports its principals in developing new approaches to the manufacture of automobiles, spare parts and accessories that will reduce the carbon footprint and environmental impacts of transportation into the future.

New and innovative eco-friendly vehicles as well as vehicle accessories were introduced to the Sri Lankan market over the past two years, which continue to deliver benefits to our environment, and minimise the impact of our products on the planet.

The Mitsubishi Attrage introduced to the country the previous years have eco-friendly features that include high fuel efficiency which results in reduced burning of fossil fuels, and have certain components manufactured from recycled/eco-friendly material.

The Mitsubishi Outlander PHEV (Plug-in Hybrid Electric Vehicle) the world's first Japanese PHEV-SUV can be charged using household electricity. The SUV works simultaneously as a petrol hybrid, and has a silent engine with very low emission levels and an aerodynamic design.

The Perodua Axia, Malaysia's first energy efficient vehicle (EEV), was launched by UML's fully owned subsidiary, Unimo Enterprises Ltd. The Perodua Axia promises an eco-friendly drive and has a quiet, cleaner and has low emission 1000cc engine.

The Company is also a distributor for Valvoline Nextgen, engine oils that are both technically advanced and environmentally sound, which uses 50% re-refined base stock from recycled resources, and delivers the same protection and performance of other Valvoline lubricants but has a much lower environmental impact.

Yokohama's BluEarth tyre designed for passenger cars, considered environmentally friendly and enhance fuel efficiency by adopting a low heat generating compound that suppresses heat generation in the tyre, and reduce rolling resistance by curbing heat generation and energy loss.

The Mitsubishi Outlander PHEV (Plug-in Hybrid Electric Vehicle) the world's first Japanese PHEV-SUV can be charged using household electricity.

Way forward

As a responsible corporate citizen, the Company is committed to continue to improve its environmental performance and use all natural capital sustainably. Plans are on board to strengthen and continue with the initiatives taken this year to reduce our carbon footprint by monitoring energy consumption and promoting eco-friendly products.

These many sustainable initiatives underscore the UML Group's commitment to operating a sustainable business and endorse its reputation as an ethical and responsible corporate citizen who leads by example.

Corporate Governance

The Chairman's Statement on Corporate Governance

"Over the years, UML has focused on developing a strong corporate governance foundation to create and maintain a sustainable business model and also to develop a trusted relationship with our stakeholders."

Dear Stakeholders,

Over the years, UML has focused on developing a strong corporate governance foundation to create and maintain a sustainable business model and also to develop a trusted relationship with our stakeholders. It is this governance mindset which has enabled the Group to continuously create value for all our stakeholders notwithstanding the external environment and macro conditions. The Board has set the governance framework based on the core values of the Company across all our business processes bringing in transparency and accountability.

The Board sets the tone for good Corporate Governance at the top, by promoting professional standards through Charters of the Board and Board Sub Committees, which sets out the main duties and responsibilities of the Board and the Board Sub Committees. Code of Conduct and Ethics provides guidance on the core values and guiding principles of the Company.

The report that follows demonstrates the governance framework of the Company and how it has complied with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the section 7.10 of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange.

As required by the Code of Best Practice on Corporate Governance, I hereby confirm that, I am not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by Directors or any Key Management Personnel of the Company.

Sunil G. Wijesinha
Chairman

30 May 2016.

How We Govern

Corporate governance is the system by which a Company is directed, controlled and managed. It guides the Board and all levels of employees in the conduct of business on a day to day basis. We believe that good governance is essential for the creation of long term shareholder value.

The Board of Directors, led by the Chairman is responsible for the governance of the Group and ensuring that governance structures, policies and processes are sufficiently robust and relevant in a fast changing environment.

The Board sets the tone at the top by promoting professional standards and corporate values that cascade to senior management and other employees of the Group. The code of conduct, policies, procedures and processes are some of the key mechanisms through which these standards and values are cascaded down to ensure adherence across the Group.

Governance Structure

The Board of Directors (the Board) along with the Chairman is the apex body responsible and accountable for the stewardship function of the Company. The Directors are collectively responsible for upholding and ensuring the highest standards of corporate governance and inculcating ethics and integrity across the Company.

The Board has delegated some of its functions to Board Committees, enabling the committee members to focus on their delegated areas of responsibility and impart knowledge and experience in areas where they have greater expertise, while retaining final decision rights pertaining to matters under the purview of these committees.

Good Governance is essential for the creation of long term shareholder value.

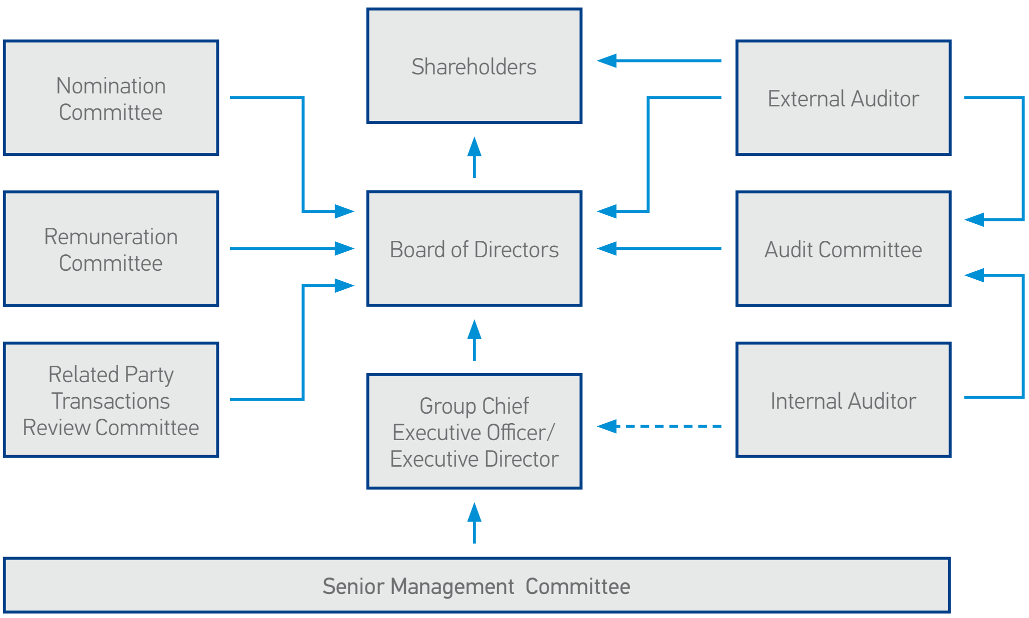
The Company has four Board Sub-Committees;

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Related Party Transactions (RPT) Review Committee

Details of Board Sub-Committees are detailed in the Sub-Committee reports.

Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency and to expedite the decision making, through a committee structure ensuring that Group Chief Executive Officer/ Executive Director, Executive Director- (Finance), Executive Director – (After Sales) and other divisional heads are accountable for the total Company, division respectively

The Senior Management Committee under the leadership and direction of the Group Chief Executive Officer/Executive Director, implements the policies and strategies determined by the Board and manages through delegation and empowerment business affairs of the Company.



Code of Best Practice on Corporate Governance (issued jointly by the CA Sri Lanka & SEC)

The Company				Shareholders		
Directors	Directors' Remuneration	Relations with Shareholders	Accountability & Audit	Institutional Investors	Other Investors	Sustainability
11 Principles	**3 Principles**	**3 Principles**	**5 Principles**	**2 Principles**	**2 Principles**	

Governance framework

In setting the governance framework for the Group, the Board takes into account, Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission and also the rules and listing regulations of the Colombo Stock Exchange and best practices to deliver value to our stakeholders in a clear and transparent manner.

The corporate governance framework of the Group comprise of the following;

- Articles of Association
- Terms of reference of Board Sub-Committee
- Code of Ethics
- Policies and procedures
- Organisation structure
- Risk management framework

The above is drafted in line with;

- Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission, which seeks to address all rights of key stakeholders.
- Continuing listing rules of the Colombo Stock Exchange which addresses the rights of the investors.
- Companies Act No.07 of 2007, which includes provisions for preserving the rights of the shareholders.
- Inland Revenue Act No. 10 of 2006 and amendments thereto and other Acts which are applicable for regulatory bodies.
- Shop and Office and Wages Board Acts, Gratuity Act and Termination of Employment of Workmen Act which addresses the rights of employees and responsibilities of employers.

This report summarizes how the Group is governed. We have used the structure of the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission to detail the governance structures and processes.

Compliance

The disclosures below reflect level of conformance with the above Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission which comprises of seven fundamental aspects namely:

A. Directors
B. Directors' remuneration
C. Relations with shareholders
D. Accountability and audit
E. Institutional investors
F. Other investors
G. Sustainability reporting

Corporate governance principles	Code reference	Compliance status	Details of compliance
A. Directors			
A.1. Board			
All Directors possess the skills, experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Group.			
Board meetings	A.1.1	Complied	The involvement and commitment of the Directors is evidenced by regular board meetings. As a practice, the Company holds monthly board meetings, at which the Company's performance and the business strategies are reviewed and discussed. Further, the parent company board reviews the financial performance and the business strategies of all subsidiaries and jointly controlled entities every month and heads of those companies, present the quarterly performance to the Board. A formal agenda is prepared for all board meetings by the Company Secretary in consultation with the Group Chief Executive Officer/ Executive Director and the Chairman. Agenda and papers for the meeting are circulated with sufficient notice. The Board met 18 times during the year and the attendance at Board Meetings is set out on page 99.
Board responsibilities	A.1.2	Complied	The Board has provided strategic direction to the development of short, medium and long term strategies which are aimed at long term sustainability of the Group. Board evaluates the progress on strategy implementation at board meetings. The Board continuously monitors the stakeholder expectations and this is the starting point for strategy formation. The Board has put in place a senior management committee led by the Group Chief Executive Officer/ Executive Director who has the required skills, experience and the knowledge necessary to implement the business strategies of the Company. The Board recognizes its responsibility for the Group's internal controls system and for reviewing its effectiveness on a continuous basis. Audit Committee has been specifically assigned to carry out this task. These systems manage the risk of the Company's business and ensure that the financial information on which decisions are made and published is reliable and also ensures that Company's assets are safeguarded. The Board ensures that procedures and processes are in place to ensure that the Company complies with applicable laws and regulations. The Board evaluates and approves all investment proposals and the restructuring plans for existing businesses. The Board also reviews budgets and monitor performance of the individual business units against the budget on a monthly basis.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Compliance with laws and access to independent professional advice	A.1.3	Complied	The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with the laws and regulations through a comprehensive statutory compliance checklist signed off by the relevant management and checked by the internal audit on a monthly basis. A summary of the non-compliance is presented at monthly board meetings. The Company has complied with all applicable laws and regulations during the year. The Board members seek independent professional advice from third parties whenever deemed necessary, at Company's expense.
Board Secretary	A.1.4	Complied	The Company Secretary provides support to the board ensuring that Directors receive timely and accurate information required to fulfill their roles. She attends all meetings and ensures that minutes are kept for all proceedings at the Board meetings and provide the Board with support and advice relating to corporate governance matters, board procedures and applicable laws and regulations.
Independent judgment	A.1.5	Complied	Non- Executive Directors are responsible for bringing independent and objective judgment and scrutinize the recommendations/ proposals made by the Senior Management Committee led by Group Chief Executive Officer/ Executive Director on issues of strategy, performance, resource utilization and business conduct.
Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Complied	The Chairman and members of the Board have dedicated adequate time for the fulfillment of their duties as Directors of the Company. All Directors are provided with notice, agenda and board papers in advance of each meeting. Whenever necessary, matters are also referred to them by circulars. Additionally, the Board members have meetings and discussions with management as and when required.
Training for Directors	A.1.7	Complied	The Board of Directors recognises the need for continuous training and expansion of knowledge in carrying out their duties as Directors. The Directors are regularly updated by the Group Chief Executive Officer/ Executive Director on relevant information regarding internal and external environment. Directors also attend forums/seminars where relevant topics are discussed.
A.2 Chairman and Chief Executive Officer			
There should be a clear division of responsibilities between the Chairman and Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers in decision making.			
Division of responsibilities of Chairman and Chief Executive Officer/Executive Director	A.2.1	Complied	The functions of the Chairman and the Group Chief Executive Officer/ Executive Director are clearly segregated. The Chairman holds office in a non-executive capacity with a clear division of responsibility at the most senior level of the Company. The Chairman is responsible for leading and the effective functioning of the Board. The Group Chief Executive Officer / Executive Director is responsible for managing the business and implementing the strategies of the Company within the policy framework formulated by the Board and monitors its progress. This ensures balance of power and authority in strategic and operational decisions.

Corporate governance principles	Code reference	Compliance status	Details of compliance
A.3 Chairman's role			
The Chairman should lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully, preserves order and facilitates the effective functioning of the Board.			
Role of the Chairman	A.3.1	Complied	The role of the Chairman is clearly to run the Board effectively, maintain right balance within the Board, guide the Group Chief Executive Officer/ Executive Director to ensure that the Company is on the right track .The Chairman ensures the optimum contribution of all the Directors in discussions where decisions are needed on matters of strategy and risk etc. Their individual views and concerns are objectively assessed prior to making key decisions. Information is presented to the Board via board papers and the Chairman ensures such information is adequate for decision making. Also ensures regular meetings are held, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors.
A.4 Financial acumen			
The Board should ensure the availability of sufficient financial acumen and knowledge to offer guidance on matters of finance.			
Availability of sufficient financial acumen and knowledge	A.4	Complied	All Directors possess financial acumen and knowledge through experience gained from leading public and private enterprises coupled with their academic and professional background. Three senior Chartered/ Management Accountants are in the Board who possess the necessary knowledge and competence to guide and advice on matters relating to finance.
A.5 Board Balance			
There should be balance of Executive and Non-Executive Directors so that no individual or small group of individuals can dominate the Board's decision-making.			
Presence of Non-Executive Directors	A.5.1	Complied	The Board comprises of nine Directors of whom six including the Chairman hold office in a Non-Executive capacity. The requirement of the Code has been complied with during the financial year.
Independent Director	A.5.2	Complied	Out of six Non- Executive Directors five Directors are independent.
Criteria to evaluate independence of the Non-Executive Directors	A 5.3	Complied	The Board evaluates Non-Executive Director's independence on an annual basis as per the set criteria.
Signed declaration of independence by the Non-Executive Directors	A.5.4	Complied	All Non-Executive Directors of the Company have made written submissions as to their independence in line with the requirements of Schedule J of the Code.
Determination of independence of the Directors by the Board	A.5.5	Complied	The Board has determined the independence or non-independence of all Non-Executive Directors based on their declaration and their information available to the Board. Based on the criteria specified in listing regulations 7.10.3, the Board determined that Mr. A. W. Atukorala who has served the Board for continuously more than nine years is independent. Accordingly, all Non- Executive Directors except for Mrs. A. H. Fernando are independent as per the specified criteria.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Alternate Director	A.5.6	Not applicable	No alternate Directors.
Senior Independent Director	A.5.7	Not applicable	Requirement to appoint Senior Independent Director does not arise.
Confidential discussion with the Senior Independent Directors	A.5.8	Not applicable	As above.
Meeting of Non-Executive Directors	A.5.9	Complied	Chairman where necessary holds meeting with Non-Executive Directors. One such meeting was held during the year under review.
Recording of concerns in Board minutes	A.5.10	Complied	The Company Secretary records all matters discussed and decisions taken, unresolved matters and details required by the Board for further clarification and submits the required details for next Board meeting for effective decision making.
A.6 Supply of information			
Management should provide time bound information in a form and of quality appropriate to enable the Board to discharge its duties.			
Information to the Board by the management	A.6.1	Complied	The Directors are provided with a comprehensive package of information for the regular board meetings which is circulated in advance of scheduled meetings. These include an executive summary with detailed analysis of financial and non-financial information. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings.
Adequate time for effective board meetings	A.6.2	Complied	Board papers are generally sent a week before the meeting giving adequate time for Directors.
A.7 Appointments to the Board			
A formal and transparent procedure should be followed for the appointment of new Directors to the Board			
Nomination Committee Terms of Reference for Nomination Committee Duties of Nomination Committee	A.7.1	Complied	The report of Nomination Committee is given on page 104. The Nomination Committee recommends all new appointments to the Board. There was no change in the Board members during the year under review. Terms of reference for Nomination Committee is in place. Terms of reference address duties of the Nomination Committee.
Assessment of Board composition by the Nomination Committee	A.7.2	Complied	The Nomination Committee carries out continuous review of the structure, size and composition (including skills, knowledge and experience) of the Board.
Disclosure of details of new Directors to shareholders	A.7.3	Complied	There were no new appointments to the Board during the year under review. Details of new Directors are disclosed to the shareholders through an announcement of CSE at the time of their appointment as well as in the annual report.

Corporate governance principles	Code reference	Compliance status	Details of compliance
A.8 Re-election			
All Directors should submit themselves for re-election at regular intervals and at least once in every three years, and all Non-Executive Directors should be appointed for a specific term and subject to re-election.			
Appointment of Non-Executive Directors	A.8.1	Complied	According to the Company's Articles of Association, at every AGM, one third of Non-Executive Directors excluding the Chairman shall retire from office each year. However, keeping in line with Code of Best Practice of Corporate Governance, the Chairman also seeks re-election on rotation. Accordingly, the directors who shall seek re-election at this year's AGM have been indicated in the notice of the meeting on page 195.
Election of the Directors by the shareholders.	A.8.2	Complied	As above.
A.9 Appraisal of Board performance			
The Board should periodically appraise its own performance against the preset targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
Appraisal of Board Performance	A.9.1	Complied	There is a formal process for appraisal of Board performance. The appraisals are carried out through a structured questionnaire which is in four separate parts addressing the following; • Overall collective performance of the Board • Evaluation of the performance of the Chairman • Self-evaluation by each Director • Evaluation of Non-Executive Directors An evaluation of Audit Committee was carried out during the year under review.
Annual self-evaluation of the Board and its Committees	A.9.2	Complied for the Board and Audit Committee	
Disclosure of the method of appraisal of Board and Board Sub Committee performance.	A.9.3	Complied	
A.10 Disclosure of information in respect of Directors			
Details in respect of each Director should be disclosed in the annual report for the benefit of the shareholders.			
Details in respect of Directors	A.10.1	Complied	Brief profiles of the Directors are given in the annual report on pages 24 to 27. Directors' attendance at Board committees is disclosed in the annual report on page 99. The total number of Board positions (excluding directorship in UML) held by each Director is given on page 99.

Corporate governance principles	Code reference	Compliance status	Details of compliance
A.11 Appraisal of Chief Executive Officer			
The Board of Directors should at least annually assess the performance of the Chief Executive Officer.			
Targets of Chief Executive Officer /Executive Director	A.11.1	Complied	An annual evaluation of the performance of the Group Chief Executive Officer /Executive Director was carried out by Remuneration Committee against pre-agreed targets and goals.
Evaluation of the performance of the Chief Executive Officer / Executive Director	A.11.2		
B. Directors' remuneration			
B.1 Remuneration procedure			
Company should establish a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Directors should be involved in deciding his/her own remuneration.			
Remuneration Committee	B.1.1	Complied	The Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Directors and staff.
Composition of the Remuneration Committee	B.1.2 & B.1.3	Complied	All members of the Remuneration Committee are Non-Executive Directors. Details of the remuneration committee are given in the Remuneration report on pages 102 and 103.
Remuneration of Non-Executive Directors	B.1.4	Complied	The Board as a whole decides the remuneration of the Non-Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and Board Sub-Committee.
Consultation of the Chairman and access to professional advice.	B.1.5	Complied	Input of the Chairman is obtained as the Chairman of the said Sub Committee. External professional advice is sought on a need basis.
B.2 The level and make up of remuneration			
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the company successfully. A proportion of Executive Directors remuneration should be structured to link rewards to corporate and individual performance.			
Level and makeup of the remuneration Chief Executive Officer /Executive Director	B.2.1	Complied	The remuneration scheme for Executive Directors is structured to align rewards to their individual performance and the achievement of corporate targets.
Comparison of remuneration with other companies	B.2.2	Complied	Salaries surveys are carried out at request to identify the salary levels of other companies for decision making.
Comparison of remuneration with other companies and the Group.	B.2.3	Complied	When deciding annual increments, achievements against set targets, salary levels of other similar companies and companies within the group are considered.
Performance related payments to Group Chief Executive officer / Executive Director	B.2.4	Complied	Group Chief Executive Officer/ Executive Director's remuneration and incentives are based on achievement of preset targets.
Executive share options	B.2.5	Not applicable	The Company does not have share option schemes for Executives.
Provisions of schedule E in deciding the Executive Directors remuneration	B.2.6	Complied	Provisions set of in Schedule E of the Code is followed in deciding the remuneration of Executive Directors.
Early termination of Directors	B.2.7	Not applicable	Only applicable to the Executive Directors and terms of employment is governed by the contract of service.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Early termination not included in the initial contract	B.2.8	N/A	As above.
Remuneration of Non-Executive Directors	B.2.9	Complied	Non-Executive Directors fee are based on the time commitment and responsibilities of their role taking into consideration prevailing market rates.
B.3 Disclosure of remuneration			
The Company's Annual Report should contain a statement on remuneration policy and details of remuneration of the Board as a whole.			
Disclosure of remuneration	B.3.1	Complied	Details are given in Remuneration Committee Report given on pages 102 and 103. The remuneration paid to Board of Directors is disclosed in aggregate in Note 13 to the financial statements.
C. Relationships with shareholders			
C.1 Constructive use of the AGM and conduct of General Meetings			
Board should use the AGM to communicate with shareholders and should encourage their participation.			
Use of Proxy votes	C.1.1	Complied	The Company records all proxy votes and proxy votes and lodged for each resolution.
Separate resolution for all Separate issues	C.1.2	Complied	Separate resolutions for each item are proposed giving the opportunity to vote on each matter separately.
Availability of all Board Sub Committee Chairman at the AGM.	C.1.3	Complied	At each AGM, the Board presents a business review to all shareholders who request for clarifications. Further, the Company ensures the availability of Chairman/Chairperson of Sub-Committees to answer questions at the AGM.
Adequate notice of the AGM	C.1.4	Complied	In terms of the provisions of the Companies Act, notice of meeting is circulated fifteen working days prior to the AGM.
Procedures of voting at general meetings	C.1.5	Complied	A copy of the Annual Report is dispatched together with the notice of meeting. A summary of the procedures governing voting is indicated in the proxy form.
C.2. Communication with shareholders			
The Board should implement effective communication with shareholders.			
Channel to reach all shareholders of the company	C.2.1	Complied	The primary modes of communication between the Company and the shareholders are the annual report and AGM. Copies of annual report, interim reports, stock exchange announcements etc. are posted on the Company's website.
Policy and methodology for communication with shareholders	C.2.2	Complied	The Company focuses on open communication and fair disclosures with emphasis on the integrity, timeliness and relevance of the information provided.
Implementation of the policy and methodology for communication with shareholders	C.2.3	Complied	Shareholder communication policy is in place.

Corporate Governance (contd.)

Corporate governance principles	Code reference	Compliance status	Details of compliance
Contact person in relation to shareholders matters	C.2.4 C.2.6	Complied	Shareholders may, at any time, direct questions, request for publicly available information and provide suggestions to Directors or management of the Company. Such questions, requests and suggestions should be addressed to the Company Secretary.
Process to make all Directors aware of major issues and concerns of shareholders	C.2.5	Complied	The Company Secretary maintains records of all correspondence received and will deliver as soon as practical such correspondence to the Board or individual Director/s as applicable and the Board or individual director/s will respond to the shareholders and will direct the Company Secretary to send the response to the shareholder.
The process responding to shareholder matters	C.2.7	Complied	Refer above.
C.3 Major and material transactions			
As per the requirement of the Companies Act, Directors should disclose to shareholders, all proposed material transactions which would materially alter/vary the Company/Group's net asset base.			
Major and material transactions	C.3	Complied	In terms of listing rules pertaining to immediate disclosures, the Company always notifies the Colombo Stock Exchange about the relevant transactions as soon as they are approved by the Board of Directors in order to ensure dissemination to the public.
Major transactions	C.3.1	N/a	No major transactions took place during the year which materially affected the net assets.
D. Accountability and Audit			
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
Statutory and regulatory reporting	D.1.1	Complied	In the preparation of quarterly and annual financial statements UML has complied with the requirements of Companies Act No 07 of 2007, Sri Lanka Accounting Standards, reporting requirements prescribed by the regulatory authorities.
Directors report in the annual report	D.1.2	Complied	The annual report of the Board of Directors on the affairs of the Company is given on pages 112 to 118 covers all disclosure requirements.
Statement of Directors and Auditor's responsibility for the financial statements	D.1.3	Complied	Statement of Directors' responsibility for financial reporting is given on pages 121 and 122. The Directors' statement on internal controls is given on page 123. Auditors' responsibility on financial statements is given on page 125.
Management discussions and analysis	D.1.4	Complied	Management review includes group overview, operational review and financial review. The management discussion and analysis is given on pages 34 to 52.
Declaration by the Board that the business is a going concern	D.1.5	Complied	This declaration is made in the "Annual Report of the Board of Directors on the affairs of the Company" on page 114.
Summoning an EGM to notify serious loss of capital	D.1.6	Not applicable	No serious loss of capital and no EGM summoned during the year under review.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Related party transactions	D.1.7	Complied	Process for identifying, recording and disclosure of related party transactions are in place. All related party transactions as defined in Sri Lanka Accounting Standard 24-Related party transactions is disclosed in note 39 to the financial statements. A related party transactions review subcommittee is in place. Refer Report of the related party transactions review committee on page 105.
D.2 Internal controls			
The Board should maintain a sound system of internal controls and a process for risk management to safeguard shareholders' investments and the Company's assets.			
Internal controls	D.2	Complied.	The Company's prevailing internal control systems are reviewed by the internal audit division and periodical reports are submitted to the Audit Committee.
Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	D.2.1	Complied	Details are given in Directors' statement on internal controls given on page 123.
Internal audit function	D.2.2	Complied	UML has its in-house internal audit function.
Review of the process and effectiveness of risk management and internal controls	D.2.3	Complied	The internal audit division of the Company carries out regular review on risk management and internal controls including controls over financial reporting which is reviewed and monitored by the Audit Committee.
Responsibilities of Directors in maintaining a sound system of internal controls	D.2.4	Complied	The Directors' responsibility for maintaining a sound system of internal controls is given in Directors' statement on internal controls on page 123.
D.3 Audit Committee			
The Board should establish formal and transparent arrangements in selecting and applying accounting policies, financial reporting and internal controls principles and maintains an appropriate relationship with the Company's external auditors.			
Composition of the Audit Committee	D.3.1	Complied	Audit Committee Chairman and other two members are Non-Executive Directors. The details of the composition of the Audit Committee is given on page 100.
Review of objectivity of the external auditor	D.3.2	Complied	The Audit Committee monitors and reviews the external auditor's independence, objectivity and the effectiveness of the audit process taking into account relevant professional and regulatory requirements. The Audit Committee is responsible for making recommendations on the appointment, reappointment and or removal of the external auditors' in-line with professional standards and regulatory requirements.
Terms of reference of the Audit Committee	D.3.3	Complied	The Audit Committee is guided by the committee charter which sets out the responsibilities of the committee. Details of the Audit Committee are given in the Audit Committee Report on pages 100 and 101.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Disclosures of Audit Committee	D.3.4	Complied	The names of the members of the Audit Committee are given in the Audit Committee Report on page 100. In order to safeguard the objectivity and independence of the external auditor, the Audit Committee reviewed the nature and scope taking into account of the regulations and guidelines stated in Section D.3.2.
D.4 Code of Business Conduct & Ethics			
The Company should develop a Code of Business Conduct and ethics for Directors and members of the senior management committee.			
Code of Business Conduct and Ethics	D.4.1	Complied	A Code of Business Conduct & Ethics is in place which addresses conflict of interest and outside activities, privacy/ confidentiality, gifts and entertainment, personal investments, know your customers, anti-money laundering, accuracy of company records and reporting, protecting UML group's assets, workplace responsibilities, raising ethical issues, responsibilities of superiors and managers, compliance with laws, rules and regulations, key irregularities and disciplinary procedures. Further, Code specifically addresses share trading policy, whistle blowing policy, conflict of interest and confidentiality policy.
Affirmation by the Chairman that there is no violation of the Code of Conduct & Ethics	D.4.2	Complied	The Board is not aware of any material violations of any of the provisions of the Code of Business Conduct and Ethics by any Director or Senior Management of the Company.
D.5 Corporate governance disclosures			
The Company should disclose the extent of adoption of best practice in corporate governance			
Disclosure of corporate governance practices	D.5.1	Complied	The Annual Report deals with the extent to which Company has complied with the requirements of the Code of Best Practices on Corporate Governance issued by SEC and CA Sri Lanka and compliance with regulations of the section 7.10 of the listing rules of Colombo Stock Exchange.
E. Institutional investors			
E.1 Shareholder voting			
Institutional shareholders are responsible to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.			
Dialogue with Institutional shareholders	E.1.1	Complied	The Company's performance is well communicated to the shareholders at the AGM. All other formal and informal suggestions and views of shareholders are conveyed to the Board.
E.2 Evaluation of governance initiatives			
When evaluating companies' governance arrangements, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention			
Evaluation of governance initiatives	E.2	Complied	Institutional investors are encouraged to provide any feedback on the governance related issues.

Corporate governance principles	Code reference	Compliance status	Details of compliance
F. Other investors			
F.1 Investing/ divesting decision			
Investing/ divesting decisions	F.1	Complied	The Company's Annual Report provides adequate information to shareholders to make judgments or to seek clarifications on their investment decisions.
F.2 Shareholder voting			
Individual shareholder voting	F.2	Complied	Notice of meeting is sent to all shareholders on time to encourage their participation at the Annual General Meeting and exercise their voting rights. In case of appointing proxy, the proxy form and instructions are given in the annual report.
G. Sustainability reporting			
Principles of sustainability reporting	G.1	To be complied in future.	Although the engagement with different stakeholders is disclosed in the sustainability report on pages 54 to 81 a Sustainability Reporting Framework has not been applied in preparing this annual report.
Economic sustainability	G.1.1		
The environment	G.1.2		
Labour practices	G.1.3		
Society	G.1.4		
Product and service responsibility	G.1.5		
Stakeholder identification engagement and effective communication	G.1.6		
Sustainable reporting and disclosure	G.1.7		

Status of compliance with the Listing Regulations of Colombo Stock Exchange

CSE Rule		Compliance Status	Details of Compliance
7.10	**Compliance**		
a. / b. /c.	Compliance with the corporate governance rules	Complied	The Group is in compliance with the corporate governance rules.
7.10.1	**Non-Executive Directors**		
a. / b. /c.	At least 2 members or 1/3 of the Board whichever is higher should be Non-Executive Directors.	Complied	Six out of nine Board members are Non-Executive Directors.
7.10.2	**Independent Directors**		
a.	2 or 1/3 of Non-Executive Directors whichever is higher shall be 'independent'.	Complied	Out of six Non-Executive Directors, five are independent.
b.	Each Non-Executive Directors to submit a signed and dated declaration of his/her independence /non –independence.	Complied	Non-Executive Directors have submitted declarations as to their independence.
7.10.3	**Disclosures relating to Directors**		
a. / b.	Board shall annually determine the independence or otherwise of Non-Executive Directors.	Complied	The Board considers Non-Executive Director's independence on an annual basis.
c.	A brief resume of each Director should be included in the annual report including the director's experience.	Complied	Refer Board of Directors on pages 24 to 27.
d.	Provide a resume of new Directors appointed to the Board along with details.	Complied	No new directors were appointed during the year under review. When appointed, detailed resume of the new Directors are submitted to the Colombo Stock Exchange.
7.10.4	**Criteria for defining independence**		
a. to h.	Requirements for meeting the criteria to be an independent director	Complied	Requirement specified are considered in deciding the independence.
7.10.5	**Remuneration Committee**		
a.1	Remuneration Committee shall comprise of Non- Executive Directors and majority should be independent.	Complied	Remuneration Committee consists of five Non-Executive Directors out of which four are independent.
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	Board Chairman is the Chairman of the Remuneration Committee who is a Non-Executive Director.
b.	Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Remuneration of Group Chief Executive Officer / Executive Director is recommended by the Remuneration Committee.
c.1	Names of Remuneration Committee members	Complied	Refer Remuneration Committee report on page 102 for the names of the committee members.
c.2	Statement of remuneration policy	Complied	Refer Remuneration Committee report for the remuneration policy.

CSE Rule		Compliance Status	Details of Compliance
c.3	Aggregate remuneration paid to Executive Directors and Non-Executive Directors	Complied	Aggregate remuneration paid to Executive and Non-Executive Directors are disclosed in Note 13 to the financial statements.
7.10.6	Audit Committee		
Composition			
a.1.	Audit Committee shall comprise of Non-Executive Directors, a majority of whom shall be independent.	Complied	Audit Committee consists of three Non-Executive Directors out of which two are independent.
a.2.	A Non-Executive Director shall be the Chairman of the committee	Complied	Chairperson of the Audit Committee is a Non-Executive Director.
a.3	Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied	Group Chief Executive Officer /Executive Director and the Executive Director-Finance and the Head of Internal Audit attend meetings by invitation.
a.4	The Chairman of the Audit Committee or one member should be a member of professional accounting body.	Complied	Chairperson of the committee is a member of the Institute of Chartered Accountants of Sri Lanka and a member of the Institute of Certified Management Accountants of Sri Lanka.
b. Functions of the Audit Committee shall include:			
b.1	Overseeing of the preparation presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/ LKAS.	Complied	The Audit Committee oversees the Company's financial reporting process to ensure the reliability of the information provided to the stakeholder. Appropriateness of the accounting policies adopted, key judgments and estimates used in preparation of financial statements and processes by which compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs) and other regulatory provisions relating to financial reporting and disclosures are reviewed by the Audit Committee.
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations.	Complied	The Audit Committee has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies.
b.3	Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLFRS/LKAS.	Complied	The committee reviewed the processes for identification, recording, evaluation and management of all significant risks. Audit Committee reviewed the design and operating effectiveness of the internal controls.
b.4	Assessment of the independence and performance of the entity's external auditors.	Complied	The Audit Committee assessed the external auditor's independence, objectivity and the effectiveness of the audit process.
b.5	Make recommendations to the board pertaining to external auditors.	Complied	The Audit Committee is responsible for making recommendations on the appointments, reappointments and removal of the external auditors in line with professional standards.

Corporate Governance (contd.)

CSE Rule		Compliance Status	Details of Compliance
c. Disclosure in the annual report			
c.1	Names of the Audit Committee members shall be disclosed.	Complied	Names of the Audit Committee members are disclosed in the Audit Committee report on page 100.
c.2	Audit Committee shall make a determination of the independence of the external auditors.	Complied	The Audit Committee assessed the external auditor's independence based on set guidelines and also obtained a confirmation and concluded that the external auditors are independent.
c.3	Report on the manner in which Audit Committee carried out its functions.	Complied	Refer Audit Committee Report on pages 100 and 101 for functions carried out.

Accordingly, we have complied with all listing regulations of CSE with regard to Corporate Governance and the best practices in the Corporate Governance Code except for Sustainability Reporting which we hope to comply in future.

Assurance

The "Assurance" element is the supervisory role of the corporate governance framework, where a range of assurance mechanisms such as corrective actions being proposed and implemented, monitoring and assessing effectiveness and process controls at management level and internal assurance by the internal audit department.

There are clear processes for monitoring and following up on corrective actions on control weaknesses or failures reported. These audit findings together with the management comments are reviewed by the Audit Committee.

The attendance of directors at board meetings and board sub committee meetings are given below.

Name of Director	Capacity	Status of independence	Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings		RPT Review Committee meetings	
			No of meetings		No of meetings		No of meetings		No of meetings		No of meetings	
			Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Sunil G. Wijesinha	Chairman Non-Executive Director	Independent	18	18	7	7	3	3	1	1	4	4
Mr. C. Yatawara	GCEO/ Executive Director	Non Independent	18	18	7*	7	3*	2	1	1	4	4
Mr. A. W. Atukorala	Non-Executive Director	Independent	18	15	7	6	3	3	1	1	4	3
Mr. A. C. M. Lafir	Executive Director	Non Independent	18	17	7*	7	-	-	-	-	4	4
Mr. R. H. Yaseen	Executive Director	Non Independent	18	6	-	-	-	-	-	-	-	-
Mrs. A H. Fernando	Non-Executive Director	Non Independent	18	16	7	7	3	2	1	1	4	4
Mr. M. Sawada	Non-Executive Director	Independent	18	1	-	-	-	-	-	-	-	-
Mr. A. D. E. I. Perera	Non-Executive Director	Independent	18	15	-	-	3	3	-	-	-	-
Prof. K. A. M. K. Ranasinghe	Non-Executive Director	Independent	18	16	-	-	3	3	-	-	-	-
Chairman of Board/ Board Sub Committee			Mr. Sunil G. Wijesinha		Mrs. A H. Fernando		Mr. Sunil G. Wijesinha		Mr. Sunil G. Wijesinha		Mr. A W Atukorala	

** Attended by invitation*

Board seats held by directors in listed and unlisted companies are given below.

Name of Director	No of Board seats held in listed companies (excluding UML)		No of Board seats held in unlisted companies	
	Executive capacity	Non-Executive capacity	Executive capacity	Non-Executive capacity
Mr. Sunil G. Wijesinha	-	2	1	9
Mr. C. Yatawara	-	-	4	1
Mr. A. W. Atukorala	-	2	-	6
Mr. A. C. M. Lafir	-	-	-	1
Mr. R. H. Yaseen	-	-	-	1
Mrs. A. H. Fernando	-	-	5	3
Mr. M. Sawada	-	-	-	-
Mr. A. D. E. I. Perera	-	6	-	10
Prof. K. A. M. K. Ranasinghe	-	4	-	-

Audit Committee Report

Composition

The Audit Committee appointed by the Board and as at the end of year comprised of three Non- Executive Directors and out of which two Directors are Independent Non- Executive Directors as given below;

Mrs. A. H. Fernando – Non- Executive Director
Mr. Sunil G. Wijesinha – Independent Non- Executive Director
Mr. A .W. Atukorala – Independent Non- Executive Director

Chairperson of the Committee, Mrs. A.H. Fernando, a Non-Executive Director is a member of the Institute of Chartered Accountants of Sri Lanka and a member of the Institute of Certified Management Accountants of Sri Lanka.

The above composition is in compliance with the requirement to have a minimum of two Independent Non- Executive Directors in terms of the listing rules on Corporate Governance for listed companies issued by the Colombo Stock Exchange. The profiles of the members are given on pages 24 to 27 of the annual report.

The Board Secretary functions as Secretary to the Audit Committee.

Meetings

During the financial year ended 31 March 2016, the committee held seven meetings. The attendance of the members at these meetings is given in the table on page 99 of the annual report.

Agenda and papers for the meetings are circulated among the members with sufficient notice. The Group Chief Executive Officer, Executive Director-(Finance) and the Head of Internal Audit attended all audit committee meetings by invitation. Other senior officers of the Company and its subsidiaries are invited to attend these meetings as and when required. The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration. Three such meetings were held during the year.

Role of the committee

The Audit Committee has written terms of reference, dealing clearly with its authority & duties and is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the financial reporting, internal controls, risk management, business ethics and compliance with legal, regulatory requirements, review of external auditors' performances & independence and internal audit.

Rules on Corporate Governance under listing rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

The Committee is required to;

- Ensure that efficient and sound financial systems are in place and are well managed in order to give accurate, appropriate and timely information to the Board of Directors, regulatory authorities, the management and other stakeholders in compliance with Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and other financial reporting related regulations and requirements.
- Review the appropriateness of accounting policies and their adherence to statutory and regulatory compliance requirements and applicable Accounting Standards.
- Review the interim and annual financial statements prepared for publication prior to submission to the Board of Directors.
- Ensure that the Company has adopted and adhered to policies which firmly commits to achieve highest ethical standards, good industry practices and in the best interest of all stakeholders.
- Examine the adequacy, efficiency and effectiveness of the risk management processes, internal controls and governance processes in place to identify, avoid and mitigate risks.
- Review the design and operational effectiveness of internal controls and implementing changes where required.
- Review internal and external audit reports and follow up on their findings and recommendations.
- Assess the independence and monitor the performance and functions of internal and external auditors.
- Assess the Company's ability to continue as a going concern in the foreseeable future.

An evaluation of the effectiveness of the Audit Committee was carried out during the year under review.

Financial reporting

The Audit Committee assists the Board ensuring that the Company's financial reporting gives a true and fair view based on the accounting records and in accordance with the stipulated Sri Lanka Accounting Standards. Accordingly, the committee reviewed the following;

- Adequacy and effectiveness of the internal controls, systems, and procedures to provide reasonable assurance that all transactions are recorded accurately and completely in the books of accounts.
- Effectiveness of the financial reporting systems to ensure reliability of the information provided to the stakeholders.
- Appropriateness of the accounting policies adopted, key judgments and estimates used in preparation of financial statements and compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs) and other regulatory provisions relating to financial reporting and required disclosures.
- Quarterly Accounts and Annual Report is reviewed prior to submission to the Board.

Internal controls and risk management

The effectiveness of the Company's internal controls and risk management processes are assessed mainly by the reports submitted by the internal and external auditors. Directors' statement on internal controls is given on page 123.

A risk based audit approach is used to assess the effectiveness of the internal control procedures in place to identify and manage all significant risks. A risk matrix has been adopted for assessing and measuring the operational risks identified during the internal audit reviews.

The Committee reviewed the processes for identification, recording, evaluation and management of all significant risks. Required assurances were obtained from the divisional Heads on the mitigating actions taken in respect of the identified risks in order to maintain the effectiveness of internal control procedures.

Regulatory compliance

A procedure has been laid down for reporting on the statutory compliance / non-compliance of the Company and its subsidiaries on a monthly basis. This report is certified by the internal audit division. Such non compliances are followed up to ensure appropriate corrective actions are taken. Messrs Amarasekara & Company acts as the tax advisors for the Group and conducts tax compliance reviews.

Internal audit

The Audit Committee exercises oversight over the internal audit function. The committee approves the annual internal audit programme and follows up on the progress during the year. Internal audit reports are presented and reviewed on a regular basis. Issues are raised with a risk rating to ensure more attention to high risk areas. These reviews examine management's responses to the issues raised and recommendations to overcome the issues and the implementation plans. The processes and the frequency of audits are dependent on the risk level, with higher risk areas being audited more frequently with greater focus.

Independence and objectivity of the external auditors

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity. The committee reviewed the non-audit services provided by the external auditors with the aim of assessing the independence and objectivity of the external auditor. Having reviewed these, the committee is satisfied that the non-audit service provided by the external auditors does not impair their independence. The committee has also received a declaration from the external auditors as required by the Companies Act No 07 of 2007, confirming that they do not have any relationship or interests in the Company which may have a bearing on their independence.

Prior to commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach and procedures and matters relating to the scope of audit. The fees of the external auditors were also approved by the audit committee. The audit findings were discussed at the conclusion of the audit, where the committee reviewed and recommended the annual consolidated financial statements to the Board for their approval.

The audit committee also reviewed the external auditor's management letter with the management's responses thereto and necessary actions were taken.

The audit committee has recommended to the board, Messrs KPMG, Chartered Accountants be re- appointed as statutory auditors for the financial year ending 31 March 2017 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Corporate governance

The Committee continuously emphasized on upholding ethical values of the staff members. In this regard, the whistle blowing policy was reviewed by the Audit Committee during the year under review with a view to further strengthen the process by which employees raise their concerns in confidence. Incidents reported through whistle blowing procedures were investigated.

The Committee also reviewed the level of compliance with corporate governance rules as per Sec 7.10 of the Listing Rules of the Colombo Stock Exchange and Compliance with the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission and is satisfied that the Company has complied with all mandatory requirements and best practices except for sustainability reporting.

Conclusion

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

Mrs. A. H. Fernando
Chairperson – Audit Committee

30 May 2016

Remuneration Committee Report

Composition

The remuneration committee appointed by and responsible to the Board of Directors comprises of five Non-Executive Directors. The Directors who serves on the committee are:

Mr. Sunil G. Wijesinha (Chairman) - (IND/NED)
Mr. A W Atukorala - (IND/NED)
Mrs. A.H.Fernando - (NIND/NED)
Mr. A.D.E.I. Perera (appointed w.e.f 28.05.2015) - (IND/NED)
Prof. K.A.M.K. Ranasinghe (appointed w.e.f 28.05.2015) - (IND/NED)

(IND/NED) - Independent/ Non-Executive Director
(NIND/NED)-Non Independent/ Non-Executive Director

The above composition is in compliance with the requirement to have a minimum of two Independent Non- Executive Directors in terms of the Continuing Listing Requirements of the Listing Rules issued by the Colombo Stock Exchange.

The profiles of the members are given on pages 24 to 27 of the annual report.

Group Chief Executive Officer/ Executive Director (GCEO/ED) attends the meetings by invitation.

The Company Secretary functions as the Secretary of the remuneration committee.

Policy

The remuneration policy of the Company is designed to attract, motivate and retain staff with the appropriate professional, managerial and operational expertise to achieve the objectives of the Company.

Scope and Responsibility

The scope and the responsibility of the Remuneration Committee include:

- To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the Company recognizes and addresses the short and long term needs of the organization in relation to performance, talent retention and reward.
- To recommend to the Board a competitive remuneration and reward structure which is linked to performance.
- To decide on the remuneration packages of Group CEO, Executive Directors and Key Management Personnel.
- To formulate on behalf of the Board, formal and transparent procedures for developing policy on remuneration for Executive Directors, Group CEO and Key Management Personnel.
- To evaluate the performance of Group CEO, management development plans and succession planning.
- To approve annual salary increments, bonuses, changes in perquisites and incentives.
- To plan for Succession

Professional Advice

The committee has the authority to seek external independent professional advice on matters within the purview of the committee and to invite professional advisors with relevant experience to assist carrying out in various duties.

Meetings

The committee meets as and when a need arises. The committee held three meetings during the year. The attendance of the members of these meeting is given on page 99 of the annual report.

At these meetings the performance bonus and its quantum, annual increments for the Group were decided. The members also evaluated the performance of the GCEO/ED's against the pre-agreed targets/various parameters.

Neither the GCEO/ED's nor any other Directors participated in remuneration committee meetings when determinations are made in respect of their own performance, compensation package and fees.

The proceedings of the meetings are regularly reported to the Board of Directors.

Remuneration Package

Our remuneration arrangements are designed to support our business vision and the implementation of our strategy. The performance measures for our annual and long-term plans have been selected to support our business strategy and the ongoing enhancement of shareholder value.

Remuneration is one of the key tools that help us to motivate our employees to achieve corporate goals. The Committee remains committed to linking remuneration to the achievement of UML strategic objectives.

The focus of our package is on variable pay based on annual and long term performance. Performance related elements are structured so that the target levels of reward are challenging but achievable.

Acknowledging that success is not only measured by delivering financial returns, we also consider the quality of performance in terms of business results and leadership including corporate social responsibility projects and the progress against such pre agreed targets.

Employees

Total compensation of employees is influenced by a number of factors such as skills, experience, responsibility, performance, industry average and the findings of market surveys conducted on selected firms in every three to four years.

Executive staff members are informed of the key performance indicators (KPI) in advance and are evaluated against such pre agreed targets.

The remuneration consists of a fixed component and a variable component.

Basic salary is the fixed component of the remuneration and is reviewed for increments annually based on the ratings at the annual performance appraisals.

The Company has implemented a variable bonus scheme for staff at all levels which is based on individual, divisional performance and the achievement of Company targets.

Directors

The remuneration packages awarded to Executive Directors comprise a mix of performance related and non-performance related remuneration designed to motivate them towards the achievement of corporate goals.

To ensure that remuneration arrangements fully support the sustainability agenda, the performance goals for the Executive Directors are based quantitative and qualitative targets.

The remuneration for Non-Executive Directors reflects the time, commitment and responsibilities of their role and is based on industry and market surveys. They do not receive any performance or incentive payments. The Non-Executive Directors fees for attending the Board meetings and Board Sub-Committee meetings were revised during the year in par with the market.

The aggregate remuneration paid to the Executive Directors and the fees paid to the Non-Executive Directors for the Board meetings and serving on Board Sub-Committee meetings are disclosed in Note 13.1 to the financial statements.

Sunil G. Wijesinha
Chairman – Remuneration Committee.

30 May 2016

Nomination Committee Report

Composition of the Nomination Committee

The nomination committee appointed by the Board of Directors comprises two (2) Independent Non-Executive Directors (IND/NED), the Group Chief Executive Officer/ Executive Director (ED) and one (1) Non Independent Non-Executive Director (NIND/NED).

Mr. Sunil G. Wijesinha (Chairman) - (IND/NED)
Mr. A.W. Atukorala - (IND/NED)
Mr. C. Yatawara - (ED)
Ms. A.H. Fernando - (NIND/NED)

Brief profiles of the members are given on pages 24 to 27 of the annual report.

The Company Secretary acts as the Secretary of the committee.

Terms of Reference of the Nomination Committee

The Nomination Committee was established for the purpose of advising the Board in relation to nominations, retirement, succession and training of the Board members. The committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take a decision.

The committee focuses on the following objectives in discharging its responsibilities.

- To regularly review the structure, size, composition and competencies (including the skills, knowledge and the experience) of the Board and make recommendations to the Board with regard to any changes.
- To identify and recommend suitable Directors for appointment to the Board and Board sub committees.
- To consider and recommend (or not recommend) the re-appointment of current Directors, taking into account the performance and contribution made by the Director concerned and provide advice and recommendations to the Board on any such appointment.
- To look into and make recommendations on any other matters referred to it by the Board of Directors.

Meetings

The Nomination Committee met once during the year. The proceedings of the meetings are regularly reported to the Board of Directors. A member of Nomination Committee does not participate in decisions relating to his own appointment.

Professional Advice

The committee has the authority to seek external professional advice on matters within its purview whenever required.

Performance

The members of the Nomination Committee continued to work closely with the Board of Directors in reviewing the structure, size, composition and skills required for a steadfast, strong and successful organization and report back to the Board of Directors with its recommendations.

Sunil G. Wijesinha
Chairman-Nomination Committee

30 May 2016

Related Party Transactions Review Committee Report

Purpose of the Committee

The Board established the Related Party Transactions Review Committee in 2013 by the early adoption of the Code of Best Practice on Related Party Transactions, issued by the Securities & Exchange Commission of Sri Lanka (the 'Code') and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

The purpose of the Related Party Transactions Review Committee (the Committee) is to conduct an appropriate review of the Company's related party transactions ("RPTs") and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions and to prevent Directors, key management personnel or substantial shareholders taking advantage of their positions.

Composition of the Committee

The Committee consists of five (5) members with a combination of Independent (IND) /Non Independent (NIND), Non-Executive (NED) and Executive Directors (ED). The members of the Committee are:

Mr. A. W. Atukorala - (Chairman) (IND/NED)
Mr. Sunil G. Wijesinha - (IND/NED)
Mr. C. Yatawara - (ED)
Mr. A. C. M. Lafir - (ED)
Mrs. A. H. Fernando - (NIND/NED)

The above composition is in compliance with the provisions of the Code. Brief profiles of the members are given on pages 24 to 27 of the annual report.

The Company Secretary functions as the Secretary to the Committee.

Roles and Responsibilities

The mandate of the committee, derived from the Code and the Rules includes the following:

- To develop and recommend a related party transaction policy.
- To ensure that the Company complies with the Rules.
- To review in advance all proposed RPTs to ensure compliance with the Rules.
- To update the Board of Directors on the related party transactions of the Company on a quarterly basis.
- Define and establish the threshold values in setting a benchmark for related party transactions, RPTs which have to be pre-approved by the Board, RPTs which require to be reviewed in advance and annually and similar issues relating to listed Companies.
- To make immediate market disclosures on applicable RPTs as required by the Rules.
- To include appropriate disclosures on RPTs in the annual report as required by the Rules.

Policies and procedures in related party transactions are being reviewed and strengthened on an ongoing basis.

Necessary steps have been taken by the Committee to avoid any conflicts of interests that may arise in transacting with related parties.

The Policies and Procedures Adopted by the Committee for Reviewing Related Party Transactions

The Committee formulated and recommended a process for adoption on RPT transactions for the Company, which is consistent with the operating model and the delegated decision rights.

The Committee in discharging its functions introduced processes and periodic reporting by the relevant entities with a view to ensure that;

- There is compliance with the Code
- Shareholder interests are protected and
- Fairness and transparency are maintained.

In addition to the Directors, all Heads of Divisions were designated as KMPs in order to increase transparency and enhance governance. Further, processes were introduced to obtain annual disclosures from all KMPs so designated.

Any member of the committee, who has an interest in RPT under discussion, shall abstain from voting on the approval of such transaction. A RPT entered into without pre-approval of the committee, shall not be deemed to violate this policy, be invalid or unenforceable so long as the transaction is brought to the notice of the Committee as promptly as reasonably practical, after it is entered into or after it becomes apparent that the transaction is covered by the policy. As such all RPTs, other than the exempted transactions, will be reviewed either prior to the transaction is entered into or if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

Meetings

The Committee held four meetings on a quarterly basis during 2015/2016. Proceedings of the committee meetings are regularly reported to the Board of Directors.

A.W. Atukorala
Chairman – Related Party Transactions Review Committee

30 May 2016

Enterprise Risk Management

Overview

Risk management is recognised as a core element of effective performance management and governance. The constantly evolving economic / business environment and the challenging business operations present the Group with risk and opportunities that have the potential to erode or enhance value. A well-structured risk management process encourages management to take risks in a controlled manner resulting in benefits to the Group. Thus, a need arises to have a process to identify and manage the risks that may affect the value creation process. A systematic approach ensures that the risks are identified on time, evaluated in terms of risk appetite of the Group and the effective monitoring and management is in place.

Our risk management framework enables management to identify and effectively deal with uncertainties and associated risks and enhances the capacity to build stakeholder value. Risk management process looks at implementing various policies, procedures and practices to identify, analyse, evaluate and monitor risk followed by identifying solutions to minimize the probability of occurrence and / or the impact of the identified risks.

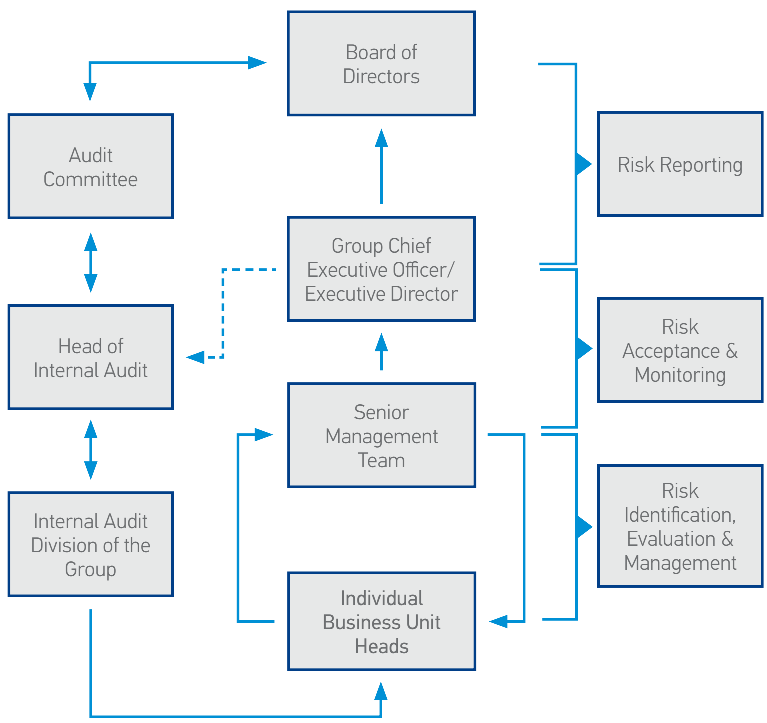
Risk management structure and process

Risk management structure

The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Group. The Audit Committee reviews the effectiveness of the Group's risk management process, including the systems established to identify, assess, manage and monitor risks and the Internal Audit function, being a part of the Audit Committee, plays a key role in this process.

The Senior Management Team takes the lead in identifying risks. The Senior Management Team examines processes and events, uncertainties and changes in environment that expose the group to situations that could seriously reduce future earnings, impair its asset position or create legal, regulatory or reputational risks. They also evaluate options available to mitigate risks and to identify risks that do not match the risk appetite of the Group. Monitoring of risk management measures is a responsibility that rests with the Senior Management Team.

A well-structured risk management process encourages management to take risks in a controlled manner resulting in benefits to the Group



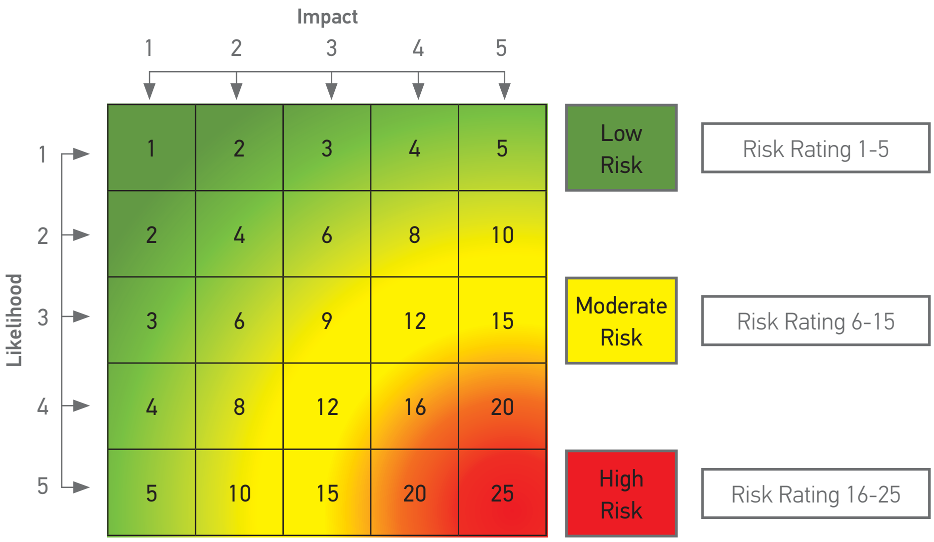
Risk evaluation

Each risk is reviewed in terms of likelihood of occurrence and business impact of event/events:

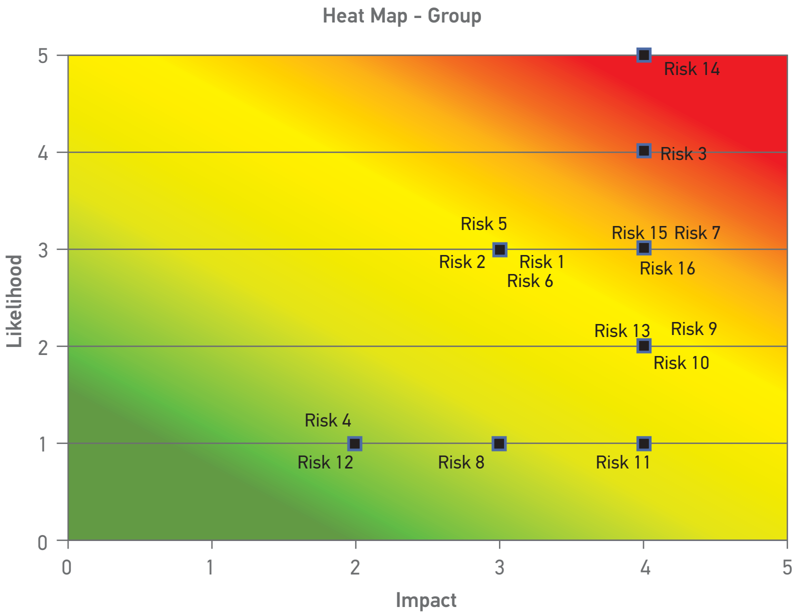
- Likelihood of occurrence is assessed on the basis of past experience and the mitigating controls that are in place. A ranking of high, medium-high, medium, low medium, low in terms of likelihood of occurrence is assigned to each risk.
- The impact of the event is assessed by determining the estimated loss it would cause and the extent of business impact. A ranking of high, medium high, medium, low medium and low in terms of impact is assigned to each risk.

By considering these two factors, the impact is then categorized as low, moderate and high. The Group has developed a Risk Register identifying the key risks faced by the Group.

Upon assessment of the likelihood of occurrence and the extent of the business impact of each risk, it is subjected to the following matrix in order to derive the nature and extent of action required. A ranking of high, moderate, low is assigned based on the final score.



Risk Mapping



Enterprise Risk Management (contd.)

A description of the main risks faced by the Group and controls implemented to mitigate/manage such risks are given below;

Risk Ref.	Risk	Risk management actions	Change in Group Risk Profile 2015/16	Change in Group Risk Profile 2014/15
1.	Credit risk		Moderate	Moderate
	Credit risk arises from credit exposure to customers on unsecured debts. Also exposures the Company when cash and cash equivalents, deposits / Unit Trusts investments held with banks, custodian and financial institutions fails to discharge its contractual interest or principal on their debt obligations due to declining financial strength.	Prior to approving credit, a customer is subject to a process of evaluation to establish credit worthiness. Credit limits are initially set based on the Company's credit policy and thereafter increase the credit limits when required based on annual turnover and settlement patterns to minimize the risk of default. All trade debts are monitored by the Divisional Heads at the monthly meetings with divisional staff. At these meetings overdue debts are discussed and corrective actions are taken to follow up and collect overdue debts. The monthly reports submitted to the Board of Directors include an age analysis of debtors. Credit is suspended on overdue accounts and legal actions are taken to recover long overdue receivables. Most of the Company's investments are in Unit Trusts. The reputation of the Custodian, track record of the Fund Manager is considered before the initial investment. Once an investment is placed, the Group continuously monitor the size, number of unit holders and the return from the Unit Trust to ensure that originally assessed credit worthiness is being continued.		
2.	Interest rate risk		Moderate	Moderate
	Change in interest rates impact negatively on the Group's cost of funding and interest income.	Proper working capital management is done to ensure that borrowing needs and investment opportunities are foreseen. Market interest rates are monitored closely to ensure borrowings and investments are at the best rate for the Company. Gearing is kept at an optimal level.		
3.	Exchange rate risk		High	Moderate
	Negative changes in exchange rates causing potential losses on assets & liabilities and transactions denominated in foreign currency.	Import bills are negotiated at the most favourable time for the Company. Hedging through forward contracts, where desirable. Orders are placed where ever possible when the exchange rates are favourable.		
4.	Liquidity risk		Low	Low
	Unavailability of sufficient funds impacting smooth functioning of the day-to-day operations of the Group.	Preparation of cash flows ensures that Company is well aware of future cash needs. Strong relationships have been built with Banks to ensure that urgent borrowing needs are met at short notice. Facilities are in place to cover its forecasted cash needs for at least for a period of twelve months.		

Risk Ref.	Risk	Risk management actions	Change in Group Risk Profile 2015/16	Change in Group Risk Profile 2014/15
5.	Equity price risk		Moderate	Moderate
	Listed equity securities are susceptible to market price risks arising from uncertainties of future values of the equity securities.	Equity price risk is managed through diversification of investment portfolio to different business sectors. Equity investment decisions are based on fundamentals rather than on speculation and decisions are taken based on in-depth analysis of industry and macroeconomics analysis as well as research reports on the company performance. Purchase and timely exit decisions are taken to maximize profits.		
6.	Information technology risk		Moderate	Moderate
	Loss of confidential data through security breaches, disaster or a breakdown causing loss of vital data or lack of access to critical IT systems.	The IT security policy comprehensively addresses risks associated with the Company's information systems. The review of effectiveness of information security procedures and access controls adopted by the Company against threats from the external environment and corruption or loss of information are part of the audit programme of the internal auditors. Recommendations made by the auditors are discussed by the audit committee and progress on corrective actions are regularly reviewed. Adequate connectivity ensures uninterrupted data transfer between the head office and all branches and workshops. Backup of the ERP is kept at a remote location as part of the Company disaster recovery procedure.		
7.	Risk of natural disasters		Moderate	Low
	Damages from fire and flood have been identified as key disaster related risks that the Group is exposed to.	Safety measures are taken to minimize possible damages to people and property in the case of fire or floods. Adequate insurance covers are in place to cover if a disaster occurs to minimise the financial losses.		
8.	Risk of technological obsolescence		Low	Low
	Technological obsolescence will impact on the inability to compete in the market.	Ordering of new vehicles take into account the technologies used in the vehicle to be imported. The group makes regular investment in new technology to upgrade after sales service. Staff are constantly exposed to new technology and trained to use them. The group is backed by world renowned brands, some of whom are technology leaders. Therefore, technology is leveraged to compete with others.		

Enterprise Risk Management (contd.)

Risk Ref.	Risk	Risk management actions	Change in Group Risk Profile 2015/16	Change in Group Risk Profile 2014/15
9.	Relationship with principals		Moderate	Moderate
	Performance being adversely impacted as a result of disruptions to relationships with Principals.	The Group has focused on developing a mutually beneficial relationship with principals in order to minimize the risk. Regular meetings are held with the principals to explain future vision of the Company and to obtain their plans for future to build up a sound business relationship. Agreements with well-defined duties and responsibilities are in place with all principals and being renewed where necessary. Market and product performance statistics are regularly shared with the principals.		
10.	Regulatory risk		Moderate	Moderate
	Non-compliance with laws and regulations can have a negative impact on the Company.	Statutory compliances, non- compliances are reported monthly and monitored by the Board. All relevant statutes that the Company has to comply with has been identified and updated as and when necessary. Employees are being educated on the need to comply with the statutory requirements. Tax compliance audit is carried out by the Tax Consultants on the compliance with the tax statutes at the end of each year.		
11.	Reputation / Societal risk		Low	Low
	Non-acceptance of the Company as a responsible corporate citizen can lead to loss of confidence on the Company and consequently loss of business opportunities in the short –term, as well as depletion of the Company's image.	Compliance with all statutory requirements is monitored monthly by the Board. The group engage in various community related activities / CSR activities and good corporate governance practices.		
12.	Environmental risk		Low	Low
	The impact on the environment due to its operations.	Introduction of eco-friendly vehicles. Dedicated team is appointed for green initiatives. Environmental factors considered in decision making.		
13.	Obsolescence of Inventory / high stock holding		Moderate	Low
	Inventory items run the risk of being obsolete due to slow moving.	Ordering in line with market demands. Periodic review of inventory age analysis and strategies are taken to increase sales and to reduce inventory levels. Purchasing Committee is in place for vehicle ordering. Obsolete and damaged items are identified during physical inventory verification.		

Risk Ref.	Risk	Risk management actions	Change in Group Risk Profile 2015/16	Change in Group Risk Profile 2014/15
14.	Business environment		High	High
	The negative impact to the vehicle market due to changes in fiscal policies and new legislation.	Reduce the dependency on new vehicle sales segment, by gradually strengthening the other business segments such as workshop services, spare parts & lubricant sales and assembly operation. Diversifying into non related business segments.		
15.	Drop in customer satisfaction levels		Moderate	Moderate
	Loss of customer satisfaction will impact negatively for current and future performance of the Company.	A high level cross functional team is in place to plan, implement and monitor customer satisfaction initiatives/ processes. Continuous training on customer care is carried out to improve soft skills. Customer care and customer satisfaction index have been included in the employees' evaluations with the objective of increasing customer satisfaction levels.		
16.	Human resource risk		Moderate	Moderate
	Failure to recruit and retain appropriately skilled employees.	Company vacancies are advertised according to a laid down procedure and latest evaluation methods are being used to identify potential recruits. Investment in training and development. Performance based incentive schemes are in place to motivate and retain skilled employees. Employee satisfaction surveys are carried out. Salary surveys are conducted to benchmark with the industry.		

Annual Report of the Board of Directors

Annual Report of the Board of Directors on the affairs of the Company and the statement of compliance of the content of the annual report as required by section 168 of the Companies Act No. 07 of 2007.

1. General

The Directors have pleasure in presenting the 27th annual report of your Company together with the audited financial statements of the Group and the Company for the year ended 31 March 2016 and the auditor's report on those financial statements conforming to all relevant statutory requirements.

This report provides the information as required by the Companies Act No.07 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and the recommended best practices on corporate governance.

The appropriate number of copies of the annual report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory dead line.

The ordinary shares of the Company were listed in the CSE in 1989. The Company was re-registered as per the Companies Act No. 07 of 2007 on 30 August 2007, under the Company registration number PQ-74. The registered office of the Company is at 100, Hyde Park Corner, Colombo 02, at which the Company's head office too is situated.

The table given below provides the required and applicable details and cross reference to disclosures mandated by the Companies Act No.07 of 2007:

Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Page Reference
The nature of the business of the Group and the Company together with any change thereof during the accounting period	Section 168 (1) (a)	113
Signed financial statements of the Group and the Company for the accounting period completed	Section 168 (1) (b)	127
Auditor's report on financial statements of the Group and the Company	Section 168 (1) (c)	125
Accounting policies and any changes therein	Section 168 (1) (d)	132 to 143
Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	116
Remuneration and other benefits paid to Directors of the Company and its subsidiaries during the accounting period	Section 168 (1) (f)	147
Amount of donations made by the Company and its subsidiaries during the accounting period	Section 168 (1) (g)	147
Information on directorate of the Company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	14 & 15
Disclosure on amounts payable to the auditors as audit fees and fees for other services rendered during the accounting period by the Company and its subsidiaries	Section 168 (1) (i)	147
Auditor's relationship or any interest with the Company and its subsidiaries – audit fee/non-audit fee	Section 168 (1) (j)	118
Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	118

2. Review of business

2.1 Vision, mission and corporate conduct

The Company's vision and mission are given on page 03 The business activities of the Company are conducted maintaining the highest level of ethical standards at all times.

2.2 Principal activities of the Company and the Group

United Motors Lanka PLC

United Motors Lanka PLC continues as the sole distributor for brand new Mitsubishi and Fuso vehicles, genuine Mitsubishi spares and provide after sales services to Mitsubishi & Fuso vehicle owners at Colombo and at its branches outstation.

The Company continues to market Valvoline lubricants and Eagle One car care products from USA and Simoniz Car Care Products from UK.

Subsidiary Companies	
Unimo Enterprises Limited	The company is engaged in the import and distribution of Perodua vehicles from Malaysia, Zotye Sports Utility and Commercial Vehicles, JMC Commercial Vehicles, Morris Garages (MG) cars from China and Yokohama Tyres from Japan. The company is also engaged in the assembly and marketing of DFSK & Zotye products from China.
Orient Motor Company Limited	This Company is engaged in distribution of DFSK trucks from China and hiring of motor vehicles.
UML Property Developments Limited	This Company has constructed a warehouse and has leased it to United Motors Lanka PLC.
UML Agencies & Distributors (Pvt) Limited	During the year under review this Company did not have any commercial transactions. Steps have been initiated to strike off this Company from the register maintained by the Registrar General of Companies, under section 394 of the Companies Act No. 07 of 2007 (as amended).
Joint Venture	
TVS Lanka (Pvt) Limited	This Company is a joint venture between United Motors Lanka PLC, TVS and Sons (Pvt) Ltd and TVS Motor Company Ltd of India and is engaged in the import and distribution of TVS motor cycles, TVS three wheelers, spare parts and after sales services to its customers.
TVS Automotives (Pvt) Limited	TVS Automotives (Pvt) Ltd, is a fully owned subsidiary of TVS Lanka (Pvt) Limited. The Company is engaged in the sales and marketing of MAK Lubricants, JK and TVS tyres.

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

2.3 Review on operation of the Company and the Group

The "Chairman's Report" and the "Group Chief Executive Officer's Review of operations" which forms an integral part of this report provides an overall assessment on the financial performance and financial position of the Company and its subsidiaries and joint venture and describes in detail its affairs and important events for the year. A detailed analysis of the operations and financial results is contained in the "Management Review".

2.4 Directors' responsibility for financial reporting

The Directors are responsible for the preparation of the financial statements of the Company and to present a true and fair view of its state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, (SLFRSs and LKASs), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 and the Listing Rules of the CSE.

The Statement of Directors' Responsibility for financial reporting is given on pages 121 and 122 forms an integral part of the Annual Report of the Board of Directors.

3. Future developments

An overview of the future developments of the Company is given in the "Chairman's Report", the "Group Chief Executive Officer's Review" and the "Management Review".

4. Financial statements

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 07 of 2007.

The financial statements of the Company and of the Group which are duly certified by the Executive Director (Finance), approved by the Board of Directors and signed by two members of the Board of Directors including the Chairman are given on page 127 of the annual report.

5. Auditors' reports

The Company's auditors Messrs KPMG performed the audit on the Company, other Group Companies and on the consolidated financial statements for the year ended 31 March 2016. The auditors' report on the financial statements is given on page 125 of the annual report.

6. Significant accounting policies

The Company prepared the financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given on pages 132 to 143 of the annual report. There were no changes in accounting policies during the year under review.

7. Going concern

The Directors are satisfied that the Company, its subsidiaries and equity accounted investees have adequate resources to continue in operational existence for the foreseeable future, to justify adoption of the going concern basis.

8. Revenue

The Company achieved a revenue of Rs. 10.7 billion during the year ended 31 March 2016. The details of the revenue by segment is given under – Note 10 to financial statements.

9. Dividends and reserves

Profits and appropriations

The details of the profits relating to the Company and the appropriations are given in the table below:

For the year ended 31 March	2016 Rs.'000	2015 Rs.'000
Profit for the year before taxation	2,049,981	1,586,165
Income Tax expenses	(592,855)	(349,298)
Profit for the year after taxation	1,457,126	1,236,867
Other comprehensive income	4,952	12,781
Un-appropriated profit brought forward from previous year	4,074,717	3,430,473
Super gains tax paid on profit after tax of 2013 / 14	(418,387)	-
Profit available for appropriation	5,118,408	4,680,121
Appropriations		
Dividend paid		
13/14 – Rs.6.00 per share (final)	-	(403,603)
14/15 – Rs. 2.00 per share (interim)	-	(201,801)
14/15 – Rs. 4.00 per share (final)	(403,603)	-
15/16 – Rs. 3.00 per share (first interim)	(302,702)	-
15/16 – Rs. 4.00 per share (second interim)	(403,603)	
Un appropriated profit to be carried forward	4,008,500	4,074,717

Dividends

First interim dividend of Rs. 3.00 per share was paid on 11December 2015 and a second interim dividend of Rs. 4.00 per share was paid on 16 March 2016 and a final dividend of Rs. 2.00 has been recommended by the Board of Directors for payment on 20 July 2016, subject to approval by the shareholders.

The Board of Directors provided the statement of solvency to the auditors and obtained the certificates of solvency from the auditors in respect of the interim dividends and would ensure the compliance of solvency test after the payment of the proposed final dividend.

Reserves

The total revenue reserves of the Company as at 31 March 2016 amounted to Rs. 4,475 million and the capital reserves of the Company as at 31 March 2016 amounted to Rs. 2,922 million. Details of reserves are shown in the statement of changes in equity on page 128 and 129.

10. Provision for taxation

Provision for taxation has been computed at the prescribed rates and details are given in Note 15 to the financial statements.

11. Corporate donations

The Company/Group made donations to the value of Rs. 208,000 (Rs. 133,000 in 2014/15), out of the aforementioned sum, the donations made by the Company/ Group to Government approved charities amounted to Rs. 17,500 (2014/15 - Rs. 12,500)

12. Property, plant & equipment

Investments in property, plant and equipment amounted to Rs.254 million. Details of such investments including the extent, locations, additions and disposal of property during the year and the depreciation charge for the year are shown in Note 18 to the financial statements.

Details of investment properties are given in Note 19 to the financial statements.

Market value of property, plant & equipment and investment property
All freehold lands were revalued by professionally qualified independent valuers at regular intervals and brought into financial statements.

13. Post balance sheet events
In the opinion of the Directors, no transactions or any other material events of an unusual nature has arisen during the period between the end of the financial year and the date of this report other than the items disclosed in Note 41 to the financial statements.

14. Stated capital
The stated capital of the Company as at 31 March 2016 was Rs. 336,335,420 comprising of 100,900,626 ordinary shares.

There has been no change in the stated capital during the year.

15. Share information
There were 4,072 registered shareholders as at the balance sheet date.

Distribution schedule of shareholdings
Information on the distribution of shareholding and the respective percentages are given in the section on 'Share Information' on page 185.

Information on earnings, dividend, net assets and market value
Information relating to dividends, net assets and market value per share and the trading of the shares are given on page 188.

The movement in the number of shares represented by the stated capital of the Company is given in the section in 'Investor Information' on page 192.

Substantial shareholdings
The details of top twenty shareholders and the percentage holding of the public are given under "Share Information" on page 189

16. Equitable treatments to shareholders
The Company has at all times ensured that all shareholders are treated equitably.

17. Corporate governance

Directors declarations
The Directors declare that-

(a) the Company complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations.

(b) the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

(c) the business is a going concern with supporting assumptions as necessary and that the Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements of the Company, its subsidiaries and joint venture are prepared based on the going concern assumption; and

(d) they have conducted a review of internal controls covering financial, operational and compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.

The measures taken and the extent to which the Company has complied with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and also the rules and regulations stipulated by the Colombo Stock Exchange are given in the section on 'How We Govern' on pages 82 to 99.

The Company maintains and practices high principles of good corporate governance. During the year under review, the Company complied with all applicable laws and regulations in conducting its business. A separate report on "Corporate Governance" is given on pages 82 to 99 in the annual report.

18. Board of directors

Names of the Directors who held office during the financial year are given in the following table:

Name of the Director	Status
Mr. Sunil G.Wijesinha (Chairman)	IND/NED
Mr. C. Yatawara (GCEO)	ED
Mr. A.W.Atukorala	IND/NED
Mr. A.C.M. Lafir	ED
Mr. R.H. Yaseen	ED
Ms. A.H. Fernando	NIND/NED
Mr. M. Sawada - resigned w.e.f 31 March 2016	IND/NED
Mr. A.D.E.I. Perera	IND/NED
Prof. K.A.M.K. Ranasinghe	IND/NED

IND - Independent Director
NIND - Non Independent Director
NED - Non Executive Director
ED - Executive Director

List of Directors of subsidiaries and jointly controlled entities of the Company

Names of the Directors of subsidiaries and joint venture of the Company are given in the "Group Structure" on pages 14 and 15.

Resignations and appointments

Mr. M. Sawada a representative of Mitsubishi Motor Corporation resigned w.e.f. 31March 2016. Subsequent to his resignation, Mr. T. Nomura was appointed to the Board as an Independent / Non-Executive Director with effect from 25 April 2016.

Re-election/retirement of Directors

In terms of the Article 89 of the Articles of Association of the Company, Mr. T. Nomura retire by rotation and being eligible, offer himself for re-election on the unanimous recommendation of the Board Nomination Committee and the Board of Directors.

In terms of the Article 83 of the Articles of Association of the Company, Mr. A.W. Atukorala retire by rotation and being eligible offer himself for re-election on the unanimous recommendation of the Board Nomination Committee and the Board of Directors.

Mr. A D E I Perera, Non-Executive Director who reached the age of 70 years on 1st September 2015, has notified the Company that he will not be presenting himself for re-election at the Annual General Meeting.

Directors' meetings

Directors' meetings which comprise Board meetings and Board Sub-Committee meetings of Audit Committee, Remuneration Committee, Nomination Committee, Related Party Transactions Review Committee and the attendance of Directors at these meetings are given on page 99 of the annual report.

Directors' dealings in shares of the Company

Directors shareholding as at 1 April 2015, disclosure in respect of Directors' dealings in shares of the Company during the year and their shareholding as at 31 March 2016 have been disclosed in "Share Information" on page 190.

Director's interests in contracts or proposed contracts with the Company

The Company maintains the Directors' Interests Register and the Directors of the Company have made necessary declarations of their interest in contracts or proposed contracts with the Company.

Directors have no direct or indirect interest in any other contracts or proposed contracts with the Company other than those disclosed.

The Directors have also disclosed transactions if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard – LKAS 24 on related party disclosures.

As a practice, Directors have refrained from voting on matters in which they were materially interested.

Entries in the interests register

The Company, in compliance with the Companies Act No.07 of 2007, maintains an interests register. All related entries were made in the interests register during the year under review. The interests register is available for inspection by shareholders.

Directors' remuneration & other benefits

Details of Directors emoluments and other benefits paid in respect of the Group and the Company during the financial year under review are given in Note 13.1 to the financial statements.

The Directors have not taken any loans from the Company during the year under review.

Board Sub-Committees

The Board while assuming the overall responsibility and accountability in the management of the Company has also appointed Board Sub-Committees to ensure oversight and control over certain affairs of the Company, conforming to corporate governance code and adopting the best practices.

The Board Sub-Committees play a critical role in order to ensure that the activities of the Company at all times are conducted with the highest ethical standards and in the best interest of all its stakeholders. The terms of reference of these Sub-Committees conform to the recommendations made by various regulatory bodies such as the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.

The composition of the Board Sub-Committees as at 31 March 2016 and the details of Director's attendance at such meetings are given on page 99 while the reports of these Sub-Committees are given on pages 100 to 105.

19. Risk management and internal controls

The Directors periodically review and evaluate the risks that are faced by the Company. The various exposures to risk by the Company, specific steps taken by the Company in managing the risks are detailed under the "Enterprise Risk Management" on pages 106 to 111 of the annual report.

The Board of Directors, through the involvement of internal audit and monitoring division, has taken steps to ensure and have obtained reasonable assurance that an effective and comprehensive system of internal controls are in place covering financial, operational and compliance controls required to carry on the business in an orderly manner, safeguard the Company's assets and to secure as far as possible the accuracy and reliability of the financial records.

The Board is satisfied with the effectiveness of the system of internal controls that were in place during the year under review and up to the date of approval of the annual report and financial statements. The Directors' statement on the internal controls and the auditors report thereon are given on page 123.

20. Compliance with laws and regulations

To the best of the Director's knowledge and belief of the Directors, the Company have not engaged in any activities contravening the laws and regulations of the country.

21. Statutory payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the government, other regulatory institutions and related to the employees have been made or provided for during the year under review.

22. Outstanding litigation

In the opinion of the Directors and in consultation with the Company's lawyers, litigations which are currently pending against the Company will not have a material impact on the reported financial results and future operations of the Company.

23. Environmental protection

The Company has made its best endeavours to comply with the relevant environment laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment and has taken all possible steps that are necessary to safeguard the environment from any pollution that could arise in the course of carrying out its sales and service operations.

Specific measures taken to protect the environment is given in the section on "Environment" in the "sustainability review" on pages 76 to 81.

24. Our team

The Company continues to invest in human resource development and implement effective HR practices to ensure optimum contribution towards the achievement of its corporate goals. The number of persons employed by the Company, its subsidiaries and joint venture as at the year end was 1,289 (2014/2015 – 1,189).The details of human resources initiatives are given in the section on "Human Capital" in the "sustainability review" on pages 60 to 65.

25. Industrial relations

There have been no material issues pertaining to employees and employee relations of the Company during the period under review.

26. Employee share ownership plans

The Company did not have any employee share ownership/option plans during the year.

27. Auditors

Auditors' remuneration

The fees paid to the Auditors, Messrs KPMG for audit and audit related services are given in Note 13.1.1 to the financial statements.

Auditors' independence

Based on the declaration provided by Messrs KPMG and as far as the Directors are aware, the Auditors do not have any relationship or interests with the Company or in any of the subsidiaries that may have a bearing on their independence, within the meaning of the Code of professional conduct and ethics issued by the Institute of Chartered Accountants of Sri Lanka.

Appointment of auditors

The retiring Auditors Messrs KPMG have expressed their willingness to continue in office. A resolution to re -appoint them as Auditors and to authorize Directors to fix their remuneration will be proposed at the Annual General Meeting.

28. Annual general meeting

The twenty seventh Annual General Meeting of the Company will be held on 08 July 2016. The notice of meeting relating to the Annual General Meeting is given on page 195.

29. Acknowledgement of the contents of the report

As required by the Companies Act No.07 of 2007, the Board of Directors does hereby acknowledge the contents of this annual report.

Signed in accordance with a resolution adopted by the Directors.

Sunil G. Wijesinha
Chairman

C. Yatawara
Group Chief Executive Officer/Executive Director

Mrs. R.M. Hisham
Company Secretary

30 May 2016.

Financial Information

Financial Calendar

Financial Statements 2015/16

Fourth quarter (2015) released on	-	28 May 2015
First quarter released on	-	14 August 2015
Second quarter released on	-	13 November 2015
Third quarter released on	-	12 February 2016
Fourth quarter released on	-	30 May 2016

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2014/2015	-	05 June 2015

Meetings

Twenty sixth Annual General Meeting	-	29 June 2015
Twenty seventh Annual General Meeting	-	08 July 2016

Dividends

Final dividend 2014/2015	-	08 July 2015
First interim dividend 2015/2016	-	11 December 2015
Second interim dividend 2015/2016	-	16 March 2016
Final dividend 2015/2016	-	30 May 2016 (recommended)
(Proposed subject to shareholder approval)		

Statement of Director's Responsibility

The responsibilities of the Directors' in relation to the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries and joint venture are set out in this statement. The responsibilities of the external auditors in relation to the financial statements are set out in "Auditors' Report" appearing on page 125.

As per the provisions of the Companies Act No. 07 of 2007, the Directors are required to prepare for each financial year and place before a general meeting financial statements which comprise of

- the state of affairs of the Company and the Group as at the balance sheet date; and
- income statement and the statement of comprehensive income which presents a true and fair view of the profit or loss or income and expenditure of the Company and the Group as at the balance sheet date which complies with the requirements of the Companies Act No. 07 of 2007.
- statement of changes in equity, statement of cash flows for the year then ended and notes thereto.

The Directors have ensured that in preparing these financial statements;

- appropriate accounting policies have been used and applied in a consistent manner;
- all applicable accounting standards as relevant have been applied where relevant;
- prudent judgment and reasonable estimates have been made so that the form and substance of transactions are properly reflected;
- compliance with the Companies Act No.07 of 2007, Listing Rules of Colombo Stock Exchange: and
- requirements of Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 have been followed.

Accordingly, the Directors confirm that the financial statement of the Company and the Group give a true and fair view of-

- the state of affairs and the financial position of the Company and the Group as at 31 March 2016 and
- the profit or loss or income and expenditure for the financial year then ended.

Under section 150 of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that proper books of account are maintained to record all transactions of the Company and its subsidiaries and that financial statements are prepared for each financial year to give a true and fair view of the state of affairs and of the profit or loss or income and expenditure for the Company and the Group as at the balance sheet date. In keeping with this requirement, the Company has maintained proper books of account and the financial reporting system is reviewed at regular intervals.

Following a review of the Company's financial and related information including cash flows and borrowing facilities, the Directors are satisfied that the Company and its subsidiaries have adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the basis of a going concern and the Board accepts responsibility for the integrity and objectivity of the financial statements presented.

The Directors have provided the Company's auditors, Messrs KPMG with every opportunity to take whatever steps that are necessary and appropriate inspections for the purpose of enabling them to express their opinion. Accordingly Messrs KPMG has examined the financial statements made available by the Board of Directors together with all the financial records, related information, minutes of board meetings etc., in order to express their opinion on financial statements are given on page 125.

The Directors are aware of the responsibility to take whatever steps that are reasonable to safeguard the assets of the Company and that of the Group and in that contexts to have appropriate internal control systems to prevent and detect fraud and other irregularities. The Directors have accordingly instituted comprehensive internal control mechanisms to ensure that as far as it is practically possible, the Company's business is carried out in an orderly manner, that its assets are safe guarded and that the records of the Company are accurate and reliable. The existences of such internal controls are regularly monitored by the internal audit division.

The Board of Directors also wishes to confirm that, as required by section 166(1) and 167(1) of the Companies Act No.07 of 2007, the annual report has been prepared and the Directors have ensured that a copy is sent to every shareholder of the Company.

Statement of Director's Responsibility (contd.)

Further as required by section 56(2) of the Companies Act, the Directors have made an assessment of the solvency of the Company, immediately after the proposed dividend and confirm that the Company satisfies the solvency test required by the section 57 of Companies Act. The Directors have also obtained the certificate of solvency from the external auditors of the Company, Messrs KPMG.

Further, the Board of Directors wishes to confirm that the Company has complied with the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange, where applicable.

Compliance Report

The Directors confirm that to the best of their knowledge and belief, all taxes and others statutory dues payable by the Company and all contributions taxes and levies payable by the Companies within the Group on behalf of and in respect of its employees, as at the balance sheets date, have been paid or provided for in arriving at the financial results for the year under review.

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

By order of the Board.

RMHisham

Ms. R M Hisham
Company Secretary

30 May 2016

Directors' Statement on Internal Controls

Responsibility

The Board of Directors presents this report on internal controls as per requirements of Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of United Motors Lanka PLC's ("the Company") system of internal controls. It is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatement of management and financial information and records against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating, managing and reporting the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines.

The management assists the Board in the implementation of the Board's policies and procedures on risks and control by identifying and assessing the risks faced by the Company, designing, implementing and monitoring of suitable internal controls to mitigate and control these risks.

The Board is of the view that the system of internal controls in place, is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

Key internal control processes adopted in applying and reviewing the design and effectiveness of the internal control system on financial reporting

The Sub Committees of the Board are established to assist the Board in ensuring the effectiveness of the Group's operations and that the Group's operations are in accordance with corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved by the Board.

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Group, internal audit function provides comfort on the efficiency and effectiveness of the internal control systems. The internal audit division of the Group checks for compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on all business processes of the Group in accordance with the annual audit plan approved by the Audit Committee. The frequency of which is determined by the level of risk assessed by the internal audit to provide an independent and objective report on operational and management activities of these business processes of the Group. The findings of the internal audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by the Internal Audit Division, the external auditors, management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits. Details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on pages 100 to 101.

In assessing the internal control system, the divisional heads of the Company assessed all procedures and controls. These in turn were observed and checked by the Internal Audit Division for suitability of design and effectiveness on an on-going basis. The assessment included subsidiaries as well.

The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement them.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting. The preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS), Companies Act 07 of 2007, Listing Rules of the Colombo Stock Exchange and the requirements of Securities and Exchange Commission.

By order of the Board

Mrs. A .H. Fernando
Chairperson - Audit Committee

Mr. C. Yatawara
Group Chief Executive Officer / Executive Director

Mr. Sunil. G. Wijesinha
Chairman

30 May 2016

CEO & CFO's Responsibility Statement

The financial statements of United Motors Lanka PLC and the Group are prepared in compliance with the Sri Lanka Accounting Standards issued by the institute of Chartered Accountants of Sri Lanka (SLFRS / LKAS), the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the listing rules of the Colombo Stock Exchange applicable to the Company.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, except where otherwise stated in the notes accompanying the financial statements. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified whenever necessary to comply with the current presentation. The significant Accounting Policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee

The significant accounting policies adopted in the preparation of the financial statements of the Group and the Company are given on pages 132 to 143 of the annual report.

We confirm, that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material aspects, the financial position, results of the operations and cash flows of the Company and the Group as of and for the periods presented in this annual report.

The Board of Directors and the management of your company accepts responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. It is confirmed that the Company has adequate resources to continue its operation in the foreseeable future. Therefore, the Company will continue to adopt the "going concern" basis in preparing these financial statements. We are responsible for establishing and maintaining internal controls and procedures and have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us and for safeguarding the Company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls. No fraud that involved management or other employees was reported in the year under review.

Our internal audit division has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The financial statements were audited by KPMG, Chartered Accountants, the independent auditors.

The Audit Committee of your Company meets periodically with the independent auditors to review the manner in which the auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance with the guidelines for the Listed Companies where mandatory compliance is required. It is further confirmed that the Company has complied with all applicable laws, regulations and other guidelines and that there are no known material litigations and claims against the Company other than those arising out of the normal course of business.

C. Yatawara
Group Chief Executive Officer / Executive Director

A. C. M. Lafir
Executive Director - Finance

30 May 2016

Independent Auditors' Report

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF UNITED MOTORS LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of United Motors Lanka PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2016, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 126 to 184 of the annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion;

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- The financial statements of the Company give a true and fair view of its financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Chartered Accountants

Colombo
30 May 2016

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Revenue	10	15,303,852	10,538,194	10,695,375	8,316,203
Cost of sales		(11,320,866)	(7,811,292)	(7,267,929)	(5,814,975)
Gross profit		3,982,986	2,726,902	3,427,446	2,501,228
Other income	11	44,217	91,603	48,291	70,028
Distribution expenses		(389,822)	(307,588)	(239,079)	(173,511)
Administrative expenses		(1,380,269)	(1,261,240)	(1,288,781)	(1,195,710)
Other expenses	12	(65,286)	523	(43,758)	(1,444)
Profit from operations	13	2,191,826	1,250,200	1,904,119	1,200,591
Finance income	14.1	171,146	394,621	220,367	418,581
Finance cost	14.1	(140,918)	(82,362)	(74,505)	(33,007)
Net finance income		30,228	312,259	145,862	385,574
Share of profit of equity accounted investee (net of income tax)		131,549	63,422	-	-
Profit before income tax expenses		2,353,603	1,625,881	2,049,981	1,586,165
Income tax expense	15	(651,380)	(363,549)	(592,855)	(349,298)
Profit for the year		**1,702,223**	**1,262,332**	**1,457,126**	**1,236,867**
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Employee benefit plan actuarial gains / (losses)	32.6	11,131	15,100	8,436	16,545
Gain from revaluation of land	18	-	1,733,106	-	1,733,106
Deferred tax on actuarial gains on defined benefit obligations	33.1	(4,238)	(3,335)	(3,484)	(3,764)
Equity accounted investee - share of other comprehensive income	22.1	971	126	-	-
Items that are or may be reclassified to profit or loss					
Net change in fair value of available for sale financial assets	14.2	(233,599)	(63,531)	(197,757)	(62,313)
Total other comprehensive income / (loss) for the year		(225,735)	1,681,466	(192,805)	1,683,574
Total comprehensive income for the year		1,476,488	2,943,798	1,264,321	2,920,441
Profit attributable to:					
Equity holders of the parent		1,702,223	1,262,332	1,457,126	1,236,867
Profit for the year		**1,702,223**	**1,262,332**	**1,457,126**	**1,236,867**
Total comprehensive income attributable to:					
Equity holders of the parent		1,476,488	2,943,798	1,264,321	2,920,441
Total comprehensive income for the year		**1,476,488**	**2,943,798**	**1,264,321**	**2,920,441**
Earnings per share (Rs.)	16	16.87	12.51	14.44	12.26
Dividend per share (Rs.)	17	-	-	11.00	8.00

Notes from pages 132 to 184 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statements of Financial Position

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Assets					
Non-current assets					
Property, plant and equipment	18	4,747,746	4,631,451	4,482,016	4,333,115
Investment property	19	-	-	150,350	150,864
Intangible assets	20	3,913	5,688	921	2,472
Investments In subsidiaries	21	-	-	172,400	172,400
Investments In equity accounted investee	22	750,853	632,183	173,545	173,545
Other investments	24	735,573	463,622	614,655	436,448
Defined benefit plan	32.2	102,313	111,086	98,582	107,457
Deferred tax assets	33.1	15,670	24,033	1,898	12,404
Total non current assets		6,356,068	5,868,063	5,694,367	5,388,705
Current assets					
Inventories	25	5,426,634	3,934,112	2,349,153	2,995,219
Trade and other receivables	26	1,498,435	1,699,247	783,486	1,279,659
Amounts due from related parties	27	620	1,125	17,998	15,193
Current tax receivables	36	4,641	27,244	-	-
Other investments	24	1,282,125	1,402,850	1,282,125	924,414
Cash and cash equivalents	28	522,873	216,543	320,957	177,676
Total current assets		8,735,328	7,281,121	4,753,719	5,392,161
Total assets		15,091,396	13,149,184	10,448,086	10,780,866
Equity and liabilities					
Equity					
Stated capital	29	336,335	336,335	336,335	336,335
Revaluation reserve	30	2,956,382	2,956,382	2,922,336	2,922,336
Other components of equity		1,394,366	1,627,965	1,431,426	1,629,183
Retained earnings		5,625,032	5,514,889	4,008,500	4,074,717
Total equity attributable to the equity holders of the parent		10,312,115	10,435,571	8,698,597	8,962,571
Non-current liabilities					
Employee benefits	32.1	166,758	166,343	154,070	152,919
Deferred tax liabilities	33.2	14,430	15,031	-	-
Total non-current liabilities		181,188	181,374	154,070	152,919
Current liabilities					
Interest bearing borrowings	31	2,635,284	1,105,227	-	462,785
Trade and other payables	34	1,323,945	1,212,873	1,012,017	923,184
Amounts due to related parties	35	361	-	29,280	67,714
Current tax liabilities	36	420,673	100,775	386,662	100,499
Bank overdrafts	28	217,830	113,364	167,460	111,194
Total current liabilities		4,598,093	2,532,239	1,595,419	1,665,376
Total liabilities		4,779,281	2,713,613	1,749,489	1,818,295
Total equity and liabilities		15,091,396	13,149,184	10,448,086	10,780,866
Net assets per share (Rs.)		102.20	103.42	86.21	88.83

Notes from pages 132 to 184 form an integral part of these financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act No. 07 of 2007.

A. C. M. Lafir
Executive Director - Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Theses financial statements were approved by the Board of Directors on 30 May 2016.

Approved and signed for and on behalf of the Board of Directors.

Sunil G. Wijesinha
Chairman

C. Yatawara
Group CEO / Executive Director

Colombo
30 May 2016

Statements of Changes in Equity

	Stated capital	Revaluation reserve	Other components of equity				Retained earnings	Total equity
			Development reserve	Property, plant & equipment replacement reserve	General reserves	Available for sale reserve		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group								
Balance as at 01.04.2014	336,335	1,223,276	785,400	308,900	466,250	130,946	4,846,070	8,097,177
Total comprehensive income for the year								
Profit for the year							1,262,332	1,262,332
Other comprehensive income								
Employee benefit plan actuarial gains							15,100	15,100
Gain from revaluation of land		1,733,106						1,733,106
Deferred tax on actuarial gains on defined benefit obligation							(3,335)	(3,335)
Net change in fair value of available for sale financial assets						(63,531)		(63,531)
Equity accounted investee - share of OCI							126	126
Total comprehensive income for the year	-	1,733,106	-	-	-	(63,531)	1,274,223	2,943,798
Transactions with owners, recognised directly in equity								
Distribution to owners of the Company								
Final dividend paid 2013 / 2014							(403,603)	(403,603)
First interim dividend paid 2014 / 2015							(201,801)	(201,801)
Balance as at 31.03.2015	336,335	2,956,382	785,400	308,900	466,250	67,415	5,514,889	10,435,571
Balance as at 01.04.2015	336,335	2,956,382	785,400	308,900	466,250	67,415	5,514,889	10,435,571
Super gain tax for the year of assessment 2013 / 14 (*)							(490,036)	(490,036)
Balance as at 01.04.2015 (after adjusting for super gain tax)	336,335	2,956,382	785,400	308,900	466,250	67,415	5,024,853	9,945,535
Total comprehensive income for the year								
Profit for the year							1,702,223	1,702,223
Other comprehensive income								
Employee benefit plan actuarial gains							11,131	11,131
Deferred tax on actuarial gains on defined benefit obligation							(4,238)	(4,238)
Net change in fair value of available for sale financial assets						(233,599)		(233,599)
Equity accounted investee - share of OCI							971	971
Total comprehensive income for the year	-	-	-	-	-	(233,599)	1,710,087	1,476,488
Transactions with owners, recognised directly in equity								
Distribution to owners of the Company								
Final dividend paid 2014 / 2015							(403,603)	(403,603)
First interim dividend paid 2015 / 2016							(302,702)	(302,702)
Second interim dividend paid 2015 / 2016							(403,603)	(403,603)
Balance as at 31.03.2016	336,335	2,956,382	785,400	308,900	466,250	(166,184)	5,625,032	10,312,115

	Stated capital	Revaluation reserve	Other components of equity				Retained earnings	Total equity
			Development reserve	Property, plant & equipment replacement reserve	General reserves	Available for sale reserve		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company								
Balance as at 01.04.2014	336,335	1,189,230	785,400	308,900	466,250	130,946	3,430,473	6,647,534
Total comprehensive income for the year								
Profit for the year							1,236,867	1,236,867
Other comprehensive income								
Employee benefit plan actuarial gains							16,545	16,545
Gain from revaluation of land		1,733,106						1,733,106
Deferred tax on actuarial gains on defined benefit obligations							(3,764)	(3,764)
Net change in fair value of available for sale financial assets						(62,313)		(62,313)
Total comprehensive income for the year	-	1,733,106	-	-	-	(62,313)	1,249,648	2,920,441
Transactions with owners, recognised directly in equity								
Distribution to owners of the Company								
Final dividend paid 2013 / 2014							(403,603)	(403,603)
First interim dividend paid 2014 / 2015							(201,801)	(201,801)
Balance as at 31.03.2015	336,335	2,922,336	785,400	308,900	466,250	68,633	4,074,717	8,962,571
Balance as at 01.04.2015	336,335	2,922,336	785,400	308,900	466,250	68,633	4,074,717	8,962,571
Super gain tax for the year of assessment 2013 / 14 (*)							(418,387)	(418,387)
Balance as at 01.04.2015 (after adjusting for super gain tax)	336,335	2,922,336	785,400	308,900	466,250	68,633	3,656,330	8,544,184
Total comprehensive income for the year								
Profit for the year							1,457,126	1,457,126
Other comprehensive income								
Employee benefit plan actuarial gains							8,436	8,436
Deferred tax on actuarial gains on defined benefit obligations							(3,484)	(3,484)
Net change in fair value of available for sale financial assets						(197,757)		(197,757)
Total comprehensive income for the year	-	-	-	-	-	(197,757)	1,462,078	1,264,321
Transactions with owners, recognised directly in equity								
Distribution to owners of the Company								
Final dividend paid 2014 / 2015							(403,603)	(403,603)
First interim dividend paid 2015 / 2016							(302,702)	(302,702)
Second interim dividend paid 2015 / 2016							(403,603)	(403,603)
Balance as at 31.03.2016	336,335	2,922,336	785,400	308,900	466,250	(129,124)	4,008,500	8,698,597

(*) As per the provisions of Part III of the Finance Act, No. 11 of 2015 which was certified on 30 October 2015, the Group / Company was liable for Super Gain Tax (SGT) amounting to Rs. 490 Mn and Rs. 418 Mn respectively. According to the Act, the SGT shall be deemed to be an expenditure in the financial statements relating to the year of assessment commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of SGT is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on accounting for SGT issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

In accordance with LKAS 10 "Events after the reporting period" proposed dividend is not recognised as a separate item under equity and such dividend has been disclosed in note 41.

Revaluation reserve on property, plant & equipment represents the unutilised revaluation surplus arising out of the revaluation of lands of United Motors Lanka PLC and TVS Lanka (Pvt) Ltd, a joint venture of the Group.

Property, plant & equipment replacement reserve represents profits reserved by the Company for the replacement of capital assets that have either completed their economic life or whose technologies are out-dated and thus require replacement.

Development reserve represents profits that have been held in reserve to fund future development projects of the Company.

General reserves are profits held in the reserve to fund future needs of the business which have not been specified.

Available for sale reserve comprises the cumulative net change in the fair value of available for sale financial assets until the investments are derecognised or impaired.

Notes from page 132 to 184 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

Statements of Cash Flows

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Cash flows from operating activities				
Profit before income tax expense	2,353,603	1,625,881	2,049,981	1,586,165
Adjustments for;				
Provision for depreciation / amortisation	141,706	137,521	91,044	73,015
Profit on disposal of property, plant & equipment	(10,895)	(24,261)	(5,242)	(17,160)
Net gain on disposal of available for sale financial assets	(54,170)	(281,713)	(52,805)	(280,060)
Net gain on disposal of financial assets at the fair value through profit or loss	(3,942)	-	(3,942)	-
Net change in fair value - financial asset at fair value through profit or loss	37,966	-	37,966	-
Interest expense	101,457	80,796	35,343	31,441
Interest income	(68,023)	(79,704)	(51,340)	(51,443)
Dividend income	(20,085)	(22,849)	(18,271)	(22,790)
Dividend received from subsidiary	-	-	(60,750)	(54,000)
Dividend received from equity accounted investee	-	-	(12,600)	(5,198)
Impairment of trade receivables and losses on warranty claims	38,220	12,517	25,188	2,506
Provision for employee benefit obligations	30,400	33,674	28,216	30,328
Expected return on plan asset	(9,901)	(11,273)	(9,574)	(11,128)
Share of profits of equity accounted investee	(131,549)	(64,508)	-	-
Loss on disposal of equity accounted investee	-	1,086	-	-
Withholding tax on dividend received from equity accounted investee	1,400	578	-	-
Capital work-in-progress written off	-	3,888	-	3,888
Provision / (reversal) for slow moving / obsolete inventories	27,066	(13,040)	18,570	(1,062)
Loss on disposal of non current investment	-	-	-	81
Fair value adjustment on unit trust	(9,340)	(7,850)	(9,340)	(4,414)
Operating profit before working capital changes	2,423,913	1,390,743	2,062,444	1,280,169
(Increase) / decrease in inventories	(1,519,588)	(597,432)	627,496	(853,705)
Decrease / (increase) in trade and other receivables	162,592	(273,401)	470,985	(330,602)
Decrease / (increase) in amounts due from related party receivables	505	5,436	(2,805)	9,675
Increase / (decrease) in amounts due to related party payables	361	-	(38,434)	(50,106)
Increase in trade and other payables	111,072	437,472	88,833	480,700
Cash generated from operations	1,178,855	962,818	3,208,519	536,131
Interest paid	(99,678)	(77,969)	(36,428)	(30,956)
Income tax paid	(305,355)	(390,192)	(299,670)	(356,564)
Super gain tax paid	(490,036)	-	(418,387)	-
Contribution paid and received from investment plan (net)	(180)	(1,313)	(180)	(260)
Net cash generated from operating activities	283,606	493,344	2,453,854	148,351

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Cash flows from investing activities				
Acquisition of shares and investment in unit trust	(5,286,267)	(2,488,823)	(4,828,428)	(2,173,119)
Proceeds from disposal of shares / units in unit trust	4,930,929	2,314,743	4,122,875	2,300,778
Proceeds from disposal of non current investment	-	-	-	919
Acquisitions of property, plant & equipment and intangible assets	(273,819)	(141,639)	(253,700)	(139,267)
Proceeds from disposal of property, plant & equipment	28,337	25,933	21,061	18,304
Investment in other long term assets - employee benefits	-	(1,954)	-	-
Interest received	68,023	79,704	51,340	51,443
Dividend received from equity accounted investee	12,600	5,198	12,600	5,198
Dividend received	20,085	22,849	79,021	76,790
Net cash (used in) / generated from investing activities	(500,112)	(183,989)	(795,231)	141,046
Cash flows from financing activities				
Dividend paid	(1,109,908)	(605,404)	(1,109,908)	(605,404)
Loans obtained	19,039,681	10,381,453	11,641,534	6,218,263
Loans paid	(17,511,403)	(10,030,553)	(12,103,234)	(5,856,663)
Net cash generated from / (used in) financing activities	418,370	(254,504)	(1,571,608)	(243,804)
Net increase in cash & cash equivalents	201,864	54,851	87,015	45,593
Cash & cash equivalents at beginning of year	103,179	48,328	66,482	20,889
Cash and cash equivalents at end of year (note 28)	305,043	103,179	153,497	66,482

Notes from page 132 to 184 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

Notes to the Financial Statements

1. Reporting entity

1.1 Corporate information

United Motors Lanka PLC (the"Company"), is a public quoted Company incorporated on 9 May 1989 and domiciled in Sri Lanka. The registered office and the principal place of business of the Company are located at No. 100, Hyde Park Corner, Colombo 02.

1.2 Consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities") and the Group's interests in joint venture. All the Group entities and joint venture are limited liability companies, incorporated and domiciled in Sri Lanka.

1.3 Principal activities and nature of operations

The principal activities of the Company, subsidiaries and joint venture are given below.

Name of Company	Principal activities
United Motors Lanka PLC	Importation & sale of brand new Mitsubishi & Fuso vehicles, spare parts, lubricants, after sales services and related services.
Subsidiaries	
Unimo Enterprises Ltd	Importation & sale of vehicles, spare parts & tyres and assembling of vehicles
Orient Motor Company Ltd	Importation & sale and hiring of vehicles
UML Property Developments Ltd	Renting of premises
Joint venture	
TVS Lanka (Pvt) Ltd	Importation & sale of motor bikes, three wheelers, spare parts & related services
TVS Automotives (Pvt) Ltd	Importation & sale of lubricants & tyres

There were no significant changes in the nature of the principal activities of the Group and the Company during the financial year under review. Activities of the Group are described in more detail in the Group Structure.

1.4 Approval of financial statements

The financial statements for the year ended 31 March 2016 were authorized for issue by the Board of Directors on 30 May 2016.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No.07 of 2007.

2.2 Basis of measurement

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and under the historical cost convention except for following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available for sale financial assets are measured at fair value.
- Defined benefit obligation is measured after actuarially valuing and the present value of the defined benefit obligation is recorded. Defined benefit asset is measured at fair value.
- Freehold land is stated at fair value.

2.3 Responsibilities for the financial statements

The Board of Directors acknowledges their responsibility for the financial statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for Financial Statements" and the certification on the financial position on pages 112 to 118, 121 to 122 and 127 respectively of this annual report.

2.4 Functional and presentation currency

The financial statements of the Company and the Group are presented in Sri Lankan Rupees, which is the Group's functional and presentational currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand.

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the Sri Lanka Accounting Standards.

2.6 Offsetting

Assets and liabilities and income and expenses in the financial statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

2.7 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2.8 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with SLFRS / LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

More information on significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognised in these financial statements are included in the following.

3.4.1	- Provision for depreciation
3.3.1.4	- Impairment of trade receivables
3.5.3	- Employee benefit obligations
3.6.13	- Deferred tax liabilities / assets
3.3	- Financial instruments
3.5.4	- Contingent liabilities

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend to liquidate or cease trading activities in any of Group's entities. Accordingly, the financial statements continue to be prepared on a going concern basis.

3. Significant accounting 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.

3.1 Basis of consolidation

The Group's financial statements comprise consolidation of the financial statements of the Company, its subsidiaries in terms of SLFRS 10 – Consolidated and Separate Financial Statements and its share of net assets in joint venture in terms of SLFRS 11 – Joint Arrangements.

3.1.1 Acquisitions and divestments

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The results of subsidiaries and joint venture have been included from the date of acquisition, or incorporation while results of subsidiaries and joint venture disposed will be included up to the date of disposal. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2 Subsidiaries

Subsidiaries are investees that are controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

A list of the Group's subsidiaries is set out in note 40 to the financial statements.

These consolidated financial statements are prepared to a common financial year end of 31 March. The accounting policies of subsidiaries are in line with the policies adopted by the Company. All the assets and liabilities of the Company and the subsidiaries are included in the consolidated statement of financial position.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company (the Parent) in the form of cash dividend or repayment of loans and advances.

3.1.3 Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries / jointly controlled entities not owned directly or indirectly by the company.

The Group does not have any subsidiaries with significant non-controlling interests as all subsidiaries are fully owned by United Motors Lanka PLC.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealized gains arising from transactions with equity accounted investee are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

3.1.5 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is recognised in the income statement. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date of control is lost. Subsequently it is accounted for as an equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

3.1.6 Interests in equity-accounted investee

The Group's interest in equity-accounted investee comprises interest in a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Interest in joint venture is accounted for using the equity method. They are recognised initially at cost, which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investee until the date on which joint control ceases.

3.2 Foreign currency transactions and balances

Transactions in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing as at the reporting date. Non-monetary assets and liabilities which are measured at historical cost denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates of the transactions. Non-monetary assets & liabilities that are measured at fair value denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates that the fair values were determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

3.3 Financial instruments

3.3.1 Non derivative financial assets

3.3.1.1 Initial recognition and measurement

Financial assets are recognised when and only when the Company becomes a party to the contractual provisions of the financial instruments. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised they are measured at fair value plus directly attributable transaction costs, however in the case of financial assets classified at fair value through profit or loss, directly attributable transaction costs are not considered.

The financial assets include cash and cash equivalents, short term deposits, investments in commercial paper, unit trusts, treasury bills, equity shares and trade and other receivables.

3.3.1.2 Classification and subsequent measurement

At inception, a financial asset is classified into one of the following categories;

- At fair value through profit or loss
- Loans and receivables
- Available-for-sale
- Held to maturity investments

The subsequent measurement of financial assets depends on their classification as follows;

Financial assets at fair value through profit or loss

Financial asset at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of comprehensive income.

Investments in unit trust and equity securities acquired for the purpose of trading are classified as financial assets at fair value through profit or loss.

Loans & receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method (EIR), less any impairment losses. The losses arising from impairment are recognised in the statement of comprehensive income in impairment losses on loans and receivables.

Loans and receivables comprises of cash and cash equivalents, trade and other receivables and receivables from related companies.

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as available for sale. According to LKAS 39 investment in long term equity securities are classified as available for sale financial assets. Available for sale financial assets are recognised at fair value, subsequently measured at fair value, with changes recognised in other comprehensive income (OCI) and presented within equity in the available for sale reserve. If there is significant and prolong decline in fair value, such decline is identified as impairment. Impairment losses shall be recognised in the profit or loss and cumulative losses recognised in the OCI will be recycled to profit or loss.

Available for sale financial assets comprises investments in long term equity securities.

Held to maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR (Effective Interest Rates). The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income under finance costs.

There were no assets classified as held to maturity as at the reporting date.

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

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

Impairment of financial assets carried at amortized cost
The Group considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

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

Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. If a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. When the Group considers that there is no realistic process of recovery of the asset, the relevant amounts are written off.

Impairment of financial assets – available for sale
Impairment losses on available for sale financial assets are recognised by reclassifying accumulated losses that has been recognised in other comprehensive income and presented in the fair value reserve in equity, to profit or loss. If, in a subsequent period, the fair value of an impaired available for sale asset increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

3.3.2 Non derivative financial liabilities

3.3.2.1 Initial recognition and measurement
Financial liabilities within the scope of SLFRS / LKAS are recognised when and only when the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value plus transaction cost that are directly attributable to the issue of the financial liability, which are not at fair value through profit or loss. Financial liabilities can be classified in to two categories as financial liabilities at fair value through profit or loss and other financial liabilities. The Company has classified its financial liabilities into other financial liability category.

3.3.2.2 Subsequent measurement
The Group classifies non derivative financial liability into the other financial liabilities category. Such financial liabilities are recognised

initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Such financial liabilities measured at amortized cost includes trade and other payables, interest bearing borrowings, amounts due to related companies etc.

3.3.2.3 Derecognition
A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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

3.4 Non financial assets and basis of measurement

3.4.1 Property, plant and equipment
Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

Basis of Recognition
Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group / Company and cost of the asset can be measured reliably. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Measurement
An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs. 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 their intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Cost model
The Group applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation model
Freehold land is stated at cost at the time of acquisition and subsequently measured at fair value at the next valuation. Freehold land of the Group is revalued every five years to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the profit or loss. In this circumstance,the increase is recognised as income to the extent of the previous write down.

Any decrease in the carrying amount is recognised as an expense in comprehensive income or is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Upon disposal or retirement, any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings.

Subsequent costs
The cost of replacing significant parts 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 that part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are charged to the statement of comprehensive income as incurred.

De-recognition
The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or losses arising from derecognition of an item of property, plant and equipment is included in statement of comprehensive income when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost is derecognised.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of comprehensive income on straight-line basis over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease terms and useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease period. Freehold land is not depreciated.

The estimated useful lives are as follows:

Buildings	40 years
Furniture and fittings	5 years
Office equipment	4 years
Electrical fixtures and fittings	4 years
Machinery and tools	4 – 10 years
Motor vehicles	4 years
Reference books	10 years
Computers	5 years

Considering the useful life of buildings and the industry norms for depreciation the management decided to change the rate of depreciation to 2.5% per annum (2015 - 10%) during the year under review. The impact of such change has been incorporated in these financial statements. The revisions were accounted for prospectively as a change in accounting estimates.

UML Property Developments Limited, a BOI Company, depreciates freehold building at 2.5% per annum.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in note 18.

Leasehold improvements are capitalized and depreciated over the life time of the lease or useful life whichever is shorter.

Borrowing cost

As per LKAS 23 on "Borrowing costs", the Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit and loss in the period it is incurred.

Capital work-in-progress

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

3.4.2 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or 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.

Basis of recognition

Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be measured reliably.

Below mentioned properties classified as investment properties in the books of United Motors Lanka PLC and UML Property Developments Limited do not qualify as an investment property in the consolidated financial statements.

- The parent company, United Motors Lanka PLC rented part of the land and building to its subsidiaries / affiliates.
- The building held by UML Property Developments Limited is rented to the parent company, United Motors Lanka PLC.

Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. The Group applies the cost model for investment properties in accordance with LKAS 40 "Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is provided on a straight line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

De-recognition

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected.

Reclassification of investment property

When the use of a property changes from owner-occupied to investment property, the transfers are recorded at carrying amount following the cost model as per LKAS 40.

3.4.3 Leased assets

Finance leases

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 minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases

Other leases are operating leases. Payments made under operating leases are recognised in profit or loss on straight line basis over the term of the lease.

3.4.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

Basis of recognition

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The negative goodwill is recognised immediately in the statement of comprehensive income. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold net of disposal proceeds.

Software

All licensed computer software costs incurred by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and is probable that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less amortization and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Useful economic lives and amortisation

Computer software are amortised over their estimated useful economic life over a period of 5 years on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Above rate is consistent with the rate used in the previous years. Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

De-recognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains and losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

3.4.5 Investments in subsidiaries

Investments in subsidiaries are recorded at cost less impairment in the financial statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

An impairment assessment was carried out as at 31 March 2016 and it was concluded that net realisable value of all the investments included under unquoted investments exceeds its carrying value.

3.4.6 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories that are not interchangeable are recognised by using specific identification of their individual cost and other inventories are based on weighted average cost formula. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Accordingly, the costs of inventories are accounted as follows:

Motor vehicles	- at actual cost
Goods-in-transit	- at actual cost
Work-in-progress	- at cost
Other stocks	- at purchase cost on a first in first out basis

Provisions are made for all non-moving and obsolete items of inventory to reflect the lower of cost or net realizable value.

3.4.7 Impairment - non financial assets

The carrying value of the Group's non financial assets, other than inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For 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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of if it's 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 that cannot be tested individually 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 ("cash-generating unit or CGU") for the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the Group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decrease 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 amortisation, if no impairment loss had been recognised.

3.5 Liabilities and provisions

3.5.1 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.5.2 Dividends payable

Provision for final dividends is recognised at the time the dividend is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the provisions of the Companies Act No. 07 of 2007.

Dividends for the year that are approved after the reporting period are disclosed under events after the reporting period in accordance with the Sri Lanka Accounting Standard LKAS 10.

3.5.3 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Employees' Provident Fund

The Company and employees contribute 12% and 10% respectively of the salary of each employee to the approved Private Provident fund. Other companies of the Group and their employees contribute at 12% and 8% respectively to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The Company / Group contribute 3% of the salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

Contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income as incurred.

Defined benefit plans - retiring gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Company and the Group are liable to pay retirement benefits under the Payment of Gratuity Act, No 12 of 1983. The net obligation of the Group in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the Projected Unit Credit (PUC) method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined liability, taking in to account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The Company's liability arising on retirement benefits of employees joined prior to 1992 / 93 is partly externally funded through investment in NDB Mutual Funds. The gratuity liability of the employee joined after 1992 is externally funded and a policy agreement has been entered in to with AIA Insurance which covers 682 employees of the Company as at 31 March 2016.

Subsidiaries and joint ventures
All the subsidiaries & joint ventures have adopted actuarial valuation method in line with Group accounting policies.

The gratuity liability of subsidiaries and joint ventures is partly externally funded with AIA Insurance PLC.

3.5.4 Capital commitments & contingencies
Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be measured reliably. Capital commitments and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

3.5.5 Events after the reporting date
The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

3.6 Statement of comprehensive income

3.6.1 Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales returns, trade discounts and revenue related taxes. Group Revenue is shown after eliminating inter-company sales in full. The following specific criteria are used for the purpose of recognition of revenue.

3.6.2 Sale of goods
Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts, and volume rebates.

3.6.3 Services rendered
Revenue for services rendered is recognised in the statement of comprehensive income once significant performance obligations have been provided.

3.6.4 Facilitation fee
Facilitation fee is recognised in the statement of comprehensive income at the point of invoicing to the supplier.

3.6.5 Profit on disposal of property, plant & equipment
Profits or losses resulting from disposal of property, plant & equipment have been accounted on cash basis in the statement of comprehensive income.

3.6.6 Rental income
Rental Income is recognised on an accrual basis.

3.6.7 Expenditure
All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of statement of comprehensive income, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted. Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and maintenance are charged to the statement of comprehensive income in the year in which the expenditure is incurred. The profit earned by the Company is before income tax expense and after making provision for all known liabilities and for the depreciation of property, plant & equipment.

3.6.8 Warranties
Costs incurred by the Company under the terms of the warranty agreement between principal suppliers are reimbursed to the Company. Any amounts that are not reimbursed under the warranty agreement are charged to the statement of profit or loss.

3.6.9 Finance costs / income
Finance costs comprise interest payable on all financial liabilities such as term loans, overdrafts and finance leases and fair value losses on financial assets at fair value through profit or loss. Interest expenses are recognised using the effective interest method.

Finance income comprises interest income, income from unit trusts, profit from disposal of marketable securities, dividend income, foreign exchange gains, fair value gains on financial assets at fair value through profit or loss and all other income received or receivable as a result of holding financial asset.

Interest income is recognised as it accrues using the effective interest method in the statement of comprehensive income.

Dividend income is recognised in the statement of comprehensive income on the date that the Group's right to receive payment is established.

The interest component of finance lease payment is recognised in the financial statements using effective rate method.

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

3.6.10 Income tax expense

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised directly in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income.

3.6.11 Current tax

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

3.6.12 Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

3.6.13 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of the assets and liabilities as at the reporting date.

Deferred tax is not recognised for;

- temporary differences on the initial recognition of assets and liabilities in transactions that are not a business combination and that affect either accounting or taxable profit or loss.
- temporary differences relating to investments in subsidiaries, to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse. In the absence of the availability of the income tax rate applicable on the reversal date, the income tax rate applicable as at the reporting date is used.

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

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

3.6.14 Withholding tax on dividends (WHT)

- Withholding tax on dividends distributed by the subsidiaries and joint venture.

  Dividends received by the Company out of taxable profit of the subsidiaries are subject to 10% deduction at source.
- Withholding tax on dividends distributed by the Company.

  Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

3.6.15 Value Added Tax (VAT)

The Company and its subsidiaries are liable to pay Value Added Tax on taxable supplies at the specified rates.

3.6.16 Economic Service Charge (ESC)

The Company and its subsidiaries are liable to pay Economic Service Charge at specified rates where applicable.

3.6.17 Nations Building Tax (NBT)

The Company and its subsidiaries are liable to pay Nation Building Tax (NBT) at specified rates.

4. Basic earnings per share

The financial statements present basic earnings per share (EPS) for its ordinary shareholders. The 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 year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year.

5. Related party transactions

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

6. Operating segments

Group and Company have five reportable segments. These segments offer different products and services and are managed separately as they require different marketing strategies. Operating results are reviewed by Group CEO / ED to make decisions about resource allocation and performance assessment for each segment separately.

The business segments of the Group are highlighted in the table below:

Reportable Segments	Operations
Spare parts	Sale of spare parts
Vehicles	Sale of brand new passenger vehicles, commercial vehicles, special purpose vehicles, pre-owned passenger vehicles, motor bikes, and three wheelers
Repairs & services	Repairs and servicing of vehicles
Tyres	Sale of tyres
Lubricant & other services	Sale of lubricant & hiring of vehicles

Segment results that are reported to the Group CEO / ED include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) & related revenue, loans & borrowings, related expenses, corporate and head office expenses and income tax assets & liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

Inter-segment pricing is determined on an arm's length basis.

The activities of the Group are within Sri Lanka. Consequently, the economic environment in which the Company operated is not subject to risk and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

7. Cash flow statement

The statements of cash flows has been prepared by using the "indirect method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of cash flows'.

Cash and cash equivalents comprise of cash balances, short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the statement of cash flows comprised of those items as explained in note 28.

Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

The statements of cash flows are given on pages 130 and 131.

8. New accounting standards issued not yet adopted

Following table list the standards issued but not yet effective up to the date of issuance of the Group's financial statements. The Group intends to adopt those standards when they become effective.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
SLFRS 9 – Financial instruments	SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 - Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39. Effective date of SLFRS 9 has been deferred till January 01, 2018.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 9.
SLFRS 15 – Revenue from contracts with customers	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts'. SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2018.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 15.

The following new standard is not expected to have a significant impact on the Group's consolidated financial statements:

- SLFRS 14 – Regulatory Deferral Accounts – Effective date, 1 January 2016

9. Segment results

Group	Spare parts		Vehicles		Repairs & services		Tyres		Lubricant & other services		Total	
Rs.'000	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue												
External - Sales	1,564,568	1,478,536	11,451,878	7,300,756	-	-	176,774	174,963	605,729	483,958	13,798,949	9,438,213
- Services / commission	-	-	899,993	561,605	604,009	537,997	-	-	901	379	1,504,903	1,099,981
Total revenue	1,564,568	1,478,536	12,351,871	7,862,361	604,009	537,997	176,774	174,963	606,630	484,337	15,303,852	10,538,194
Segment results	622,011	567,277	1,899,539	990,875	123,427	96,002	41,151	33,179	68,973	8,587	2,755,101	1,695,920
Unallocated income											44,217	91,603
Unallocated expenses											(607,492)	(537,323)
Profit from operations before finance cost											2,191,826	1,250,200
Net finance income											30,228	312,259
Profit from operations											2,222,054	1,562,459
Share of profit / (loss) of equity accounted investee (net of income tax)											131,549	63,422
Profit before income tax expense											2,353,603	1,625,881
Income tax expenses											(651,380)	(363,549)
Profit from ordinary activities											1,702,223	1,262,332
Employee benefit plan actuarial gains / (losses)											11,131	15,100
Gain from revaluation of land											-	1,733,106
Deferred tax on actuarial gains on DBO											(4,238)	(3,335)
Equity accounted investee - share of OCI											971	126
Net change in fair value of available for sale financial assets											(233,599)	(63,531)
Net profit attributable to equity holders of the parent											1,476,488	2,943,798
Segment assets	1,378,464	1,184,664	8,630,977	7,254,049	322,876	339,695	221,312	194,076	489,035	473,864	11,042,664	9,446,348
Unallocated assets											4,048,732	3,702,836
Total assets	1,378,464	1,184,664	8,630,977	7,254,049	322,876	339,695	221,312	194,076	489,035	473,864	15,091,396	13,149,184
Segment liabilities	61,085	13,147	701,004	781,631	6,357	6,348	4,201	9,370	-	-	772,647	810,496
Unallocated liabilities											4,006,634	1,903,117
Total liabilities	61,085	131,374	701,004	781,631	6,357	6,348	4,201	9,370	-	-	4,779,281	2,713,613
Segment capital expenditure - allocated	27,993	19,871	221,002	105,674	10,807	7,231	3,163	2,352	10,854	6,511	273,819	141,639
Depreciation & amortisation - allocated	14,487	19,295	114,373	102,602	5,593	7,021	1,637	2,283	5,616	6,320	141,706	137,521
Non cash expenses / (income)	13,866	16,089	46,722	(32,581)	761	994	(3,017)	872	6,954	14,103	65,286	(523)

Company

Rs.'000	Spare parts 2016	Spare parts 2015	Vehicles 2016	Vehicles 2015	Repairs & services 2016	Repairs & services 2015	Tyres 2016	Tyres 2015	Lubricant & other services 2016	Lubricant & other services 2015	Total 2016	Total 2015
Revenue												
External - Sales	1,555,361	1,478,492	6,998,634	5,221,725	-	-	-	-	606,880	484,324	9,160,875	7,184,541
- Services / commission	-	-	895,589	556,431	636,318	573,698	-	-	2,593	1,533	1,534,500	1,131,662
Total revenue	1,555,361	1,478,492	7,894,223	5,778,156	636,318	573,698	-	-	609,473	485,857	10,695,375	8,316,203
Segment results	620,851	559,476	1,644,739	979,430	155,737	131,704	-	-	108,285	62,933	2,529,612	1,733,543
Unallocated income											48,291	70,028
Unallocated expenses											(673,784)	(602,980)
Profit from operations before finance cost											1,904,119	1,200,591
Net finance income											145,862	385,574
Profit before income tax expense											2,049,981	1,586,165
Income tax expenses											(592,855)	(349,298)
Profit from ordinary activities											1,457,126	1,236,867
Employee benefit plan actuarial gains / (losses)											8,436	16,545
Gain from revaluation of land											-	1,733,106
Deferred tax on actuarial gains on DBO											(3,484)	(3,764)
Net change in fair value of available for sale financial assets											(197,757)	(62,313)
Net profit attributable to equity holders of the Company											1,264,321	2,920,441
Segment assets	1,240,026	1,275,620	5,192,558	5,851,293	322,876	402,149	-	-	556,257	514,126	7,311,717	8,043,188
Unallocated assets											3,136,369	2,737,678
Total assets	1,240,026	1,275,620	5,192,558	5,851,293	322,876	402,149	-	-	556,257	514,126	10,448,086	10,780,866
Segment liabilities	6,357	6,348	529,400	563,213	6,357	6,348	-	-	-	-	542,114	575,909
Unallocated liabilities											1,207,375	1,242,386
Total liabilities	6,357	131,374	529,400	563,213	6,357	6,348	-	-	-	-	1,749,489	1,818,295
Segment capital expenditure - allocated	36,894	24,760	187,256	96,764	15,094	9,607	-	-	14,456	8,136	253,700	139,267
Depreciation & amortisation - allocated	13,240	12,981	67,199	50,731	5,417	5,037	-	-	5,188	4,266	91,044	73,015
Non cash expenses / (income)	13,823	16,089	24,030	(25,118)	761	994	-	-	5,144	9,479	43,758	1,444

10. Revenue

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Brand new vehicles	11,451,878	7,300,756	6,998,634	5,221,725
Spare parts, repairs & services	2,168,577	2,016,533	2,191,678	2,052,190
Lubricants & car care products	605,729	483,957	606,880	484,324
Facilitation fee	32,264	47,193	32,264	47,193
Local charges on new vehicles	868,630	514,726	864,226	509,552
Hiring	-	66	1,693	1,219
Tyres	176,774	174,963	-	-
	15,303,852	10,538,194	10,695,375	8,316,203

10.1 The detailed segmental review is given under note 9 to the financial statements.

10.2 Free service arrangements - The Company and the Group do not defer revenue component applicable to free service arrangements and recognised full revenue at the point of invoicing. The Company / Group generally provide three labour free services. According to past records, the cost of labour of such free services is immaterial and the Company / Group is of the view that this does not have a material impact on the results of these financial statements.

10.3 Warranty obligation - A standard warranty period / Kms is agreed with the principal for new vehicle sales. The cost incurred by the Company in respect of replacements within the warranty period, is reimbursed by the principal provided that the claims are within the terms agreed with the principal from the date of imports. The Company has no warranty liability in respect of past sales which can occur in future, as the cost is reimbursed by the principal other than in a situation where the Company gives warranty period commencing from the date of sale which is beyond the warranty period given by the principal.

The Company estimates this future liability on the extended warranty period is insignificant based on the past records. Therefore revenue has not been deferred.

11. Other income

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Rent income	1,626	1,479	17,635	20,828
Profit on disposal of property, plant & equipment	10,895	24,261	5,242	17,160
Award received from principal	2,497	6,892	2,497	6,892
Incentive received	2,022	-	2,022	-
Staff loan interest	867	749	867	749
Commission on insurance	2,627	3,688	2,627	3,688
Income on legal services	26	190	26	190
Valuation fee	141	68	141	68
Sundry income (note 11.1)	23,516	54,276	17,234	20,453
	44,217	91,603	48,291	70,028

11.1 Sundry income

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Scrap sales	7,435	5,615	7,435	5,615
Write back of other payables	-	32,431	-	-
Miscellaneous	16,081	16,230	9,799	14,838
	23,516	54,276	17,234	20,453

12. Other expenses

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Losses on warranty claims	14,289	5,800	2,209	578
Provision for /(reversal of) slow moving / obsolete inventories	27,066	(13,040)	18,570	(1,062)
Impairment losses and write offs on loans and receivables	23,931	6,717	22,979	1,928
	65,286	(523)	43,758	1,444

13. Profit from operations

13.1 Operating profit is stated after charging all expenses including the following:

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Depreciation on property, plant & equipment (note 18)	139,931	135,711	88,979	70,950
Depreciation on investment properties (note 19)	-	-	514	514
Amortization of intangible assets (note 20.2)	1,775	1,810	1,551	1,551
Auditors' remuneration (note 13.1.1)	3,778	3,618	2,853	2,693
Tax compliance / consultancy charges	980	697	612	309
Directors' emoluments	97,629	102,335	77,742	79,730
Personnel cost (note 13.1.2)	791,210	687,615	687,801	601,694
Donations	208	133	208	133
Legal fees	1,173	1,964	402	1,289
Loss on striking off of UML Agencies & Distributors (Pvt) Ltd	-	-	-	81

13.1.1 Auditor's remuneration

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Audit services and related services	3,778	3,618	2,853	2,693
Non audit services	-	-	-	-
	3,778	3,618	2,853	2,693

13.1.2 Personnel costs

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Salaries and bonus	666,342	580,745	581,171	508,087
Contributions to defined contribution plan	70,049	60,940	59,606	51,945
Contributions to employee defined benefit plans (gratuity)	20,318	22,142	18,462	18,940
Others	34,501	23,788	28,562	22,722
	791,210	687,615	687,801	601,694
Number of employees at the end of the year	832	776	682	636

14. Finance income and finance cost

14.1 Recognised in profit or loss

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Finance income				
Interest on call deposits	4,880	3,236	3,979	2,528
Interest on amounts due from related parties	-	133	-	302
Income from unit trust investments	62,276	75,586	46,494	47,864
Foreign exchange gains	16,453	3,254	12,186	1,425
Net gains on disposal of				
Financial assets at fair value through profit or loss	3,942	-	3,942	-
Available for sale financial assets	54,170	281,713	52,805	280,060
Dividend income on				
Financial assets at the fair value through profit or loss	827	-	827	-
Available for sale financial assets	19,258	22,849	17,444	22,790
Dividend income from investments in related companies	-	-	60,750	54,000
Dividend income from equity accounted investee	-	-	12,600	5,198
Net change in fair value of unit trust investments	9,340	7,850	9,340	4,414
Total finance income	171,146	394,621	220,367	418,581
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(100,518)	(80,498)	(34,725)	(31,172)
Interest on overdrafts	(939)	(298)	(618)	(269)
Net change in fair value				
Financial assets at fair value through profit or loss	(37,966)	-	(37,966)	-
Foreign exchange losses	(1,495)	(1,566)	(1,196)	(1,566)
Total finance cost	(140,918)	(82,362)	(74,505)	(33,007)
Net finance income recognised in profit or loss	30,228	312,259	145,862	385,574

14.2 Recognised in other comprehensive income

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Net change in fair value of available for sale financial assets	(233,599)	(63,531)	(197,757)	(62,313)
	(233,599)	(63,531)	(197,757)	(62,313)

15. Income tax expenses

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Current tax expense (note 15.1)	617,558	349,745	559,728	339,920
Adjustments in respect of prior years	30,298	(40)	26,105	-
	647,856	349,705	585,833	339,920
Deferred tax expense				
Deferred tax asset reversal during the year (note 33.1)	4,125	12,842	7,022	9,378
(Reversal) / charge of deferred tax liability during the year (note 33.2)	(601)	1,002	-	-
	3,524	13,844	7,022	9,378
	651,380	363,549	592,855	349,298

The Department of Inland Revenue has issued income tax assessments on the Company for the years of assessment 2009 / 10 and 2010 / 11 disallowing 2/3rd of the NBT expenses claimed by the Company. Additional assessment (excluding penalty) amounts to Rs.7,787,394 and Rs.18,317,599 respectively. On 13 November 2015, the Company filed a petition in Court of Appeal against the determination of the Commissioner General Inland Revenue (CGIR) for the year of assessment 2009 / 2010. The determination of CGIR for the year of assessment 2010 / 2011, dated on 21 January 2016 has now been appealed against with Tax Appeals Commission. The above amounts have been provided in these financial statements.

15.1 Reconciliation between accounting profit to income tax expense:

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit before income tax expense	2,353,603	1,625,881	2,049,981	1,586,165
Disallowable expenses	475,466	526,986	412,578	319,072
Exempt dividends and other non business income	(232,788)	(492,485)	(213,416)	(435,625)
Allowable expenses	(324,156)	(355,496)	(254,095)	(260,815)
Statutory income from business	2,272,125	1,304,886	1,995,048	1,208,797
Income from other sources	4,556	7,652	3,979	5,204
Total statutory income / assessable income	2,276,681	1,312,538	1,999,027	1,214,001
Tax losses	(1,319)	-	-	-
Taxable income	2,275,362	1,312,538	1,999,027	1,214,001
Standard tax rate	28%	28%	28%	28%
Concessionary tax rate	2%	2%		
Taxable income liable at standard rate	2,200,197	1,244,208	1,999,027	1,214,001
Taxable income liable at concessionary rate	75,165	68,330	-	-
Income tax at standard rate	616,055	348,378	559,728	339,920
Income tax at concessionary rate	1,503	1,367	-	
Income tax for the year	617,558	349,745	559,728	339,920
Total tax for the year	617,558	349,745	559,728	339,920
Effective tax rate	26%	22%	27%	21%

15. Income tax expenses (contd.)

15.2 Income tax provisions

(a) Current tax has been computed in accordance with the provisions of the Inland Revenue Act, No. 10 of 2006 and amendments thereto. The taxable profit of the Company & subsidiaries are liable for income tax at 28% (2015-28%) except for the 'taxable profit' of UMPDL which is liable at 2% on turnover in accordance with an agreement entered in to with the Board of Investments of Sri Lanka under section 17 of the BOI Act No.4 of 1978 & will be liable at the said rate till the year 2022.

(b) The utilisation of tax losses brought forward is restricted to 35% of current year's statutory income. Unabsorbed tax losses can be carried forward indefinitely.

The tax losses carried forward by the Group entities as at 31 March 2016 amounts to Rs. 186,500,036 (2015 - Rs. 198,183,560) and the details are given below:

	Group	
	2016 Rs.'000	2015 Rs.'000
Tax losses at the beginning of the year	198,184	107,844
Tax losses for the year	-	90,486
Adjustment in respect of previous year	(10,365)	(146)
Tax losses set off during the year (35% of statutory income)	(1,319)	-
Tax losses at the end of the year	186,500	198,184

(c) Withholding tax on the final dividend approved on 30 May 2016 is Rs.14,586,151. The actual liability arises in the year in which dividend is paid. Therefore, no liability is recognised in these financial statements.

(d) Deferred tax has been computed using the current tax rate of 28% (2015 - 28%) for the Company & the Group (note 33).

16. Earnings per share

Basic earnings per share

The Company's and the Group's earnings per share is computed on the net profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue during the year as required by LKAS 33 "Earnings per share"

	Group		Company	
	2016	2015	2016	2015
Amount used as numerator				
Profit attributable to equity holders of the parent (Rs.'000)	1,702,223	1,262,332	1,457,126	1,236,867
Amount used as denominator				
Weighted average number of ordinary shares ('000)	100,901	100,901	100,901	100,901
Basic earnings per share (Rs.)	16.87	12.51	14.44	12.26

17. Dividend per share

	Company			
	2016		2015	
	Dividend Per share Rs.	Dividend Rs.'000	Dividend Per share Rs.	Dividend Rs.'000
Final dividend paid - 2013 / 14	-	-	6	403,603
First interim dividend paid - 2014 / 15	-	-	2	201,801
Final dividend paid - 2014 / 15	4	403,603	-	-
First interim dividend paid - 2015 / 16	3	302,702	-	-
Second interim dividend paid - 2015 / 16	4	403,603	-	-
	11	1,109,908	8	605,404

As required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No. 07 of 2007, prior to recommending and has obtained a certificate from the auditors, prior to distributing the dividend.

A final dividend of Rs.2 per share has been recommended by the Board of Directors, details of which have been disclosed in note 41.

18. Property, plant & equipment

18.1 Group

	Free hold Land Rs.'000	Buildings Rs.'000	Furniture & fittings Rs.'000	Office equipment Rs.'000	Electrical fixture & fittings Rs.'000	Machinery & tools Rs.'000	Motor vehicles free hold Rs.'000	Reference books Rs.'000	Computers Rs.'000	Capital work in progress Rs.'000	Total 2016 Rs.'000	Total 2015 Rs.'000
Cost or revalued amount												
At the beginning of the year	4,026,950	379,401	39,496	39,562	67,715	176,002	321,180	107	122,281	10,627	5,183,321	3,346,347
Additions	-	8,811	1,165	2,855	17,948	29,739	47,947	-	8,257	156,947	273,669	197,341
Gain from revaluation of land [note 18.3 (v)]	-	-	-	-	-	-	-	-	-	-	-	1,733,106
Disposals	-	(13,923)	(48)	(231)	(85)	(990)	(36,504)	-	(458)	-	(52,239)	(33,838)
Derecognition of capital work-in-progress	-	79,314	-	-	-	-	-	-	-	(79,314)	-	(59,635)
At the end of the year	4,026,950	453,603	40,613	42,186	85,578	204,751	332,623	107	130,080	88,260	5,404,751	5,183,321
Accumulated depreciation												
At the beginning of the year	-	127,818	23,649	25,395	45,322	74,551	166,825	107	88,204	-	551,871	448,325
Charge for the year	-	18,145	4,727	5,351	11,740	18,003	68,705	-	13,260	-	139,931	135,711
Disposals	-	(2,404)	(48)	(218)	(85)	(990)	(30,594)	-	(458)	-	(34,797)	(32,166)
At the end of the year	-	143,559	28,328	30,528	56,977	91,564	204,936	107	101,006	-	657,005	551,870
Carrying amount as at 31 March 2016	4,026,950	310,044	12,285	11,658	28,601	113,187	127,687	-	29,074	88,260	4,747,746	-
Carrying amount as at 31 March 2015	4,026,950	251,584	15,847	14,167	22,393	101,452	154,355	-	34,076	10,627	-	4,631,451

18. Property, plant & equipment (contd.)

Details of land and buildings owned by the Group are as follows:

Location / address	Buildings		Land					
	No. of building units	Sq. / Ft	Extent			Cost	Revaluation	Total Value
			Acre	Rood	Perch	Rs.'000	Rs.'000	Rs.'000
100, & 100A ,Hyde Park Corner, Colombo 02	10	81,794	1	3	0.54	76,791	2,081,094	2,157,885
143 & 145 Majeed Place, Orugodawatte	28	129,876	7	-	15.14	63,940	809,254	873,194
Vauxhall Street, Colombo 02	2	825	-	1	10.35	161,325	265,800	427,125
Meetotamulla, Orugodawatte	-	-	-	1	28.86	78,081	(4,997)	73,084
Maligawa Road, Ratmalana	9	5,507	9	3	36.50	443,140	35,810	478,950
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	4,089	16,712
Total	52	227,477	20	2	37.08	835,900	3,191,050	4,026,950

18.2 Company

	Free hold Land Rs.'000	Buildings Rs.'000	Furniture & fittings Rs.'000	Office equipment Rs.'000	Electrical fixture & fittings Rs.'000	Machinery & tools Rs.'000	Motor vehicles free hold Rs.'000	Reference books Rs.'000	Computers Rs.'000	Capital work in progress Rs.'000	Total 2016 Rs.'000	Total 2015 Rs.'000
Cost or revalued amount												
At the beginning of the year	3,879,590	284,017	35,603	27,117	67,631	149,069	164,489	107	113,738	10,627	4,731,988	2,882,876
Additions	-	8,811	1,018	1,713	17,485	26,715	33,949	-	7,062	156,947	253,700	195,014
Gain from revaluation of land [note 18.3 (v)]	-	-	-	-	-	-	-	-	-	-	-	1,733,106
Disposals	-	(13,923)	(48)	(19)	(85)	(990)	(21,290)	-	-	-	(36,355)	(19,373)
Derecognition of capital work-in-progress	-	79,314	-	-	-	-	-	-	-	(79,314)	-	(59,635)
At the end of the year	3,879,590	358,219	36,573	28,811	85,031	174,794	177,148	107	120,800	88,260	4,949,333	4,731,988
Accumulated depreciation												
At the beginning of the year	-	92,089	21,003	17,148	45,245	67,727	73,645	107	81,910	-	398,874	346,151
Charge for the year	-	15,358	4,641	3,757	11,136	12,427	30,292	-	11,368	-	88,979	70,950
Disposals	-	(2,404)	(48)	(6)	(85)	(990)	(17,003)	-	-	-	(20,536)	(18,228)
At the end of the year	-	105,043	25,596	20,899	56,296	79,164	86,934	107	93,278	-	467,317	398,873
Carrying amount as at 31 March 2016	3,879,590	253,176	10,977	7,912	28,735	95,630	90,214	-	27,522	88,260	4,482,016	-
Carrying amount as at 31 March 2015	3,879,590	191,929	14,600	9,969	22,386	81,342	90,844	-	31,828	10,627	-	4,333,115

Details of land & buildings owned by the Company are as follows:

Location / address	Buildings		Land					
	No. of building units	Sq. / Ft	Extent			Cost	Revaluation	Total Value
			Acre	Rood	Perch	Rs.'000	Rs.'000	Rs.'000
100, & 100A ,Hyde Park Corner, Colombo 02	9	71,524	1	2	3.70	25,000	1,985,525	2,010,525
143 & 145 Majeed Place, Orugodawatte	28	129,876	7	-	15.14	63,940	809,254	873,194
Vauxhall Street, Colombo 02	2	825	-	1	10.35	161,325	265,800	427,125
Meetotamulla, Orugodawatte	-	-	-	1	28.86	78,081	(4,997)	73,084
Maligawa Road, Ratmalana	9	5,507	9	3	36.50	443,140	35,810	478,950
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	4,089	16,712
Total	51	217,207	20	2	0.24	784,109	3,095,481	3,879,590

Considering the useful life of buildings and the industry norms for depreciation the management decided to change the rate of depreciation of the buildings to 2.5% per annum during the year under review. The revisions were accounted for prospectively as a change in accounting estimates.

18.3 Revaluation

Company:

(i) In March 1993, the Company's land costing Rs.93,335,951 was revalued by an independent Chartered valuer. The surplus arising out of such revaluation amounting Rs.49,000,000 was fully utilised for issue of bonus shares.

(ii) In December 1999, another revaluation has been carried out by an independent Chartered valuer to reflect the market value. The total surplus arising out of this revaluation amounting to Rs. 141,853,649 has been fully utilised for the issue of bonus shares during 2002 / 2003.

(iii) In March 2005, a third revaluation was carried out by an independent Chartered valuer to reflect market value of land. The total surplus arising out of such revaluation amounting to Rs. 398,820,000 has been credited to the capital reserve on revaluation of land.

(iv) In 2010, a fourth revaluation was carried out by J M S Bandara, a qualified independent valuer on the 31 March 2010 to reflect market value of land. The resultant surplus of Rs. 827,883,000 has been credited to the capital reserve on revaluation of land.

(v) In 2015, a further revaluation was carried out by J M S Bandara, a qualified independent valuer on the 31 March 2015 to reflect market value of land. The resultant surplus of Rs. 1,733,106,312 has been credited to the capital reserve on revaluation of land.

18.4 Measurement of fair value

Measurement of fair value of land has been categorised as level 3 of the fair value hierarchy based on the inputs to the valuation technique used.

The following table shows the valuation technique used in measuring the fair value of land, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Fair value of land is based on available property market data, available facilities & services, planning restrictions, title status, size / shape & other physical factors of the land.	The valuer has used a range of prices for each land based on investigated prices in order to determine the market value.	The estimated fair value would increase (decrease) if: market value per perch was higher (lower)

18. Property, plant & equipment (contd.)

18.5 Fully depreciated assets

Cost of fully depreciated assets which are still in use as at reporting date is as follows:

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Buildings	42,977	42,977	42,977	42,977
Furniture and fittings	16,354	14,080	13,210	12,937
Office equipment	16,646	13,057	14,141	12,252
Electrical fixture & fittings	31,047	26,174	31,047	26,174
Machinery & tools	42,195	38,563	39,555	35,923
Motor vehicles	165,426	143,629	56,135	69,071
Computers	67,306	59,764	63,829	57,804
Reference books	107	107	107	107
Total	382,058	338,351	261,001	257,245

18.6 No restrictions existed on the title of the property, plant and equipment of the Group as at the reporting date.

18.7 There were no items of property, plant and equipment pledged as security for liabilities and there is no permanent fall in the value of property.

18.8 There were no compensation received / receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

18.9 Based on the provisions of the Land (Restrictions on Alienation) Act No. 38 of 2014, foreigners are no longer permitted to buy land in Sri Lanka. A company having foreign shareholding of 50% or more is categorised as a foreign company as per Section 02 of the above Act. According to the above classification, as at 31 March 2016 United Motors Lanka PLC & its subsidiaries are classified as foreign entities.

19. Investment property

	Company	
	2016 Rs.'000	2015 Rs.'000
Cost	152,495	152,495
At the beginning of the year	-	-
At the end of the year	152,495	152,495
Accumulated depreciation		
At the beginning of the year	1,631	1,117
Charge for the year	514	514
At the end of the year	2,145	1,631
Net book value as at 31 March	150,350	150,864

The buildings owned by UML Property Developments Limited is rented to the parent company, United Motors Lanka PLC. Hence it does not qualify as an investment property in the consolidated financial statements.

Details of investment property are as follows:

Location / address	Building			Land				Cost of the property Rs.'000
	No. of buildings	Sq. / Ft	Value Rs.'000	Extent			Value Rs.'000	
				Acre	Rood	Perch		
100A ,Hyde Park Corner, Colombo 02	1	10,270	5,135	-	-	36.84	147,360	152,495

The Company classified part of the land and building as investment property. UML has rented this property to its subsidiaries and affiliated company (Unimo Enterprises Ltd and TVS Automotives (Pvt) Ltd)

The Company recognised investment property at cost and according to the valuation done by Mr J. M. S Bandara, qualified independent valuer as at 31 March 2016, fair value of this property is Rs.360 million. In determining the fair value, the current condition of the properties, future usability and market evidence of transaction prices for similar properties, with appropriate adjustments for size and location have been considered.

Rental income earned from investment property by the Company amounts to Rs.6,216,456 (2015 – Rs.5,651,329) and direct operating expenses incurred by the Company that generated rental income amounted to Rs.668,000 (2015 – Rs.232,750). No operating expense was incurred that did not generate rental income. There was no restriction on the realisability of the investment property.

20. Intangible assets

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Goodwill (note 20.1)	2,890	2,890	-	-
Computer software (note 20.2)	1,023	2,798	921	2,472
	3,913	5,688	921	2,472

20.1 Goodwill

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	2,890	2,890	-	-
At the end of the year	2,890	2,890	-	-

20.1 (a) Impairment of goodwill

Goodwill represents the difference between the purchase consideration and the fair value of assets acquired as a result of the acquisition of balance 50% shares in Unimo Enterprise Ltd (formally known as Associated United Motors Limited) which was acquired on 3 October 2002.

No condition has arisen that results in an impairment of goodwill that requires a provision.

20. Intangible assets (contd.)

20.2 Computer software

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Cost				
At the beginning of the year	16,719	16,719	14,757	14,757
At the end of the year	16,719	16,719	14,757	14,757
Accumulated amortisation				
At the beginning of the year	13,921	12,111	12,285	10,734
Amortisation during the year	1,775	1,810	1,551	1,551
At the end of the year	15,696	13,921	13,836	12,285
Carrying amount at the end of the year	1,023	2,798	921	2,472

20.3 Cost of fully amortized computer software of the Group and Company amount to Rs.8.1 million (2015 - Rs. 7.8 million) and Rs.7 million (2015 - Rs.7 million) respectively.

20.4 There were no restrictions existed on the title of the intangible assets of the Group as at the reporting date. Further there were no items pledged as security for liabilities.

21. Investments in subsidiaries

		Group		Company	
	% Holding	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Orient Motor Company Ltd	100	-	-	50,000	50,000
UML Property Development Ltd	100	-	-	75,000	75,000
Unimo Enterprises Ltd	100	-	-	47,400	47,400
		-	-	172,400	172,400

22. Investments in equity accounted investee

		Group		Company	
	% Holding	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
TVS Lanka (Pvt) Ltd - (interest in joint venture)	50	750,853	632,183	173,545	173,545
		750,853	632,183	173,545	173,545

TVS Lanka (Pvt) Ltd is a joint venture which the Group has 50% ownership interest. The other parties to the joint venture is T V Sundaram Iyengar & Sons (Pvt) Ltd, India and TVS Motor Company Ltd, India.

22.1 Reconciliation of investments in equity accounted investee

Reconciliation of the carrying amount of the equity accounted investee is as follows;

	Group	
	2016 Rs.'000	2015 Rs.'000
Balance as at 1 April	632,183	574,365
Profit for the year recognized in statement of profit or loss	131,023	61,828
Dividend received	(14,000)	(5,775)
Elimination of unrealized profit on downstream sales	676	1,639
Other comprehensive income	971	126
Group's share of net result of equity accounted investee for the year ended 31 March	750,853	632,183

22.2 Summary of financial information of equity accounted investee

	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Current assets	5,077,375	3,729,011
Non current assets	195,411	224,428
Current liabilities	(3,769,357)	(2,678,058)
Non current liabilities	(26,796)	(34,736)
Net assets (100%)	1,476,633	1,240,645
Group's share of net assets (50%)	738,317	620,323
Elimination of unrealized profit on downstream sales	(9)	(685)
Goodwill	12,545	12,545
Carrying amount of interest in equity accounted investee	750,853	632,183
Cash and cash equivalents included in current assets	124,714	45,256
Current financial liabilities included in current liabilities	2,762,982	1,622,559
Non current financial liabilities included in non current liabilities	-	8,011
Revenue	14,163,281	8,356,499
Profit or loss from continuing operations	262,046	123,657
Other comprehensive income	1,942	252
Profit & other comprehensive income (100%)	263,988	123,909
Profit & other comprehensive income (50%)	131,994	61,955
Elimination of unrealised profit	526	1,593
Group's share of profit and total comprehensive income	132,520	63,548
Depreciation and amortisation	(38,845)	(37,421)
Interest income	5,486	17,691
Interest expense	(193,112)	(86,290)
Income tax expense	(161,735)	(79,344)
Contingent liabilities	529,396	477,500
Capital & other commitments	-	-
Dividend received	-	-

23. Financial instruments

23.1 Fair values of assets and liabilities

Fair values Vs. carrying amounts

The following table shows the carrying amounts and fair values of financial assets and financial liabilities under each category, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value			
	Note	Available-for-sale Rs.'000	Fair value through profit or loss Rs.'000	Loans and receivables Rs.'000	Other financial liabilities Rs.'000	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Group - 31 March 2016										
Financial assets measured at fair value										
Equity shares	24	735,573	111,985	-	-	847,558	847,558	-	-	847,558
Investments in unit trusts	24	-	1,170,140	-	-	1,170,140	-	1,170,140	-	1,170,140
		735,573	1,282,125	-	-	2,017,698	847,558	1,170,140	-	2,017,698
Financial assets not measured at fair value										
Trade & other receivables	26	-	-	1,498,435	-	1,498,435				
Amounts due from related parties	27	-	-	620	-	620				
Cash & cash equivalents	28	-	-	522,873	-	522,873				
		-	-	2,021,928	-	2,021,928				
Financial liabilities not measured at fair value										
Interest bearing borrowings	31	-	-	-	2,635,284	2,635,284				
Trade & other payables	34	-	-	-	1,323,945	1,323,945				
Amounts due to related parties	35	-	-	-	361	361				
Bank overdrafts	28	-	-	-	217,830	217,830				
		-	-	-	4,177,420	4,177,420				
Group - 31 March 2015										
Financial assets measured at fair value										
Equity shares	24	463,622	-	-	-	463,622	463,622	-	-	463,622
Investments in unit trusts	24	-	1,402,850	-	-	1,402,850	-	1,402,850	-	1,402,850
		463,622	1,402,850	-	-	1,866,472	463,622	1,402,850	-	1,866,472
Financial assets not measured at fair value										
Trade & other receivables	26	-	-	1,699,247	-	1,699,247				
Amounts due from related parties	27	-	-	1,125	-	1,125				
Cash & cash equivalents	28	-	-	216,543	-	216,543				
		-	-	1,916,915	-	1,916,915				
Financial liabilities not measured at fair value										
Interest bearing borrowings	31	-	-	-	1,105,227	1,105,227				
Trade & other payables	34	-	-	-	1,212,873	1,212,873				
Amounts due to related parties	35	-	-	-	-	-				
Bank overdrafts	28	-	-	-	113,364	113,364				
		-	-	-	2,431,464	2,431,464				

The Group has not disclosed the fair values for financial instruments such as trade & other receivables and payables because their carrying amount are a reasonable approximation of fair values.

	Note	Carrying amount: Available-for-sale Rs.'000	Carrying amount: Fair value through profit or loss Rs.'000	Carrying amount: Loans and receivables Rs.'000	Carrying amount: Other financial liabilities Rs.'000	Carrying amount: Total Rs.'000	Fair value: Level 1 Rs.'000	Fair value: Level 2 Rs.'000	Fair value: Level 3 Rs.'000	Fair value: Total Rs.'000
Company - 31 March 2016										
Financial assets measured at fair value										
Equity shares	24	614,655	111,985	-	-	726,640	726,640	-	-	726,640
Investments in unit trusts	24	-	1,170,140	-	-	1,170,140	-	1,170,140	-	1,170,140
		614,655	1,282,125	-	-	1,896,780	726,640	1,170,140	-	1,896,780
Financial assets not measured at fair value										
Trade & other receivables	26			783,486	-	783,486				
Amounts due from related parties	27			17,998	-	17,998				
Cash & cash equivalents	28			320,957	-	320,957				
		-	-	1,122,441	-	1,122,441				
Financial liabilities not measured at fair value										
Interest bearing borrowings	31	-	-	-	-	-				
Trade & other payables	34	-	-	-	1,012,017	1,012,017				
Amounts due to related parties	35	-	-	-	29,280	29,280				
Bank overdrafts	28	-	-	-	167,460	167,460				
		-	-	-	1,208,757	1,208,757				
Company - 31 March 2015										
Financial assets measured at fair value										
Equity shares	24	436,448	-	-	-	436,448	436,448	-	-	436,448
Investments in unit trusts	24	-	924,414	-	-	924,414	-	924,414	-	924,414
		436,448	924,414	-	-	1,360,862	436,448	924,414	-	1,360,862
Financial assets not measured at fair value										
Trade & other receivables	26	-	-	1,279,659	-	1,279,659				
Amounts due from related parties	27	-	-	15,193	-	15,193				
Cash & cash equivalents	28	-	-	177,676	-	177,676				
		-	-	1,472,528	-	1,472,528				
Financial liabilities not measured at fair value										
Interest bearing borrowings	31	-	-	-	462,785	462,785				
Trade & other payables	34	-	-	-	923,184	923,184				
Amounts due to related parties	35	-	-	-	67,714	67,714				
Bank overdrafts	28	-	-	-	111,194	111,194				
		-	-	-	1,564,877	1,564,877				

The Company has not disclosed the fair values for financial instruments such as trade & other receivables and payables because their carrying amount are a reasonable approximation of fair values.

The following table shows the valuation technique used in measuring level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investments in unit trusts	Fair value is based on the published unit prices	Based on published unit prices	The estimated fair value would increase (decrease) if: the published unit prices were higher (lower)

23. Financial instruments (contd.)

23.2 Financial assets by fair value hierarchy

Fair value of financial instruments are based on a fair value hierarchy which is defined below.

Level 1

Inputs that are quoted market prices (unadjusted) in active market for identical instruments. The Company measures the fair value of an instrument using active quoted prices or dealer price quotations without any deductions for transaction cost. Market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions at arm's length basis.

Level 2

Inputs other than quoted prices included within level one that are observable either directly or indirectly. This category includes instruments valued using; quoted market prices in an active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3

The inputs that are unobservable. This category includes all the instruments for which valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instrument's for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

23.3 Overview of financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for identifying, analysing, evaluating and monitoring the risk and the management of capital of the Group. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk profile and controls, and to monitor risks and mitigate. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The risk management has been further detailed in Enterprise Risk Management given in pages 106 to 111

23.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Group does an extensive and continuous evaluation of credit worthiness of its customers / financial institutions by assessing external credit ratings (if available) or historical information about default rates and change the credit limits and payment terms if necessary.

23.4.1 Exposure to credit risk

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

		Group		Company	
Carrying amount	Note	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Fair value through profit and loss - unit trust	24.3	1,170,140	1,402,850	1,170,140	924,414
Trade and other receivables	26	1,498,435	1,699,247	783,486	1,279,659
Amount due from related parties	27	620	1,125	17,998	15,193
Cash at bank	28	341,868	155,196	177,052	118,098
		3,011,063	3,258,418	2,148,676	2,337,364

23.4.2 Trade receivables

The management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Sources of credit risks are identified, assessed and monitored and the Group has policies to manage the risks with in various subcategories. The utilization of credit limits is regularly monitored.

Maximum exposure to credit risk for trade receivables at the reporting date by category wise are as follows:

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Public sector	233,504	438,030	233,504	438,030
Private sector				
Individual customers	-	81	-	81
Corporate customers	54,420	47,286	54,420	47,286
Dealers & distributors	179,702	163,917	115,553	104,395
Leasing companies	389,269	216,657	155,436	122,588
	856,895	865,971	558,913	712,380

23.4 Credit risk (contd.)

23.4.3 Impairment losses

(a) Details of the impairment of trade receivables are given below.

	Group			
	31.03.2016		31.03.2015	
	Gross Rs.'000	Impairment Rs.'000	Gross Rs.'000	Impairment Rs.'000
Individual impairment				
Not past due	582,018	-	613,400	-
Past due	38,647	35,747	20,062	11,502
Collective impairment				
Not past due	248,573	728	218,228	1,108
Past due	36,117	11,985	43,888	16,997
	905,355	48,460	895,578	29,607

	Company			
	31.03.2016		31.03.2015	
	Gross Rs.'000	Impairment Rs.'000	Gross Rs.'000	Impairment Rs.'000
Individual impairment				
Not past due	351,085	-	515,639	-
Past due	31,623	31,623	18,169	9,609
Collective impairment				
Not past due	194,722	131	176,053	188
Past due	16,835	3,598	14,892	2,576
	594,265	35,352	724,753	12,373

(b) The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	29,607	38,921	12,373	12,650
Impairment loss (reversed) / recognised	18,853	(9,314)	22,979	(277)
At the end of the year	48,460	29,607	35,352	12,373

(c) Impairment loss of Rs.35.7 Mn of the Group relates to individually significant customers and impairment test indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances. Hence the receivable balances are identified as impaired as at 31 March 2016.

Except for the above, balance receivables are impaired collectively based on the collection pattern and historical default rate.

(d) The Group believes that no impairment is necessary for equity securities categorised under 'available for sale financial assets' as the value changes are not permanent and significant.

(e) When the Group ascertains that no recovery of the amount owing is possible, at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

Credit risk relating to cash and cash equivalents
The cash and cash equivalents are held with banks and financial institutions which are rated above 'BBB-(lka).

Credit risk relating to investments in unit trusts
Most of the Group's investments are in unit trusts. The reputation of the custodian, track record of the fund manager is considered before the initial investment. Once an investment is placed, the Group continuously monitors the size, number of unit holders and the return from the unit trust to ensure that originally assessed credit worthiness is being continued.

23.5 Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due. The Group manages the liquidity risk by carrying out cash flow forecasts and identifying future cash needs. Investments are planned ensuring money is available for settlements. Adequate banking facilities are approved and kept for use as and when necessary. Strong relationships have been built with banks to ensure that urgent borrowing needs are met at short notice.

At the reporting date, the Group held unit trust investments of Rs. 1,170 million and other liquid assets of Rs. 523 million that are expected to readily generate cash inflows if needed to manage liquidity risk.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount Rs.'000	Contractual Cash flows Rs.'000	Less than 6 months Rs.'000	6- 12 months Rs.'000	1-2 years Rs.'000	2-5 years Rs.'000	More than 5 years Rs.'000
31 March 2016 - Group							
Non-derivative financial liabilities							
Short term loans	2,635,284	2,635,284	2,635,284	-	-	-	-
Trade and other payables	1,323,945	1,323,945	1,290,157	23,182	10,606	-	-
Amounts due to related parties	361	361	361	-	-	-	-
Bank overdrafts	217,830	217,830	217,830	-	-	-	-
	4,177,420	4,177,420	4,143,632	23,182	10,606	-	-
31 March 2015 - Group							
Non-derivative financial liabilities							
Short term loans	1,105,227	1,105,227	1,105,227	-	-	-	-
Trade & other payables	1,212,873	1,212,873	1,168,314	44,559	-	-	-
Bank overdrafts	113,364	113,364	113,364	-	-	-	-
	2,431,464	2,431,464	2,386,905	44,559	-	-	-
31 March 2016 - Company							
Non-derivative financial liabilities							
Short term loans	-	-	-	-	-	-	-
Trade and other payables	1,012,017	1,012,017	1,012,017	-	-	-	-
Amounts due to related parties	29,280	29,280	29,280	-	-	-	-
Bank overdrafts	167,460	167,460	167,460	-	-	-	-
	1,208,757	1,208,757	1,208,757	-	-	-	-
31 March 2015 - Company							
Non-derivative financial liabilities							
Short term loans	462,785	462,785	462,785	-	-	-	-
Trade & other payables	923,184	923,184	923,184	-	-	-	-
Amounts due to related parties	67,714	67,714	67,714	-	-	-	-
Bank overdrafts	111,194	111,194	111,194	-	-	-	-
	1,564,877	1,564,877	1,564,877	-	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

23.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks;

- Foreign exchange risk
- Interest rate risk
- Equity price risk

(a) Foreign exchange risk

Foreign currency risk arises when future commercial transactions are denominated in a currency that is not the entity's functional currency. The Group is principally exposed to fluctuations in the value of the Japanese Yen (JPY) and US dollar (USD) against the Sri Lankan Rupee (LKR). The Group's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes.

Changes in foreign currency exchange rates affect the Group's cost of purchases. Based on anticipated exchange rate movements, forward booking is considered as a method to minimise risk. Import bills are negotiated at the most favourable time for the Group.

The exposure to currency risk as at the reporting date are as follows:

	Group		Company	
	USD '000	JPY '000	USD '000	JPY '000
Trade and other receivables as at 31 March 2016	722	839	238	839
Trade and other payables as at 31 March 2016	1,573	262,786	757	262,786

Sensitivity analysis

The following table demonstrates the sensitivity of Group profits to a reasonable possible change in the US Dollar (USD) and Japanese Yen (JPY) exchange rate with all other variables held constant.

The impact on the profit before tax due to change in the fair value of monetary assets and liabilities denominated in foreign currency as at 31 March 2016 are as follows;

	Increase / decrease in exchange rate	Group effect on profit before tax Rs.'000	Company effect on profit before tax Rs.'000
USD	+ 5 %	(6,635)	(3,979)
	- 5%	6,635	3,979
JPY	+ 5 %	(17,660)	(17,660)
	- 5%	17,660	17,660

(b) Interest rate risk

The Group's interest rate risk arises mainly from the short term borrowings and investment of excess funds in financial instruments. Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash / investments held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group has cash and bank balances including deposits placed with government and reputed financial institutions. All available opportunities are considered before making investment decisions.

Proper working capital management is done to ensure that borrowing needs and investment opportunities are foreseen. Market interest rates are monitored closely to ensure borrowings and investments are at the best rate for the Group.

At the end of the reporting period the interest rate profile of the Group's interest bearing financial instruments were as follows:

	Group 2016 Rs.'000	Company 2016 Rs.'000
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments		
Financial assets	1,170,140	1,170,140
Financial liabilities	2,853,114	167,460

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in variable interest, with all other variables held constant.

	Increase / decrease in variable rates	Group effect on profit before tax Rs.'000	Company effect on profit before tax Rs.'000
31 March 2016 Variable rate instruments	+5%	69,979	58,507
	-5%	(69,979)	(58,507)

(c) Equity price risk

Listed equity securities are susceptible to equity price risk arising from uncertainties of future values of the investment securities. The Group manages the equity price risk through diversification of its portfolio to different business segments.

The Group's equity risk management policies adopted by the Investment Committee are as follows;

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are made based on in-depth industry and macroeconomic analysis as well as on research reports on the company performance.

The table below shows the diversification of equity investments;

Investment shares

Sector	Group				Company			
	31.03.2016		31.03.2015		31.03.2016		31.03.2015	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Banks, finance and insurance	421,095	57.2	228,447	49.3	367,384	59.8	221,184	50.7
Construction & engineering	7,036	1.0	-	0.0	-	-	-	-
Diversified holdings	151,284	20.6	162,375	35.0	128,710	20.9	142,464	32.6
Motor	61,369	8.3	70,333	15.2	61,369	10.0	70,333	16.1
Beverage, food & tobacco	74,821	10.2	-	0.0	57,192	9.3	-	0.0
Power & energy	1,978	0.3	2,467	0.5	-	0.0	2,467	0.6
Manufacturing	17,990	2.4	-	0.0	-	0.0	-	0.0
Total	735,573	100.0	463,622	100.0	614,655	100.0	436,448	100.0

23.6 Market risk (contd.)

Trading shares

Sector	Group / Company			
	31.03.2016		31.03.2015	
	Rs.'000	%	Rs.'000	%
Banks, finance and insurance	47,056	42.0	-	-
Diversified holdings	4,162	3.7	-	-
Beverage, food & tobacco	23,557	21.0	-	-
Construction & engineering	6,021	5.4	-	-
Power & energy	-	0.0	-	-
Manufacturing	31,189	27.9	-	-
Total	111,985	100	-	-

Sensitivity analysis

Investments in equity shares are subject to the performance of investee company and the factors that effects the status of the stock market. The following table demonstrate the sensitivity to a reasonably possible change in the market index, with all other variables held constant, the Group and the Company's equity due to changes in the fair value of the listed equity securities.

The following table demonstrates the sensitivity to a reasonably possible change in the market prices, with all other variables held constant of the Group and Company's equity due to changes in the fair value of the listed equity securities.

	Change in 31.03.2016 share price of all companies in which the Company has invested	Group		Company	
		Effect on profit before tax Rs.'000	Effect on equity Rs.'000	Effect on profit before tax Rs.'000	Effect on equity Rs.'000
31 March 2016 - Investments in equity shares	+ 5%	5,599	36,779	5,599	30,733
	- 5%	(5,599)	(36,779)	(5,599)	(30,733)

23.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance when this is effective.

Compliance with set procedures is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

23.8 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, capital is monitored on the basis of the gearing ratio.

No changes were made in objectives, policies or processes for managing capital during the years ended 31 March 2015 and 31 March 2016. The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. A net debt includes interest bearing borrowings, trade and other payables, less cash and cash equivalents.

		Group		Company	
	Note	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Interest bearing borrowings	31	2,635,284	1,105,227	-	462,785
Bank overdraft	28	217,830	113,364	167,460	111,194
Trade and other payables	34	1,323,945	1,212,873	1,012,017	923,184
Less: Cash and short term deposits	28	(522,873)	(216,543)	(320,957)	(177,676)
Net debt		3,654,186	2,214,921	858,520	1,319,487
Equity		10,312,115	10,435,571	8,698,597	8,962,571
Capital and net debt		13,966,301	12,650,492	9,557,117	10,282,058
Gearing ratio		0.26	0.18	0.09	0.13

24. Other investments

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Non-current investments				
Available for sale financial assets (note 24.1)	901,757	396,207	743,779	367,815
(Decrease) / increase in market value	(166,184)	67,415	(129,124)	68,633
	735,573	463,622	614,655	436,448
Current investments				
Equity securities designated as fair value through profit or loss (note 24.2)	149,951	-	149,951	-
(Decrease) / increase in market value	(37,966)	-	(37,966)	-
	111,985	-	111,985	-
Other investments designated as fair value through profit or loss (note 24.3)	1,170,140	1,402,850	1,170,140	924,414
	1,170,140	1,402,850	1,170,140	924,414
	1,282,125	1,402,850	1,282,125	924,414

24. Other investments (contd.)

24.1 Available for sale financial assets

	Group					
	31.03.2016			31.03.2015		
	No. of shares	Cost Rs.'000	Market value Rs.'000	No. of shares	Cost Rs.'000	Market value Rs.'000
Equity securities						
Access Engineering PLC	193,729	4,549	4,030	-	-	-
ACL Cables PLC	53,295	6,270	5,377	-	-	-
Aitken Spence PLC	361,647	41,596	26,581	329,545	38,423	32,790
Alumex PLC	70,000	1,171	1,078	-	-	-
Bairaha Farms PLC	38,267	8,171	5,510	-	-	-
Ceylon Grain Elevators PLC	45,260	4,734	3,118	-	-	-
Citizens Development Business Finance PLC - Non voting	10	1	1	-	-	-
Commercial Bank of Ceylon PLC-Non voting	195,480	26,580	22,089	3,160	420	415
Commercial Bank of Ceylon PLC-Voting	788,879	116,271	99,004	220,030	24,402	36,393
DFCC Bank PLC	477,092	92,716	65,362	-	-	-
Diesel & Motor Engineering PLC	111,640	91,654	61,369	111,640	91,654	70,333
Distilleries Company of Sri Lanka PLC	297,367	81,428	61,317	-	-	-
Hatton National Bank PLC - Non voting	90,293	14,914	15,440	27,373	3,883	4,517
Hatton National Bank PLC - Voting	501,207	112,156	99,891	2,698	517	599
John Keells Holdings PLC	834,111	152,697	123,449	649,871	137,380	129,585
Lanka Walltiles PLC	82,116	9,760	8,113	-	-	-
Laugfs Gas PLC	54,196	2,428	1,978	68,750	1,828	2,467
LB Finance PLC	59,915	7,466	6,357	-	-	-
MTD Walkers PLC	90,259	5,521	3,006	-	-	-
National Development Bank PLC	475,000	61,174	80,180	650,000	74,092	161,200
Nations Trust Bank PLC	258,683	25,945	19,194	3,500	347	350
People's Leasing & Finance PLC	129,654	3,109	2,074	-	-	-
Renuka Foods PLC	37,361	1,053	777	-	-	-
Sampath Bank PLC	-	-	-	99,060	23,261	24,973
Seylan Bank PLC - Voting	38,000	3,918	3,268	-	-	-
Singer Finance (Lanka) PLC	254,790	6,760	4,612	-	-	-
Softlogic Finance PLC	89,709	5,171	3,436	-	-	-
Textured Jersey Lanka PLC	9,602	324	304	-	-	-
Three Acre Farms PLC	84,708	12,213	7,217	-	-	-
Vallibel Finance PLC	3,491	230	187	-	-	-
Vallibel One PLC	70,443	1,777	1,254	-	-	-
		901,757	735,573		396,207	463,622

	Company					
	31.03.2016			31.03.2015		
	No. of shares	Cost Rs.'000	Market value Rs.'000	No. of shares	Cost Rs.'000	Market value Rs.'000
Aitken Spence PLC	323,596	37,820	23,784	323,596	37,820	32,198
Commercial Bank of Ceylon PLC-Non voting	195,480	26,580	22,089	3,160	420	415
Commercial Bank of Ceylon PLC-Voting	558,502	78,657	70,092	205,000	21,954	33,907
DFCC Bank PLC	477,092	92,716	65,362	-	-	-
Diesel & Motor Engineering PLC	111,640	91,654	61,369	111,640	91,654	70,333
Distilleries Company of Sri Lanka PLC	277,367	76,790	57,193	-	-	-
Hatton National Bank PLC - Non voting	90,293	14,914	15,440	27,373	3,883	4,517
Hatton National Bank PLC - Voting	457,667	103,081	91,213	-	-	-
John Keells Holdings PLC	708,958	129,209	104,926	552,987	116,398	110,266
Laugfs Gas PLC	-	-	-	68,750	1,828	2,467
National Development Bank PLC	475,000	61,174	80,180	650,000	74,092	161,200
Nations Trust Bank PLC	243,142	24,689	18,041	3,500	347	350
People's Leasing & Finance PLC	106,154	2,577	1,698	-	-	-
Sampath Bank PLC	-	-	-	82,488	19,419	20,795
Seylan Bank PLC - Voting	38,000	3,918	3,268	-	-	-
		743,779	614,655		367,815	436,448

24.2 Equity securities designated as fair value through profit or loss

	Group / Company					
	31.03.2016			31.03.2015		
	No. of shares	Cost Rs.'000	Market value Rs.'000	No. of shares	Cost Rs.'000	Market value Rs.'000
Trading shares						
Access Engineering PLC	170,000	3,827	3,536	-	-	-
ACL Cables PLC	32,507	3,796	3,280	-	-	-
ACL Plastics PLC	23,125	4,080	3,584	-	-	-
Alumex PLC	277,429	5,145	4,272	-	-	-
Bairaha Farms PLC	63,849	12,216	9,194	-	-	-
Ceylon Grain Elevators PLC	84,893	7,927	5,849	-	-	-
Citizens Development Business Finance PLC-Non Voting	52,437	5,269	3,566	-	-	-
Citizens Development Business Finance PLC-Voting	73,224	8,447	5,492	-	-	-
Commercial Bank of Ceylon PLC-Voting	4,386	691	550	-	-	-
Kelani Cables PLC	14,443	1,775	1,625	-	-	-
Kelani Tyres PLC	31,443	2,622	2,012	-	-	-
Lanka Walltiles PLC	95,093	10,893	9,395	-	-	-
LB Finance PLC	45,653	5,614	4,844	-	-	-
MTD Walkers PLC	74,625	4,546	2,485	-	-	-
Nations Trust Bank PLC	83,391	8,249	6,188	-	-	-
People's Leasing PLC	263,327	6,282	4,213	-	-	-
Renuka Foods PLC	198,882	5,464	4,137	-	-	-
Sanasa Development Bank PLC	25,623	3,885	3,503	-	-	-
Seylan Bank PLC - Voting	17,021	1,607	1,464	-	-	-
Singer Finance (Lanka) PLC	454,994	11,641	8,235	-	-	-
Softlogic Finance PLC	65,944	3,768	2,526	-	-	-
Swisstek (Ceylon) PLC	18,400	1,123	1,012	-	-	-
Textured Jersey Lanka PLC	5,000	162	159	-	-	-
Three Acre Farms PLC	120,018	16,538	10,226	-	-	-
Vallibel Finance PLC	120,600	8,350	6,476	-	-	-
Vallibel One PLC	233,803	6,034	4,162	-	-	-
		149,951	111,985		-	-

24. Other investments (contd.)

24.3 Other investments designated as fair value through profit or loss

	Group					
	31.03.2016			31.03.2015		
	No of units in '000	Cost of investment Rs.'000	Market value Rs.'000	No of units in '000	Cost of investment Rs.'000	Market value Rs.'000
Investment in unit trusts	78,742	1,160,800	1,170,140	100,730	1,395,000	1,402,850
	78,742	1,160,800	1,170,140	100,730	1,395,000	1,402,850

	Company					
	31.03.2016			31.03.2015		
	No of units in '000	Cost of investment Rs.'000	Market value Rs.'000	No of units in '000	Cost of investment Rs.'000	Market value Rs.'000
Investment in unit trusts	78,742	1,160,800	1,170,140	68,149	920,000	924,414
	78,742	1,160,800	1,170,140	68,149	920,000	924,414

25. Inventories

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Spare parts	708,705	433,293	473,435	414,802
Vehicles	3,548,576	2,660,058	895,483	1,797,466
Lubricants	144,533	140,358	144,533	140,358
Tyres	102,067	57,238	-	-
Others	31,948	29,408	31,948	29,408
Stock-in-trade	4,535,829	3,320,355	1,545,399	2,382,034
Work-in-progress	59,377	22,810	32,733	22,810
Goods in transit (note 25.2)	831,428	590,947	771,021	590,375
	5,426,634	3,934,112	2,349,153	2,995,219

The stock-in-trade of each category has been shown after netting off the provision made for slow moving inventories in respect of each category.

25.1 Provision for slow moving inventories

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	131,690	144,730	122,640	123,702
Provision / (reversal) during the year	27,066	(13,040)	18,570	(1,062)
At the end of the year	158,756	131,690	141,210	122,640

25.2 Goods in transit

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Vehicles	680,799	517,802	637,148	517,230
Spare parts	150,629	73,145	133,873	73,145
	831,428	590,947	771,021	590,375

25.3 Inventories & trade receivables pledged as security for liabilities of Group entities are as follows.

Company	Bank	Facility	Amount pledged as security Rs.'000	Balance outstanding Rs.'000
Orient Motor Company Ltd	National Development Bank PLC	Overdraft, short term loans, letters of credit	100,000	-
	Commercial Bank of Ceylon PLC	Overdraft, short term loans, letters of credit	115,000	-
	Standard Chartered Bank	Overdraft, short term loans, letters of credit	200,000	-
Unimo Enterprises Ltd	Sampath Bank PLC	Overdraft, short term loans, letters of credit	120,000	977,630
	National Development Bank	Overdraft, short term loans, letters of credit	105,000	86,250
	Commercial Bank of Ceylon PLC	Overdraft, short term loans, letters of credit	525,000	1,400,000
	Standard Chartered Bank	Overdraft, short term loans, letters of credit	500,000	759,000

26. Trade and other receivables

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Trade receivables	905,355	895,578	594,265	724,753
Impairment allowance (note 26.2)	(48,460)	(29,607)	(35,352)	(12,373)
	856,895	865,971	558,913	712,380
Other receivables (note 26.3)	370,802	271,925	35,930	35,280
Loans to employees	13,072	8,627	13,072	8,627
Deposits & pre-payments	157,652	93,098	75,557	63,746
Facilitation fee receivable	38	5,521	38	5,521
Advances paid	99,976	454,105	99,976	454,105
Total trade and other receivables	1,498,435	1,699,247	783,486	1,279,659

26.1 The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in note 23.4

26. Trade and other receivables (contd.)

26.2 Impairment allowance for trade receivables

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
At the beginning of the year	29,607	38,921	12,373	12,650
Provision during the year	22,573	1,320	22,979	692
Bad debt written off during the year	(3,720)	(10,634)	-	(969)
At the end of the year	48,460	29,607	35,352	12,373

26.3 Other receivables

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Other receivables	399,939	301,580	37,783	36,999
Impairment of other receivables	(29,137)	(29,655)	(1,853)	(1,719)
	370,802	271,925	35,930	35,280

26.4 Loans to employees

Total loans disbursed to employees amounts to Rs.9.4 million, out of which the movement of loans disbursed to employees which has exceeded Rs.20,000 are disclosed as follows:

	Group		Company	
	Non executives 2016 Rs.'000	Executives 2016 Rs.'000	Non executives 2016 Rs.'000	Executives 2016 Rs.'000
At the beginning of the year (no of employees - 158)	8,056	-	8,056	-
Loans disbursed during the year	9,460	-	9,460	-
Recovered during the year	(8,623)	-	(8,623)	-
At the end of the year (no of employees -169)	8,893	-	8,893	-

No loans have been granted to the Directors of the Company.

26.5 Trade receivables pledged as security for liabilities are given in note 25.3.

27. Amounts due from related parties

		Group		Company	
	Relationship	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Orient Motor Company Ltd	Subsidiary	-	-	7,115	5,856
Unimo Enterprises Ltd	Subsidiary	-	-	10,305	8,236
TVS Lanka (Pvt) Ltd	Equity accounted investee	50	708	50	708
TVS Automotives (Pvt) Ltd	Related entity	570	417	528	393
		620	1,125	17,998	15,193

28. Cash & cash equivalents

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Favourable balances				
Call deposits	23,594	16,988	23,594	16,988
Cash at bank	318,274	138,208	153,458	101,110
Cash in hand	181,005	61,347	143,905	59,578
	522,873	216,543	320,957	177,676
Unfavourable balances				
Bank overdrafts used for cash management purposes	(217,830)	(113,364)	(167,460)	(111,194)
Net cash and cash equivalent for the purpose of cash flow statements	305,043	103,179	153,497	66,482

In September 2015, the Department of Inland Revenue issued seizure notices to all six bank accounts of Orient Motor Company Ltd (OMCL) to recover unpaid NBT of Rs.17,640,485 as per their records. OMCL has set-off this amount against a GST refund approved by Commissioner General of Inland Revenue. OMCL has filed a fundamental rights petition in the Supreme Court against the Commissioner General of Inland Revenue on the basis that these outstanding taxes are not payable as they have been set off against refunds approved by Commissioner General of Inland Revenue. The Supreme Court has been hearing this case from 16 October 2015 and at the last hearing Attorney General's Department who are representing the Commissioner General of Inland Revenue, informed that no action will be taken against two of the bank accounts maintained in Sampath Bank and Standard Chartered Bank. In order, to get the accounts released from the seizure notice OMCL opened a call deposit in Commercial Bank with a lien to the Department of Inland Revenue for the amount in dispute. However, the call deposit was not accepted by Commissioner General of Inland Revenue and on 26 of April 2016 honorable Supreme Court has allowed OMCL to uplift the call deposit. The next hearing of the case is due on 25 of July 2016. No provision has been made in the financial statements regarding this liability as we have very strong reasons to believe that OMCL will not have to settle any assessments made by the Department of Inland Revenue.

Overdraft facilities of the Company are unsecured. See note 38.2 for details of securities given for related companies.

The Group's / Company's exposure to interest rate risk is disclosed in note 23.

29. Stated capital

	Group				Company	
	No. of shares		2016	2015	2016	2015
	2016	2015	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	100,900,626	67,267,084	336,335	336,335	336,335	336,335
Increase in number of shares due to share sub-division (1 share for 2 ordinary shares held)	-	33,633,542				
At the end of the year	100,900,626	100,900,626	336,335	336,335	336,335	336,335

On 19 August 2014, the Company increased its number of shares by sub-dividing two existing issued and fully paid ordinary shares into three ordinary shares without affecting any increase to the Company's stated capital. Consequent to the sub-division of shares, the number of shares increased to 100,900,626 from 67,267,084 shares in the previous year.

30. Capital reserves

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Surplus on revaluation of property, plant & equipment				
At the beginning of the year	2,956,382	1,223,276	2,922,336	1,189,230
Revaluation of land	-	1,733,106	-	1,733,106
At the end of the year	2,956,382	2,956,382	2,922,336	2,922,336

31. Interest bearing borrowings

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	1,101,800	750,900	461,700	100,100
Obtained during the year	19,039,681	10,381,453	11,641,534	6,218,263
	20,141,481	11,132,353	12,103,234	6,318,363
Payments made during the year	(17,511,403)	(10,030,553)	(12,103,234)	(5,856,663)
Loans outstanding as at 31 March	2,630,078	1,101,800	-	461,700
Accrued loan interest	5,206	3,427	-	1,085
At the end of the year	2,635,284	1,105,227	-	462,785
Non current	-	-	-	-
Current	2,635,284	1,105,227	-	462,785
Total	2,635,284	1,105,227	-	462,785

31.1 Details of Group's interest bearing borrowings, which are measured at amortised cost are given below.

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Current liabilities				
Short term loans	2,635,284	1,105,227	-	462,785
	2,635,284	1,105,227	-	462,785

31.2 Borrowings which are guaranteed through corporate guarantees given by the parent company, United Motors Lanka PLC, in favour of its subsidiaries and a related company are described in note 38.2 to these consolidated financial statements.

31.3 Terms & debt repayment schedule

Terms & conditions of the outstanding loans are as follows:

			Group			
			31.03.2016		31.03.2015	
	Effective interest rate	Year of maturity	Face value Rs.'000	Carrying value Rs.'000	Face value Rs.'000	Carrying value Rs.'000
Short term loans - secured	Market rate	2016	2,635,284	2,635,284	542,442	542,442
Short term loans - unsecured	Money market rate	2015	-	-	562,785	562,785
			2,635,284	2,635,284	1,105,227	1,105,227

			Company			
			31.03.2016		31.03.2015	
	Effective interest rate	Year of maturity	Face value Rs.'000	Carrying value Rs.'000	Face value Rs.'000	Carrying value Rs.'000
Short term loans - unsecured	Market rate	2015	-	-	462,785	462,785
			-	-	462,785	462,785

32. Employee benefits

32.1 Retirement benefit obligations

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Present value of unfunded obligations	658	2,085	-	-
Present value of funded obligations	166,100	164,258	154,070	152,919
Retirement benefit obligation (note 32.5)	166,758	166,343	154,070	152,919

The retirement benefit obligation is based on the actuarial valuation performed by Mr M. Poopalanathan (AIA), of Messrs Actuarial and Management Consultants (Pvt) Limited. The valuation method used by the actuary is the "Projected Unit Credit Method", the method recommended by LKAS 19 - Employee Benefits.

32.2 Defined benefit plan

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Employees joined before 1992 / 93 Mutual fund (note 32.3)	841	1,079	841	1,079
Employees joined after 1992 / 93 Defined benefit plan (note 32.4)	101,472	110,007	97,741	106,378
	102,313	111,086	98,582	107,457

32.3 Retiring gratuity is a defined benefit plan covering employees of the Company. The Company's liability arising on retirement benefits of employees joined prior to 1992 / 93 is partly externally funded through investments in NDB Mutual Funds and the value of this fund as at 31 March 2016 is Rs. 841,265 (2015 - Rs. 1,078,913). The gratuity liability of employees joined after 1992/93, is externally funded and an agreement has been entered in to with AIA Insurance PLC and covers 682 employees of the Company as at 31 March 2016.

32. Employee benefits (contd.)

32.4 Movement in fair value of defined benefit plan

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	110,007	107,543	106,378	105,983
Expected return on plan	9,901	11,273	9,574	11,128
Contribution paid into the plan	-	1,954	-	-
Benefits paid by the plan	(10,315)	(10,948)	(10,136)	(10,828)
Benefits payable by the plan	(4,069)	(3,007)	(4,069)	(3,007)
Actuarial gains / (losses) recognised in other comprehensive income	(4,052)	3,192	(4,006)	3,102
Fair value of the defined benefit plan at the end of the year	101,472	110,007	97,741	106,378

32.5 Movement in the present value of the defined benefit obligations

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	166,343	159,837	152,919	150,121
Expenses recognised in profit & loss (note 32.6)	30,162	33,682	27,978	30,336
Actuarial (gains) / losses recognised in other comprehensive income (note 32.6)	(15,183)	(11,908)	(12,442)	(13,443)
Benefits paid during the year	(14,564)	(15,268)	(14,385)	(14,095)
Defined benefit obligation at the end of the year	166,758	166,343	154,070	152,919

32.6 Expenses recognised in statement of profit or loss and comprehensive income

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Recognised in profit & loss				
Defined benefit obligations				
Current service costs	15,285	16,899	14,215	14,573
Interest on obligation	14,877	16,783	13,763	15,763
	30,162	33,682	27,978	30,336
Defined benefit plan				
Expected return on plan asset	9,901	11,273	9,574	11,128
	9,901	11,273	9,574	11,128
Recognised in other comprehensive income				
Defined benefit obligations				
Actuarial gains / (losses) recognised during the year	15,183	11,908	12,442	13,443
	15,183	11,908	12,442	13,443
Defined benefit plan				
Actuarial gains / (losses) recognised during the year	(4,052)	3,192	(4,006)	3,102
	(4,052)	3,192	(4,006)	3,102
	11,131	15,100	8,436	16,545

32.7 Actuarial assumptions

Principal actuarial assumptions are as follows:

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Rate of discount as at 31 March	10.5%	9.0%	10.5%	9.0%
Future salary increases	10%	10%	10%	10%
Retirement age	55 or 60	55 or 60	55 or 60	55 or 60
Staff turnover rate	5%	5%	5%	5%

Assumptions regarding future mortality are based on A67 / 70 Mortality table, issued by the institute of Actuaries, London, United Kingdom.

32.8 Sensitivity analysis

Values appearing as defined benefit obligation in the financial statements is sensitive to the changes in financial and non - financial assumptions used. The estimated impact based on sensitivity analysis carried out is as follows:

	Group		Company	
	+ 1%	- 1%	+ 1%	- 1%
A percentage point change in the discount rate				
Effect on the present value of defined benefit obligation (Rs.'000)	(8,840)	9,907	(7,799)	8,707
A percentage point change in the salary escalation rate				
Effect on the present value of defined benefit obligation (Rs.'000)	10,355	(9,378)	9,125	(8,289)

33. Deferred tax assets / liabilities

33.1 Deferred tax assets

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	24,033	40,210	12,404	25,546
Reversal of timing differences – recognised in profit or loss	(4,125)	(12,842)	(7,022)	(9,378)
Reversal of timing differences – recognised in other comprehensive income	(4,238)	(3,335)	(3,484)	(3,764)
At the end of the year	15,670	24,033	1,898	12,404
Composition of deferred tax assets				
Property, plant & equipment	(42,519)	(31,941)	(40,985)	(29,721)
Retirement benefit obligation	46,692	46,575	43,140	42,817
Provisions	11,754	10,091	-	-
Intangible assets	(257)	(692)	(257)	(692)
Net deferred tax assets	15,670	24,033	1,898	12,404

Deferred tax asset on tax losses of Orient Motor Company Ltd has not been recognised as it is not probable whether OMCL will have adequate profits to utilize such carried forward tax losses. Unused tax loss and unrecognised deferred tax asset as at the reporting date are Rs. 186,500,036 (2015 - Rs. 198,183,560) and Rs. 52,220,010 (2015 - Rs. 55,491,396) respectively.

33. Deferred tax assets / liabilities (contd.)

33.2 Deferred tax liabilities

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	15,031	14,029	-	-
Reversal and origination of timing differences – recognised in profit or loss	(601)	1,002	-	-
At the end of the year	14,430	15,031	-	-
Composition of deferred tax liability				
Property plant & equipment	14,430	15,031	-	-
Net deferred tax liability	14,430	15,031	-	-

34. Trade & other payables

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Trade payables	670,643	764,790	482,551	536,824
Taxes payable	34,495	33,725	31,859	26,200
Dividend payable	104,212	48,043	104,212	48,043
Advances received from customers	69,350	52,428	48,439	45,420
Other payable (note 34.1)	445,245	313,887	344,956	266,697
	1,323,945	1,212,873	1,012,017	923,184

34.1 Other payable

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Accrued charges	366,985	286,582	291,768	242,057
Others	78,260	27,305	53,188	24,640
	445,245	313,887	344,956	266,697

35. Amounts due to related parties

		Group		Company	
		31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Orient Motor Company Ltd	Subsidiary	-	-	15,481	-
Unimo Enterprises Ltd	Subsidiary	-	-	7,430	22,697
UML Property Development Ltd	Subsidiary	-	-	6,008	45,017
TVS Lanka (Pvt) Ltd	Equity accounted investee	361	-	361	-
		361	-	29,280	67,714

36. Current tax liabilities

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	73,531	114,018	100,499	117,143
Income tax on current year profits (note 15)	617,558	349,745	559,728	339,920
	691,089	463,763	660,227	457,063
Under / (over) provision in respect of prior periods (note 15)	30,298	(40)	26,105	-
Income tax paid	(305,355)	(390,192)	(299,670)	(356,564)
At the end of the year	416,032	73,531	386,662	100,499

The income tax liability comprise of:

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
36.1 Current tax liabilities	420,673	100,775	386,662	100,499
36.2 Current tax receivable	(4,641)	(27,244)	-	-
	416,032	73,531	386,662	100,499

37. Capital commitments

The Group / Company has capital commitments amounting to Rs. 298,817,755 in relation to buildings under construction approved by the Board of Directors which is incidental to the ordinary course of business, the details of which are as follows:

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Approved and contracted commitments in relation to construction of buildings	298,818	-	298,818	-
	298,818	-	298,818	-

38. Contingent liabilities

38.1 As per the sale and purchase agreement dated 21 February 2011 between United Motors Lanka PLC and Janashakthi Insurance PLC, the Company offered a guarantee that agreed to settle and / or mitigate any liability that may arise on Orient Finance PLC with regard to NDB Bank PLC claim over equipment taken on hire purchase agreement by the lessee of Orient Financial Services Corporation Ltd.

38.2 Corporate guarantees issued are given below.

Corporate guarantees issued by United Motors Lanka PLC

Name of company	Name of bank	Facility	Amount pledged as security Rs.'000	Outstanding as at 31.03.2016 Rs.'000	Outstanding as at 31.03.2015 Rs.'000
Orient Motor Company Ltd.	Standard Chartered Bank	Letter of credit, overdraft and term loans	750,000	614,895	-
	Sampath Bank PLC	Letter of credit, overdraft and term loans	330,000	-	40,100
Unimo Enterprises Ltd	Sampath Bank PLC	Letter of credit, overdraft and term loans	325,000	977,630	64,432
	Bank of Ceylon	Letter of credit, overdraft and term loans	500,000	-	-
TVS Automotives (Pvt) Ltd	Hatton National Bank PLC	Term loans	60,000	60,000	6,529

Corporate guarantees issued by TVS Lanka (Pvt) Ltd

Name of company	Name of bank	Facility	Amount pledged as security Rs.'000	Outstanding as at 31.03.2016 Rs.'000	Outstanding as at 31.03.2015 Rs.'000
TVS Automotives (Pvt) Ltd	Hatton National Bank PLC	Overdraft and term loans	150,000	141,090	141,688
	DFCC Bank PLC	Overdraft and term loans	100,000	79,679	55,656
	Commercial Bank of Ceylon PLC	Overdraft and term loans	50,000	5,997	15,254
	Sampath Bank PLC	Overdraft and term loans	105,000	114,037	-

38.3 Unimo Enterprises Ltd has given bank guarantees to Sri Lanka Customs amounting to Rs.268.1 million for excise duty exemption in respect of vehicles assembled but to be approved by the Cabinet appointed committee.

39. Related party disclosures

The Company carries out transaction in the ordinary course of business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard 24 (LKAS) "Related Party Disclosures", the details of which are reported below.

39.1 Parent and ultimate controlling party

The Company does not have an identifiable parent entity of its own.

39.2 Transaction with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard, LKAS 24 "Related Party Disclosures" , Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company and the senior management of the Company have been classified as KMP of the Company.

As the Company is the ultimate parent of it's subsidiaries listed out in note 21, and the Board of Directors of the Company have the authority and responsibility for planning, directing and controlling the activities of subsidiaries, the Directors of the Company and the common Directors of the joint venture and the senior management of the Group entities have been identified as the KMP of the Group.

The officers who are Directors only of the subsidiaries and joint venture and are not of the Company have been classified as KMP of the respective subsidiaries or joint venture only.

39.2.1 Compensation to KMP

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Short term employment benefits	209,452	182,025	184,242	154,730
	209,452	182,025	184,242	154,730

In addition to their salaries / fees the Company provides non cash benefits to KMP. The Company also contributes to a post employment defined benefit plan on behalf of the KMP.

39. Related party disclosures (contd.)

39.3 Transactions with subsidiaries, equity accounted investee and related entities

Company	Transaction type	2016 Rs.'000	2015 Rs.'000
UML Property Developments Ltd (UMPDL)	Rentals paid for premises occupied	83,433	76,361
Orient Motor Company Ltd	Sale of motor vehicles	8,380	-
	Sale of lubricants	709	410
	Repairs & services provided	47,779	53,852
	Interest received	-	170
	Expenses incurred	9,337	14,630
	Reimbursement of expenses	2,741	1,697
	Hiring income received	585	863
	Hiring rentals paid for vehicles	56,845	63,908
	Rentals received for premises occupied	8,933	14,323
	Loans granted	17,640	80,200
	Loan settlements	17,640	80,200
Unimo Enterprises Ltd	Purchase of motor vehicles	-	4,805
	Purchase of spare parts	165,637	184,022
	Purchase of tyres	2,311	3,170
	Repairs & services provided	40,573	62,110
	Sale of lubricants	568	-
	Expenses incurred	34,397	45,882
	Hiring income received	1,333	452
	Rentals received for premises occupied	9,199	7,739
TVS Lanka (Pvt) Ltd	Purchase of motor bikes	702	989
	Repairs & services provided	730	4,064
	Repairs & services obtained	523	570
	Expenses incurred	1,704	2,113
	Income on legal services	30	217
	Hiring income received	-	75
TVS Automotives (Pvt) Ltd	Repairs & services provided	-	19
	Interest received	-	133
	Expenses incurred	1,975	1,677
	Rentals received for premises occupied	1,842	1,686

39.4 Transactions between subsidiaries / equity accounted investee / related entities

39.4.1 Unimo Enterprises Ltd

Company	Transaction type	2016 Rs.'000	2015 Rs.'000
Orient Motor Company Ltd	Expenses incurred	3,496	7,330
	Reimbursement of expenses	3,958	2,052
	Hiring rentals paid for vehicles	7,374	8,066
	Interest received	-	1,740
	Loans granted	-	139,000
	Loan settlements	-	139,000
TVS Lanka (Pvt) Ltd	Purchase of motor bikes	928	-
	Repairs & services obtained	225	182
	Parking fee received	-	112
TVS Automotives (Pvt) Ltd	Expenses incurred	70	70

39.4.2 Orient Motor Company Ltd

Company	Transaction type	2016 Rs.'000	2015 Rs.'000
TVS Lanka (Pvt) Ltd	Repairs & services obtained	106	40
UML Property Development Ltd	Expenses incurred	90	90

39.4.3 TVS Lanka (Pvt) Ltd

Company	Transaction type	2016 Rs.'000	2015 Rs.'000
TVS Automotives (Pvt) Ltd	Expenses incurred	2,112	2,815
	Repairs & services provided	36	17
	Interest received	-	4,123
	Loans granted	-	23,000
	Loan settlements	-	23,000

39.4.4 Transactions with other related entities controlled by the major shareholder

Company	Transaction type	2016 Rs.'000	2015 Rs.'000
Readywear Industries (Pvt) Ltd	Sale of motor vehicles	-	1,078
	Sale of spare parts	8	-
	Repairs & services provided	470	600
R I L Property (Pvt) Ltd	Repairs & services provided	38	-
	Sale of motor vehicles	-	5,555
Foodbuzz (Pvt) Ltd	Repairs & services provided	16	-

40. Consolidation

The consolidated financial statements as at 31 March 2016 are in the proportions indicated below.

	Ownership interest 2016	Ownership interest 2015
Subsidiary		
Unimo Enterprises Ltd	100%	100%
UML Property Developments Ltd	100%	100%
Orient Motor Company Ltd	100%	100%
Equity accounted investee		
TVS Lanka (Pvt) Ltd	50%	50%

Group has no non-controlling interest to be reported as all its subsidiaries are fully owned.

Analysis of consolidated profit after income tax expense

	Group 2016 Rs.'000	Group 2015 Rs.'000
Parent company	1,457,126	1,236,867
Subsidiaries	192,438	22,493
Equity accounted investee	131,023	61,829
	1,780,587	1,321,189
Inter-company elimination	(78,364)	(58,857)
Consolidated profit after tax expenses	1,702,223	1,262,332

41. Events occurring after the reporting period

Dividends on ordinary shares

After satisfying the solvency test, in accordance with Section 57 of the Companies Act, No.07 of 2007, the Board of Directors recommended a final dividend of Rs.2 per share, for the year ended 31 March 2016, amounting to Rs.201,801,252 which is to be approved at the forth coming Annual General Meeting. In accordance with LKAS 10 - "Events after the reporting period" this dividend was not recognised as a liability as at 31 March 2016.

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments or disclosures in the financial statements other than those disclosed above.

Share Information

The audited income statement for the year ended 31March 2016 and the audited statement of financial position as at 31 March 2016 will be submitted to the Colombo Stock Exchange (CSE) within three months from the year end, which is well within the required deadlines as required by the Rule No. 7.5(a) of the Listing Rules of the CSE (the Company duly complied with this requirement for 2014 / 15).

The Company duly submitted the unaudited interim financial statements for the year 2015 / 16 to the CSE within applicable statutory deadlines as required by the Listing Rules of the CSE. (The Company also duly complied with this requirement for 2014 / 15).

1. Stock exchange listing

The issued ordinary shares of United Motors Lanka PLC were listed with the CSE on 05 December 1989.

2. Analysis of shareholders

a) Resident / non-resident as at 31 March 2016

Range of Shareholdings (No. of Shares)	Resident			Non-resident			Total		
	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total holding
Up to 1,000	2,458	921,901	2.12	24	14,349	0.02	2,482	936,250	0.93
1,001 - 10,000	1,363	4,769,794	10.99	25	84,396	0.15	1,388	4,854,190	4.81
10,001 - 100,000	163	4,216,954	9.71	11	338,197	0.59	174	4,555,151	4.51
100,001 - 1,000,000	20	4,641,491	10.69	1	260,000	0.45	21	4,901,491	4.86
Over 1,000,000	5	28,866,136	66.49	2	56,787,408	98.79	7	85,653,544	84.89
Total	4,009	43,416,276	100.00	63	57,484,350	100.00	4,072	100,900,626	100.00

b) Resident / non-resident as at 31 March 2015

Range of Shareholdings (No. of Shares)	Resident			Non-resident			Total		
	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total holding
Up to 1,000	2,349	902,695	1.87	17	11,471	0.02	2,366	914,166	0.91
1,001 - 10,000	1,404	4,882,475	10.10	27	83,547	0.16	1,431	4,966,022	4.92
10,001 - 100,000	161	4,407,012	9.12	11	328,186	0.62	172	4,735,198	4.69
100,001 - 1,000,000	18	4,396,824	9.09	1	256,527	0.49	19	4,653,351	4.61
Over 1,000,000	5	33,743,613	69.82	2	51,888,276	98.71	7	85,631,889	84.87
Total	3,937	48,332,619	100.00	58	52,568,007	100.00	3,995	100,900,626	100.00

c) Individuals / institutions

	31 March 2016			31 March 2015		
	No. of shareholders	Total holding	% of total holding	No. of shareholders	Total holding	% of total holding
Individual	3,888	79,855,429	79.14	3,823	77,467,058	76.78
Institutions	184	21,045,197	20.86	172	23,433,568	23.22
Total	4,072	100,900,626	100.00	3,995	100,900,626	100.00

d) Public shareholding

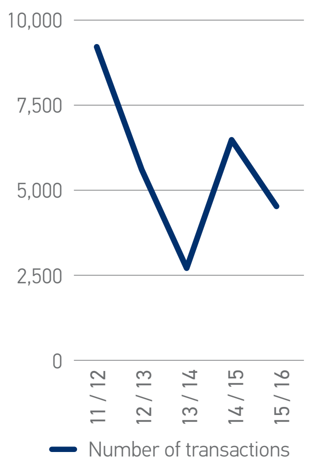
	31.03.2016	31.03.2015	31.03.2014	31.03.2013	31.03.2012
Public Shareholding	27,063,322	27,083,420	18,154,758	20,166,672	20,251,962
Percentage	26.82	26.84	26.99	29.98	30.11

Share Information (contd.)

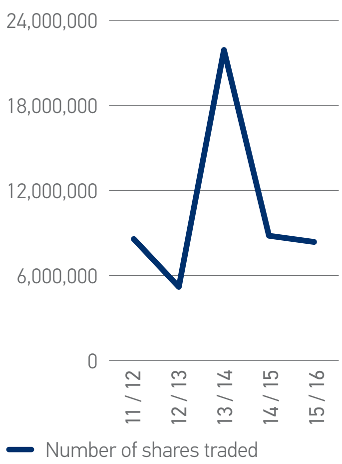
3. Share trading

	2015 / 16	2014 / 15	2013 / 14	2012 / 13	2011 / 12
Market					
Number of transactions	1,362,544	2,015,482	1,473,729	1,601,463	3,751,201
Number of shares traded	8,954,401,301	16,609,902,380	9,790,011,926	9,067,929,398	20,464,958,685
Value of shares traded (Rs. Mn)	231,840	354,544	195,507	189,717	439,267
Market days	241	239	243	239	240
Company					
Number of transactions	4,543	6,492	2,750	5,628	9,193
Number of shares traded	8,348,316	8,792,300	21,951,785	5,170,568	8,565,800
Value of shares traded (Rs. Mn)	826	992	2,557	439.4	1,336
Market days	239	235	227	236	237

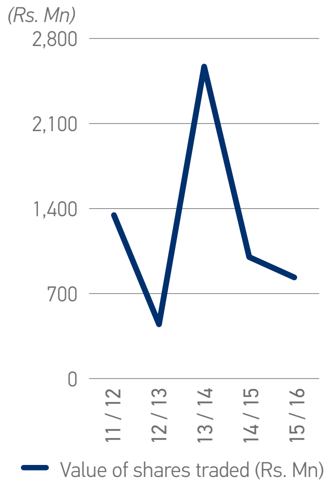
Number of transactions



Number of shares traded



Value of shares traded

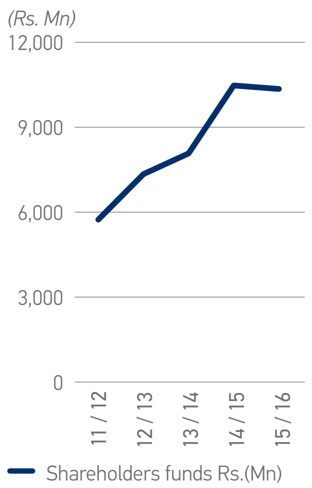


4. Market capitalization and market prices

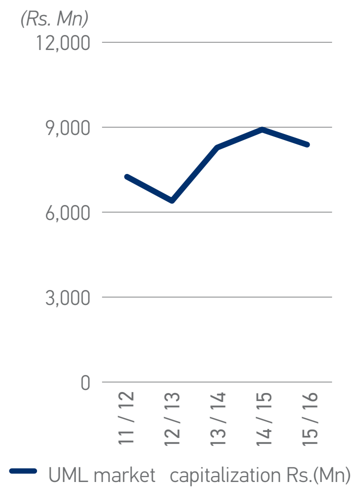
a) Market capitalization

Year	Shareholders' funds Rs.(Mn)	Ordinary shares in issue (Mn)	UML market capitalization Rs.(Mn)	CSE market capitalization Rs.(Bn)	As a % of CSE market	Market capitalization rank
2015 / 2016	10,312	100.90	8,374.75	2,586.15	0.32	59
2014 / 2015	10,436	100.90	8,889.34	2,891.17	0.31	63
2013 / 2014	8,097	67.26	8,273.85	2,498.0	0.33	58
2012 / 2013	7,370	67.26	6,457.64	2,205.1	0.29	64
2011 / 2012	5,816	67.26	7,264.84	2,012.9	0.36	60

Shareholders funds



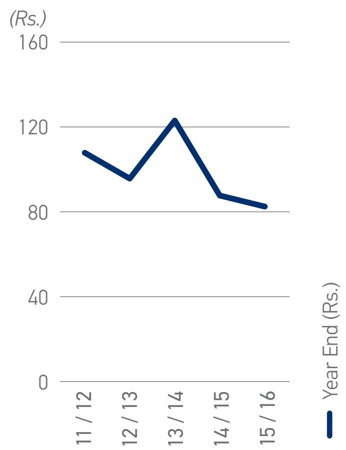
Market capitalization



b) Market prices

	2015 / 2016	2014 / 2015	2013 / 2014	2012 / 2013	2011 / 2012
Highest (Rs.)	118.00	154.00	130.00	108.00	189.90
	(12.08.2015)	(07.08.2014)	(31.01.2014)	(02.04.2012)	(18.04.2011)
Lowest (Rs.)	75.30	88.00	95.50	64.60	108.00
	(10.03.2016)	(31.03.2015)	(02.04.2013)	(27.07.2012)	(30.03.2012)
Year End (Rs.)	83.00	88.10	123.00	96.00	108.00

Market prices

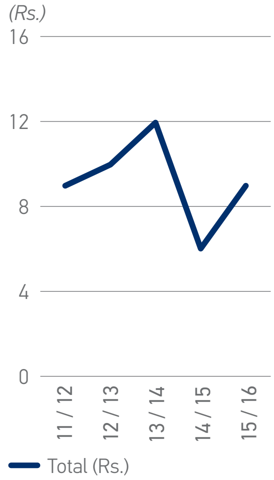


Share Information (contd.)

5. Dividends

	2015 / 2016 Rs.	2014 / 2015 Rs.	2013 / 2014 Rs.	2012 / 2013 Rs.	2011 / 2012 Rs.
1st Interim dividend	3.00	2.00	3.00	3.00	3.00
2nd Interim dividend	4.00	-	3.00	3.00	-
Final dividend paid	-	4.00	6.00	4.00	6.00
Final dividend recommended	2.00		-	-	-
Total	9.00	6.00	12.00	10.00	9.00

Dividend per share (declared for the year)



6. Value creation for shareholders

	2015 / 2016	2014 / 2015	Change %
Net assets value per share (Rs.)	86.21	88.83	(2.95)
Earnings per share (Rs.)	14.44	12.26	17.78
Market price per share - year end (Rs.)	83.00	88.10	(5.79)
Price earnings ratio (times)	5.75	7.19	(20.03)
Return on equity (%) - After Tax	16.75	13.80	21.38
Dividend pay out	76.18	65.26	16.73

7. Twenty largest shareholders

Shareholder	31 March 2016		31 March 2015	
	No. of shares	% of Total shareholding	No. of shares	% of Total shareholding
Mr. M.A. Yaseen	61,750,266	61.20	56,851,134	56.34
Mrs. R.R. Yaseen	10,767,210	10.67	10,767,210	10.67
Mrs. S. M Chrysostom	6,945,471	6.88	6,945,471	6.88
Mitsubishi Motors Corporation	4,937,142	4.89	4,937,142	4.89
Mr. C. Yatawara	1,253,455	1.24	1,231,800	1.22
Mr. H.A. Van Starrex	810,664	0.80	840,353	0.83
Capital Development & Investment Company PLC – A/C No. 2	604,209	0.60	604,209	0.60
Bank of Ceylon No. 1 Account	373,182	0.37	342,181	0.34
Deutsche Bank AG as Trustee to Candor Growth Fund	328,916	0.33	-	-
Mr. A.M. Weerasinghe	301,880	0.30	326,880	0.32
Deutsche Bank AG Singapore Branch	260,000	0.26	256,527	0.25
Mr. S.D. Yaseen	243,300	0.24	243,300	0.24
Hatton National Bank PLC A/C No. 5 (Trading portfolio)	187,643	0.19	187,643	0.19
Deutsche Bank AG as Trustee to Candor Sharia Fund	175,000	0.17	-	-
Waldock Mackenzie Ltd / Hi -Line Trading (Pvt) Ltd	165,354	0.16	165,354	0.16
Mr. J. A. Yaseen	156,177	0.15	156,177	0.15
Mr. P. Rathnayaka	156,000	0.15	156,000	0.15
Miss. R. Suhayb	151,000	0.15	151,000	0.15
Mercantile Investments and Finance PLC	150,000	0.15	-	-
Bank of Ceylon A/C NDB Wealth Growth Fund	140,237	0.14	-	-
* Others (shareholders under 20 largest shareholders as at 31 March 2015)			5,500,975	5.45
Total	89,857,106	89.04	89,663,356	88.83

*Comparative shareholding as at 31March 2015 of the twenty largest shareholders as at 31 March 2016.Please refer 7.1 for details

7.1 Shareholders included in the twenty largest shareholding as at 31 March 2015

Shareholding as at 31 March 2015	No. of shares	% of Total shareholding
Readywear Industries Limited	4,899,132	4.86
Bank of Ceylon A/C Eagle Growth Fund	225,175	0.22
Mrs. S.T. Xavier	215,185	0.21
Mrs. J. D. De Silva Sugathapala	161,483	0.16
Total	5,500,975	5.45

Share Information (contd.)

8. Directors' shareholding

Name of Directors	No. of shares as at 01 April 2015	% of total holdings	Movement during the year	No. of shares as at 31 March 2016	% of total holdings
Mr. S. G. Wijesinha	-	-	-	-	-
Mr. C. Yatawara	1,231,800	1.220	21,655	1,253,455	1.242
Mr. A.W. Atukorala	3,000	0.003	-	3,000	0.003
Mr. A.C.M. Lafir	14,224	0.014	-	14,224	0.014
Mr. R. H. Yaseen	10,620	0.011	-	10,620	0.011
Ms. A. H. Fernando	-	-	-	-	-
Mr. M. Sawada	-	-	-	-	-
Mr. A.D.E.I. Perera	-	-	-	-	-
Prof. K.A.M.K Ranasinghe	-	-	-	-	-

Ten year summary - Group

(Rs.'000)

Reported as per	SLFRS / LKAS						SLAS			
For the year ended 31 March	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Turnover	15,303,852	10,538,194	11,040,794	14,941,189	20,816,341	10,935,116	5,829,410	7,280,837	8,395,149	6,745,137
Profit before taxation	2,353,603	1,625,881	2,174,345	2,702,651	3,193,694	1,374,720	134,041	(7,726)	848,507	700,652
Income tax	(651,380)	(363,549)	(566,624)	(689,737)	(911,162)	(473,178)	12,249	(74,706)	(328,824)	(271,882)
Profit for the year	1,702,223	1,262,332	1,607,721	2,012,914	2,282,532	901,542	146,290	(82,432)	519,683	428,770
Shareholders' funds										
Stated capital	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335
Revaluation reserve	2,956,382	2,956,382	1,223,276	1,223,276	1,218,974	1,218,974	1,244,755	408,908	408,908	408,908
Other reserves	7,019,398	7,142,854	6,537,566	5,811,016	4,261,260	2,422,654	1,588,827	1,477,478	1,695,326	1,278,075
Shareholders funds	10,312,115	10,435,571	8,097,177	7,370,627	5,816,569	3,977,963	3,169,917	2,222,721	2,440,569	2,023,318
Non controlling interests	-	-	-	-	10,900	9,615	8,325	7,367	96,797	105,142
Total equity	10,312,115	10,435,571	8,097,177	7,370,627	5,827,469	3,987,578	3,178,242	2,230,088	2,537,366	2,128,460
Assets employed										
Current assets	8,735,328	7,281,121	5,685,356	5,143,081	7,818,347	4,034,184	3,820,047	4,619,698	4,432,527	3,450,938
Non current assets	6,356,068	5,868,063	4,391,515	4,072,588	2,662,050	2,176,473	2,467,206	2,636,042	3,338,361	3,306,241
Total assets	15,091,396	13,149,184	10,076,871	9,215,669	10,480,397	6,210,657	6,287,253	7,255,740	7,770,888	6,757,179
Current liabilities	(4,598,093)	(2,532,239)	(1,805,828)	(1,696,197)	(4,497,424)	(2,105,844)	(2,674,371)	(4,041,418)	(4,012,950)	(3,117,485)
Non-current liabilities	(181,188)	(181,374)	(173,866)	(148,845)	(155,504)	(117,235)	(434,640)	(984,234)	(1,220,572)	(1,511,234)
Total liabilities	4,779,281	2,713,613	1,979,694	1,845,042	4,652,928	2,223,079	3,109,011	5,025,652	5,233,522	4,628,719
Net assets	10,312,115	10,435,571	8,097,177	7,370,627	5,827,469	3,987,578	3,178,242	2,230,088	2,537,366	2,128,460
Profitability										
Earnings per share (Rs.)	16.87	12.51	15.93	19.95	22.62	8.93	1.45	(0.82)	5.15	4.25
Net assets per share **										
at year end (Rs.)	102.20	103.42	80.25	73.05	57.65	39.42	31.42	22.03	24.19	20.05
Return on average										
Net assets (%)	16.51	12.10	19.86	27.31	39.16	22.61	4.60	(3.69)	20.48	20.14
Other										
Market price per share (Rs.)	83.00	88.10	123.00	96.00	108.00	152.20	90.00	33.50	53.75	80.00
Price earnings ratio	4.92	7.04	7.72	4.81	3.18	11.41	41.66	(13.51)	3.42	6.43
Annual sales growth (%)	45.22	(4.55)	(26.10)	(28.22)	90.36	87.59	(19.93)	(13.27)	24.46	43.00
Current ratio (times)	1.90	2.88	3.15	3.03	1.74	1.92	1.43	1.14	1.10	1.11

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2016

Investor Information

Year		Shares at the beginning	Issued during the year	Stated Capital (Rs)	Market Value Per Share (Rs)
1990 / 1991		10,000,000	-	100,000,000	23.75
1991 / 1992		10,000,000		100,000,000	53.00
1992 / 1993	Issued through share trust scheme to employees	10,000,000	90,266	100,902,660	35.00
1993 / 1994	Issued through share trust scheme to employees	10,090,266	91,230		
	Bonus issue 1:5		2,036,300	122,177,960	60.00
1994 / 1995		12,217,796	-	122,177,960	27.50
1995 / 1996		12,217,796	-	122,177,960	31.50
1996 / 1997	Issued through share trust scheme to employees	12,217,796	53,319		
	Bonus issue 1:5		2,443,560	147,146,750	32.00
1997 / 1998		14,714,675		147,146,750	41.50
1998 / 1999		14,714,675		147,146,750	32.50
1999 / 2000		14,714,675		147,146,750	31.25
2000 / 2001		14,714,675		147,146,750	28.00
2001 / 2002		14,714,675		147,146,750	32.00
2002 / 2003	Bonus issue 1:1	14,714,675	14,714,675	294,293,500	31.00
2003 / 2004		29,429,350		294,293,500	28.00
2004 / 2005		29,429,350		294,293,500	51.75
2005 / 2006		29,429,350		294,293,500	80.00
2006 / 2007	Bonus issue 1:7	29,429,350	4,204,192	336,335,420	80.00
2007 / 2008		33,633,542		336,335,420	53.75
2008 / 2009		33,633,542		336,335,420	33.50
2009 / 2010		33,633,542		336,335,420	90.00
2010 / 2011	Subdivision of shares - every existing ordinary share was subdivided into two ordinary shares	33,633,542	33,633,542	336,335,420	152.20
2011 / 2012		67,267,084		336,335,420	108.00
2012 / 2013		67,267,084		336,335,420	96.00
2013 / 2014		67,267,084		336,335,420	123.00
2014 / 2015	Subdivision of shares - every two existing ordinary shares were subdivided into three ordinary shares	67,267,084	33,633,542	336,335,420	88.10
2015 / 2016		100,900,626		336,335,420	83.00

Glossary of Financial Terms

Accounting policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

Accrual basis
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial gains and losses
Is the effect of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Amortisation
The systematic allocation of cost of an intangible asset over its useful life.

Amortised cost
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

Available for sale financial assets
Available for sale financial assets are those non derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Capital reserves
Reserves identified for specific purposes and considered not available for distribution.

Collective impairment
Impairment assessment on a collective basis for receivables with similar risk characteristics that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date.

Contingencies
Conditions or situations at the reporting date, the financial effect of which are to be determined by the future events which may or may not occur.

Current ratio
Current assets divided by current liabilities.

Current service cost
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Deferred taxation
Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Depreciation
The systematic allocation of the depreciable amount as an asset over its useful life.

Dividend cover
Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current years' distributable profits.

Dividend pay-out
Dividend per share as a percentage of the earnings per share.

Dividend yield
Dividend earned per share as a percentage of its market value.

Earnings per ordinary share
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective tax rate
Provision for taxation excluding deferred tax divided by the profit before taxation.

Equity method
Is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and other comprehensive income.

Fair value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value through profit and loss
A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract)

Financial instrument
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Glossary of Financial Terms (contd.)

Financial asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial liability
Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Gearing
Proportion of total interest bearing borrowings to capital employed.

Held to maturity investments
Debt assets acquired by the entity with positive intention to be held to maturity.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible asset
An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

Interest cover
A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Investment properties
Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Joint control
Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint venture
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Liquid assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills & Bonds.

Market capitalisation
Number of ordinary shares in issue multiplied by the market value of a share as at a date.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net asset value per share
Shareholders' funds divided by the number of ordinary shares in issue.

Non-controlling interest
Equity in a subsidiary not attributable directly or indirectly to a parent.

Parent
A parent is an entity that has one or more subsidiaries.

Price earnings ratio
Market price of a share divided by earnings per share as reported at that date.

Public holding
Percentage of shares held by the public calculated as per the listing rules of Colombo Stock Exchange as of the date of the report.

Related parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Retirement benefit-present value of defined benefit obligation
Is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Shareholders' funds
Shareholders' funds consist of stated capital, statutory reserves, capital and revenue reserves.

Specific impairment provisions
Impairment is measured individually for receivables that are individually significant.

Notice of Meeting

Notice is hereby given that the Twenty Seventh Annual General Meeting of United Motors Lanka PLC will be held on Monday, 08 July 2016 at 10.00 a.m. at Parkland Building, No. 33, Park Street, Colombo 02, for the following purposes;

01. To receive and consider the Annual Report of the Board of Directors, the Audited Balance Sheet and Accounts of the Company for the year ended 31 March 2016 and Report of the Auditors thereon.

02. To re-elect Mr. T.Nomura, as a Director of the Company in terms of Article 89 of the Articles of Association of the Company.

03. To re-elect Mr. A.W. Atukorala, who retires by rotation in terms of Article 83 of the Articles of Association of the Company.

04. To declare a final dividend of Rs. 2.00 per share for the year ended 31 March 2016 as recommended by the Directors.

05. To re-appoint the retiring Auditors, Messrs KPMG, Chartered Accountants to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

06. To authorize the Board of Directors to determine and make donations for 2016 / 2017.

07. To consider any other business of which due notice has been given.

By Order of the Board

RMHisham

Mrs. R. M. Hisham
Company Secretary

Colombo
30 May 2016

Notes

- Any member of the Company who is entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him / her.
- To be valid the completed form of proxy must be deposited at the Registered Office of the Company situated at No. 100, Hyde Park Corner, Colombo 2 not less than forty eight (48) hours before the appointed hour of the meeting.
- A proxy need not be a member of the Company.
- A form of proxy is enclosed in this Report.

Notes

Notes

Notes

Proxy Form

I/We.. of...
..../ being a member/members of United Motors Lanka PLC, hereby appoint.. of ....
.... whom failing

1) Sunil Gamini Wijesinha	of Colombo or failing him
2) Chanaka Yatawara	of Colombo or failing him
3) Ananda Wijetilake Atukorala	of Colombo or failing him
4) Aashiq Carder Mohamed Lafir	of Colombo or failing him
5) Ramesh Hiran Yaseen	of Colombo or failing him
6) Ladduwa Kovisge Anne Hiroshini Fernando	of Colombo or failing her
7) Atulligamage Damian Eardley Ignatius Perera	of Colombo or failing him
8) Kulatilleke Arthanayake Malik Kumar Ranasinghe	of Colombo

as my/our proxy to represent me/us and*.. to vote on my/ our behalf at the Twenty Seventh Annual General Meeting of the Company to be held on 08 July 2016 at 10.00 a.m. at Parkland Building, No. 33, Park Street, Colombo 02, and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preference indicated below:-

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors, the Audited Balance Sheet and Accounts of the Company for the year ended 31 March 2016 and Report of the Auditors thereon.		
2.	(i) To re-elect Mr. Toshiaki Nomura, as a Director of the Company.		
	(ii) To re-elect Mr. A.W. Atukorala as a Director of the Company.		
3.	To declare a final dividend of Rs. 2.00 per share for the year ended 31 March 2016		
4.	To re-appoint the retiring Auditors, Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration		
5.	To authorize the Directors to determine and make donations for 2016 / 2017		

Signed on this .... day of .... Two Thousand and Sixteen

....
Signature/s

*If you wish your proxy to speak at the meeting you should insert the words “to speak and” in the place indicated and initial such insertion.

Notes:

Please indicate with an “x” in the space provided how your Proxy is to vote. If there is in the view of the proxyholder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the proxyholder should vote, the proxyholder shall vote as he thinks fit.

Instructions as to completion appear overleaf

Instructions as to completion

1. Kindly perfect the form of proxy, after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.

2. If you wish to appoint any person other than Directors as your proxy, please insert the relevant details in the space provided overleaf.

3. In terms of Article 66 of the Articles of Association of the Company:
   (i) in the case of an individual shall be signed by the Appointer or his Attorney; and

   (ii) in the case of a Company or a corporate body shall be either under its common seal or signed by its Attorneys or by an officer on behalf of such entity.

4. In terms of Article 61 of the Articles of Association of the Company in the case of joint-holders of a share the senior who tenders the vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

5. To be valid, the completed form of proxy must be deposited at the registered office of the company situated at No. 100, Hyde Park Corner, Colombo 2 not less than forty eight (48) hours before the appointed hour of the meeting.

Corporate Information

Name of Company
United Motors Lanka PLC

Legal Form
A Public Limited Liability Company
incorporated in Sri Lanka on 9 May 1989.

Listed with the Colombo Stock Exchange
5 December 1989

Company Registration Number
PQ -74

Registered Office
100, Hyde Park Corner, Colombo 02

Head Office
P.O. Box 697,100, Hyde Park Corner,
Colombo 02
Tel: 4797200, 4696333, 2448112
Fax: 2448113
Web: www.unitedmotors.lk

Auditors
KPMG
32A, Sir Mohammed Macan Markar Mawatha,
Colombo 3.

Registrars
P. W. Corporate Secretarial (Pvt) Ltd,
3/17, Kynsey Road, Colombo 08.
Tel: 4640360/3
Fax: 4740588

Bankers (in alphabetical order)
Bank of Ceylon
Commercial Bank PLC
DFCC Vardhana Bank
Hatton National Bank PLC
Hongkong & Shanghai Banking Corporation Limited
National Development Bank PLC
Nations Trust Bank PLC
Pan Asia Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank

Board of Directors
Chairman
Mr. Sunil G. Wijesinha

Group Chief Executive Officer/Executive Director
Mr. C. Yatawara

Directors
Mr. A.W. Atukorala
Mr. A.C.M. Lafir
Mr. R.H. Yaseen
Mrs. A.H. Fernando
Mr. M. Sawada - resigned w.e.f 31 March 2016
Mr. A.D.E.I. Perera
Prof. K.A.M.K. Ranasinghe
Mr. T. Nomura - appointed w.e.f 25 April 2016

Secretary
Mrs. R.M. Hisham

Audit Committee
Chairperson
Mrs. A.H. Fernando

Mr. Sunil G. Wijesinha
Mr. A.W. Atukorala

Remuneration Committee
Chairman
Mr. Sunil G. Wijesinha

Mr. A.W. Atukorala
Mrs. A.H. Fernando
Mr. A.D.E.I. Perera - appointed w.e.f 28 May 2015
Prof. K.A.M.K. Ranasinghe - appointed w.e.f 28 May 2015

Nomination Committee
Chairman
Mr. Sunil G. Wijesinha

Mr. A.W. Atukorala
Mr. C. Yatawara
Mrs. A.H. Fernando

Related Party Transactions Review Committee
Chairman
Mr. A.W. Atukorala

Mr. Sunil G. Wijesinha
Mr. C. Yatwara
Mr. A.C.M. Lafir
Mrs. A.H. Fernando

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