CHANGE

United Motors Lanka PLC

Annual Report 2018 | 2019

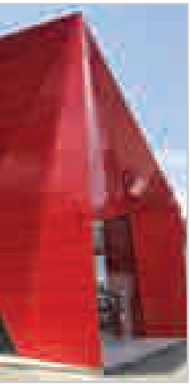
CHANGE

Weathering storms and braving changes brought on by a volatile economy, United Motors has set its course on the highway to sustainability, and to discovering innovative solutions.

Driving sustainable initiatives and streamlining operations while embracing evolving technology, we have reinforced ourselves by rewiring our DNA and expanding our horizons.


Prestone
Prestone
ATF

JCB




JCB
JCB

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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.

Our **Beginnings**

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.

Our Journey Thus Far

1945

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

1972

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

1985

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

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

1992

Incorporation of a subsidiary - Orient Motor Company Limited (OMCL) to import, distribute, hire vehicles and to provide related services.

1993

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

1994

Incorporation of a subsidiary - Unimo Enterprises Limited (UEL) to import and sell vehicles and to provide related services.

1995

September

United Motors Lanka Limited (UMLL) celebrated 50 years of excellence.

1997

November

Perodua brand from Malaysia was launched by UEL.

1999

July

The Orugodawatte Workshop Complex was opened.

2002

March

The Valvoline brand from USA was launched by UML.

2003

April

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

2004

September

The Yokohama brand from Japan was launched by UEL.

2006

January

UEL launched Mudan 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 launched by UEL.

August

The Company was re-registered as United Motors Lanka PLC (UML).

December

Zotye brand from China was launched by UEL.

2008

March

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

2009

December

UEL 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 product 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

March

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

2013

October

UML was ranked amongst the top 100 Corporates in Sri Lanka across all industries in 2012/13 by LMD.

September

The Fuso Heavy Duty Trucks was launched by UML.

November

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

2014

March
UEL opened its assembly plant in Ranala.

The legendary brand MG was launched by UEL.

November
UML 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 launched by UML.

May
The Brilliance brand from China was launched by UEL.

September
UEL added DFSK Glory Diesel to its product portfolio.

October
UML 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 second consecutive year in South East Asia at the Valvoline South East Asia Conference in Hong Kong.

2016

June
UML added the Mitsubishi PHEV (Plug-In Hybrid Electric Vehicle) to its product portfolio.

July
UML added the Fuso FJ Concrete Mixer to its product portfolio.

Valvoline was awarded for its Outstanding Sales Performance for the third consecutive year in South East Asia at the Valvoline South East Asia Conference in Thailand.

September
UML won the special achievement award "Significant sales volume increase for excellent Marketing Campaign" for the Fuso brand at the "Daimler Trucks Asia Distributor Awards 2016".

October
UEL added Zotye Z100 to its product portfolio.

November
OMCL added DFSK Crew Cab to its product portfolio.

December
A dedicated workshop for Mitsubishi and Perodua passenger vehicles and Fuso Truck and Bus was opened at Ratmalana.

2017

February
UEL added Perodua Axia to its product portfolio.

UEL added DFSK Glory Petrol to its product portfolio.

June
UEL added the Perodua Bezza to its product portfolio.

July
UEL added JMC N800 Truck to its product portfolio.

UML Heavy Equipment Ltd, a subsidiary of UML was incorporated to carry out the business of importing and distribution of earth moving equipment and power generators.

August
A dedicated sales showroom for Fuso Truck and Bus was opened in Nuwara Eliya.

A dedicated workshop for Mitsubishi passenger vehicles and Fuso Truck and Bus was opened in Matara.

UEL added Yokohama GO15 Tyre to its product portfolio.

September
UML Heavy Equipment Ltd added JCB earth moving equipment and power generators to its product portfolio.

November
UML added LiuGong which is into Concrete Mixing Equipment to its product portfolio.

Our Journey Thus Far

2018

January

Valvoline was awarded for its outstanding sales performance for the fourth year in South East Asia at the Distributor Conference in Malaysia.

Valvoline was awarded the Momentum Award in South East Asia at the Valvoline Asia Distributor Conference in Malaysia.

Valvoline was awarded the Manchester City Distributor Incentive Programme Award in South East Asia at the Valvoline Asia Distributor Conference in Malaysia.

UML added 3D Printing Equipments to its product portfolio.

March

UML added Valvoline 4Tech Ultimate Fully Synthetic Motor Oil to its product portfolio.

UML divested its investment in joint venture, TVS Lanka (Pvt) Ltd on 28 March 2018.

UML was appointed as the Diamond Reseller in Sri Lanka for the entire range of 3D printers by Novabeans.

April

UML added the Mitsubishi Xpander and Mitsubishi Eclipse to its product portfolio.

May

UML was awarded for its Outstanding Sales Performance in South East Asia at the 16th Asia Conference in London by Prestone.

June

UML Heavy Equipment Ltd opened its 3S facility for JCB at Peliyagoda.

September

A dedicated showroom for 3D Printing was opened in Colombo 02 which offers the sale of machines, 3D printing services, after sales services and 3D printing educational courses.

October

UML was ranked amongst the top 100 corporates in Sri Lanka across all industries in 2017/18.

2019

January

A dedicated sales showroom for UEL range of vehicles was opened in Matara.

March

Perodua was awarded for its Outstanding Sales Performance for the year ended 2018/2019.

UML was recognized for the contribution towards Mitsubishi sales volume growth in South Asia for 2018/2019.

UEL added the DFSK 580 SUV to its product portfolio.

The UML Group commenced operation of the 2MW roof top solar power plant.

Operational and **Financial Highlights**

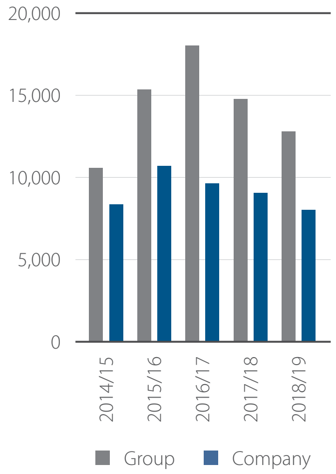
	Group			Company		
	2018/2019	2017/2018	Change %	2018/2019	2017/2018	Change %
Profitability (Rs.'000s)						
Turnover	12,769,409	14,716,147	(13.23)	7,967,928	9,035,974	(11.82)
Profit before tax	423,468	866,458	(51.13)	925,998	1,668,212	(44.49)
Profit attributable to equity holders of the company	435,923	668,900	(34.83)	728,625	1,456,697	(49.98)
Financial position (Rs.'000s)						
Investment in PPE and intangible assets	536,080	411,589	30.25	488,250	336,906	44.92
Non-current assets	7,923,720	7,497,571	5.68	7,737,168	7,497,864	3.19
Current assets	10,028,771	9,392,929	6.77	5,655,398	5,546,592	1.96
Current liabilities	4,773,426	3,937,583	21.23	920,022	1,110,928	(17.18)
Non-current liabilities	299,958	252,790	18.66	283,431	237,948	19.11
Shareholders' funds	12,879,107	12,700,127	1.41	12,189,113	11,695,580	4.22
Ratio						
Interest cover (times)	2.23	2.64	(15.53)	13.11	15.77	(16.87)
Profit before tax to revenue (%)	3.32	5.89	(43.63)	11.62	18.46	(37.05)
Return on capital employed (%)	3.38	5.27	(35.86)	5.98	12.46	(52.01)
Dividend cover (times)	-	-	-	4.81	4.12	16.75
Borrowings to equity (%)	29.14	22.31	30.61	0.84	0.94	(10.64)
Current ratio	2.10	2.39	(12.13)	6.15	4.99	23.25
Quick asset ratio	0.80	0.74	8.11	3.36	1.88	78.72
Share Performance						
Number of shares ('000)	100,901	100,901	-	100,901	100,901	-
Earnings per share (Rs.)*	4.32	6.63	(34.84)	7.22	14.44	(50.00)
Dividend per share (Rs.)**	-	-	-	1.50	3.50	(57.14)
Dividend yield (%)	-	-	-	2.25	4.61	(51.19)
Dividend payout (%)	-	-	-	20.77	24.24	(14.32)
Net assets per share (Rs.)*	127.64	125.87	1.41	120.80	115.91	4.22
Market value per share as at 31 March (Rs.)	-	-	-	66.80	76.00	(12.11)
Price earnings ratio	-	-	-	9.25	5.26	75.96
Market capitalization as at 31 March (Rs.'000s)	-	-	-	6,740,162	7,668,448	(12.11)
Highest recorded share price (Rs.)	-	-	-	87.40	90.00	(2.89)

*Net assets per share and Earnings per share has been calculated for all periods based on the number of shares in issue as at 31 March 2019

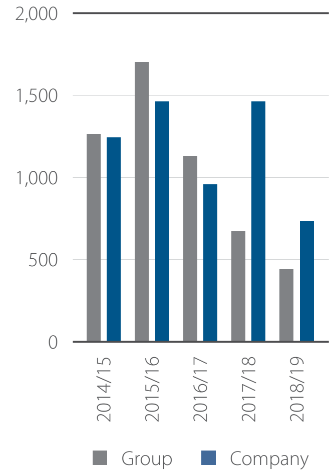
** Dividend per share represents the per share value at the point of payment

Operational and Financial Highlights

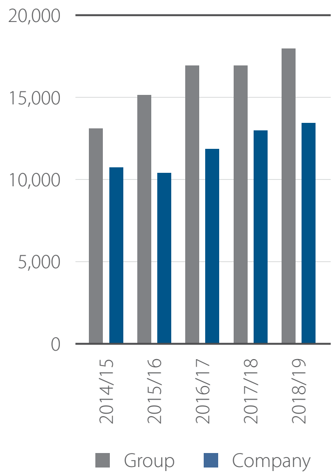
Turnover (Rs. Mn)



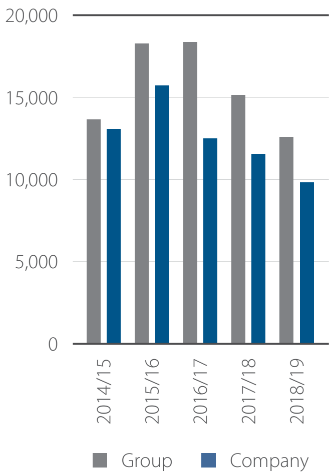
Profit After Tax (Rs. Mn)



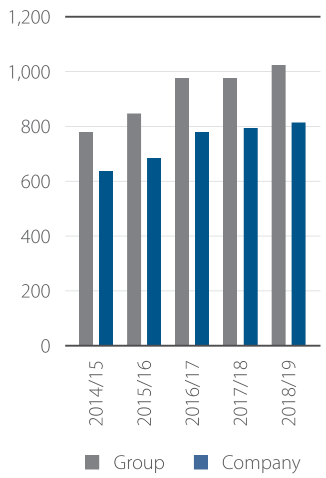
Total Assets (Rs. Mn)



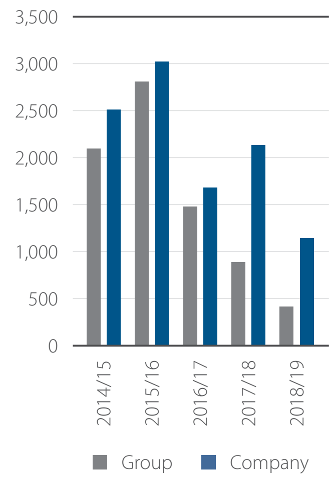
Turnover per Employee (Rs.'000)



No. of Employees



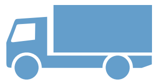
PBT per Employee (Rs.'000)



1,780

Cars, SUVs & vans

UML was recognized for the contribution towards Mitsubishi sales volume growth in South Asia for 2018/19.



861

Cabs, trucks & buses

UML was able to maintain Mitsubishi and Fuso trucks market share at 5%.

Revenue

Rs. 1.7 Bn

Spare Parts

Spare parts division recorded highest contribution of Rs. 447 million.

Revenue

Rs. 665 Mn

Lubricants

Lubricant division reported total sale of 1.5 Mn liters.

Revenue

Rs. 739 Mn

Repairs & Services

Workshop division reported a marginal increase of 2% in turnover.

Events of the Year

Annual Report Awards

United Motors won the Gold Award for the 11th consecutive year for its Annual Report in the "Automobile Category" at the Best Annual Report award competition conducted by the Institute of Chartered Accountants of Sri Lanka.

Mitsubishi display at the Echelon Square

Mitsubishi displayed the Xpander at the Echelon Square in front of the Dutch Hospital Shopping Precinct with Yes FM during Christmas.

UML Trade-In Weekend

UML conducted several vehicle trade-in promotions during the year in order to promote its range of brand new vehicles by exchanging customer's existing vehicles at locations such as Parliament grounds car park, Race course car park etc.

Mitsubishi display at the Kingsbury Hotel

Mitsubishi displayed the Xpander at the Kingsbury Hotel during the Christmas season.

Events of the Year

Mitsubishi display at the Crescat Boulevard

Mitsubishi displayed the Xpander & Eclipse at Crescat Boulevard.

Colombo Motor Show

UML participated at the Colombo Motor show organized by Asia Exhibition and Conventions. The Mitsubishi Xpander, Eclipse, PHEV & L200 were on display.

JCB launch

UML Heavy Equipment Ltd launched JCB range of Earth moving equipment and power generators at an glamorous event hosted at its state-of-the art facility at Peliyagoda.

JCB display at the Construct Exhibition

UML Heavy Equipment Ltd displayed the JCB range at the Construct exhibition 2018.

Prestone Coolant Seminar

UML conducted a Prestone product seminar to all existing dealers to educate them on the range of products.

Valvoline National Convention

During the year under review, the Valvoline division awarded its top dealers for Outstanding Sales Performance at Waters Edge.

Perodua Trade-In Weekend

Perodua division conducted vehicle trade-in promotions during the year in order to promote its range of vehicles by exchanging customer's existing vehicles, covering Bellanwila, Boralesgamuwa walking park, Hyde park corner showroom and Parliament ground car park.

Unimo Trade-In Weekend

UEL conducted vehicle trade-in promotions during the year in order to promote its range of brand new vehicles by exchanging customer's existing vehicles at Parliament grounds car park, Race course car park, K Zone Ja-ela shopping mall, Kohuwala showroom & Badulla municipal council grounds.

Events of the Year

UEL Display at the Enterprise Sri Lanka

UEL vehicles were displayed and the vehicle assembly process was explained at Enterprise Sri Lanka programme organised by the Ministry of Finance.

Perodua display at the Crescat Boulevard

Perodua displayed the Bezza & Axia at Crescat Boulevard during Christmas.

Perodua display at Viva Elite Owners Club

Perodua division for the 1st time sponsored the Viva Elite Owners Club at their annual gathering .

Construction Expo Exhibition

UEL participated at the Construction Expo organized by the Ceylon Institute of Builders at BMICH. The DFSK Glory & JMC range of truck were on display.

CMTA Motor Show

Unimo Enterprises Limited participated at the CMTA Motor show organized by Ceylon Motor Traders Association Sri Lanka at BMICH. The DFSK 580 SUV, Perodua Bezza, Axia & Z100 range of vehicles were on display.

Fuso Truckers Day

Fuso division conducted a defensive driving training, free eye inspection and hearing test for drivers of fleet customers at Ratmalana workshop. In addition, free vehicle inspection campaign was conducted at the workshop in commemoration of the International Truckers Day Celebration.

LiuGong Display at Construct Exhibition

LiuGong equipment were displayed at the Construct 2018 exhibition, which is the largest construction related exhibition of the country.

3D Printers display at Techno Sri Lanka

3D Print studio conducted a demonstration to showcase the process of making a physical object from a three-dimensional digital model at the Techno Sri Lanka, organised by The National Engineering & Technology exhibitions.


MITSUBISHI

MITSUBISHI

MITSUBISHI

Change to Progress

MITSUBISHI continues to develop more diverse designs in line with the dynamic shield concept with cutting edge technology and innovation. The new range of Mitsubishi models such as the Xpander, Eclipse Cross and L200 share this latest design concept.

Group **Structure**

	Company	Incorporated on	Reg. No	Chairman	Directors
Parent Company	United Motors Lanka PLC	09 May1989	PQ 74	Mr. Sunil G. Wijesinha	Mr. Chanaka Yatawara (Group Chief Executive Officer/Executive Director) Mr. Ananda Atukorala Mr. Ramesh Yaseen (Executive Director- After Sales Services) Mrs. Hiroshini Fernando Prof. Malik Ranasinghe Mr. Stuart Chapman Mr. Hiroyasu Inoue
Subsidiaries	Unimo Enterprises Ltd	17 March 1994	PB 218	Mr. Sunil G. Wijesinha	Mr. Mahesh Gunatilake (Chief Executive Officer/Executive Director) Mr. Chanaka Yatawara Mr. Ananda Atukorala Mr. Ramesh Yaseen Mrs. Hiroshini Fernando
	Orient Motor Company Ltd	27 March 1992	PB 117	Mr. Sunil G. Wijesinha	Mr. Chanaka Yatawara Mrs. Hiroshini Fernando
	UML Property Developments Ltd	08 October 1993	PB 253	Mr. Sunil G. Wijesinha	Mr. Chanaka Yatawara
	UML Heavy Equipment Ltd.	07 July 2017	PB 5403	Mr. Sunil G. Wijesinha	Mr. Chanaka Yatawara Mrs. Hiroshini Fernando Prof. Malik Ranasinghe

	Secretary	Auditors	Activities
	Mrs. Rinoza Hisham	PricewaterhouseCoopers	Import and distribution of brand new Mitsubishi and Fuso vehicles, genuine spare parts of brands represented by the Group, provision of workshop facilities for repairs and lubrication services of vehicles. Import and distribution of Valvoline Lubricants and Simoniz and Eagleone car care products. Import and distribution of 3D printing equipment and providing related services. Import and distribution of LiuGong concrete mixing equipment.
	Mrs. Rinoza Hisham	PricewaterhouseCoopers	Import and distribution of Perodua cars, Brilliance vans, JMC commercial vehicles and Yokohama tyres. Assembly and marketing of DFSK and Z100 vehicles.
	Mrs. Rinoza Hisham	PricewaterhouseCoopers	Import and distribution of DFSK truck and hiring of motor vehicles.
	Mrs. Rinoza Hisham	PricewaterhouseCoopers	Construction of warehouse complex for hiring purpose. Development of Company owned properties.
	Mrs. Rinoza Hisham	PricewaterhouseCoopers	Import and distribution of JCB earth moving Equipment and Power Generators.

Chairman's Message

"As we look back together, we can take pride in our achievements, which have been built on strong fundamentals, ethical values and operational excellence, all hallmarks of a successful business"

Dear Shareholders

On behalf of the Board of Directors, it is my privilege to welcome you to the 30th Annual General Meeting of United Motors Lanka PLC (UML) and to present you with our Annual Report and Audited Financial Statements for the financial year ended 31 March 2019.

As we look back together, we can take pride in our achievements, which have been built on strong fundamentals, ethical values and operational excellence, all hallmarks of a successful business, assembled brick by brick from inception. These strengths were acquired particularly during tough times, when we were forced to take a critical look at our core business and make strategic decisions to reduce costs and increase operational efficiencies to stay competitive. These initiatives have enabled us to emerge stronger and leaner, fortified with a strong sense of purpose and direction.

Company performance and its Local and Global perspectives

From the perspective of the financial performance of our core business, it has been a deeply disappointing year. A fresh round of policy decisions to curtail vehicle imports had a direct impact on our bottom line and substantially reduced your Company's profitability by contracting revenue by 11.8% to Rs. 7.9 billion, from Rs. 9 billion recorded in 2017/2018. Consequently, Group profit after tax dropped by 34.8% to Rs. 436 million, from Rs. 669 million achieved in the preceding financial year.

Most of the subsidiaries also performed poorly during the year, due to the fall in demand for motor vehicles as a result of the increased import duty. We realise that we are in a competitive market segment which has narrow profit margins and is sensitive to policy changes, and are adjusting our approach accordingly. We will be introducing several new strategies for our subsidiary companies, which, we are optimistic, will counter shortfalls and enable them to recover in the near future.

We have already made a start with our newest subsidiary, UML Heavy Equipment Limited, and see prospects for growth in the near future with the improved performance of the construction sector once stability is restored. We see more prospects for commercial and earth moving vehicles than for passenger cars. There will be less demand for passenger vehicles as new modes of transport come into effect and disruptive technologies drive the automotive and transportation industry of tomorrow. Digitalisation and Artificial Intelligence (AI) will transform the industry, and the passenger car will become a cognitive platform for shared mobility and connectivity services, spurred by changing consumer preferences, tightening regulations, and technological breakthroughs.

The Company's core business of import and selling of motor vehicles has been under stress for the past few years as a result of the ad hoc policy changes coupled with rising local and international Eco political uncertainty. The volatility of the local automotive market was marked by increases in the excise duty of motor vehicles of varying engine capacities, imposition of a luxury tax based on CIF value, and the suspension of Letters of Credit for permits, although in the latter case, we have been assured that LCs would be reinstated shortly. These policy changes, coupled with the depreciating rupee and the strengthening yen, continue to keep investment in a motor vehicle beyond the reach of a quarter of the country's upwardly mobile consumers and also actively discourage more expensive motor vehicles imports, which affected broad categories of consumers across market segments.

2018 marked a somewhat challenging year for the global car market as well, as sales fell for the first time since 2009. Many carmakers felt the effects of trade tensions between the world's major economies, political changes in key markets, and new threats to the status quo of the industry, which led to higher policy uncertainty across many economies. Investor sentiment was also affected by the escalating trade tensions added to high levels of debt, elevated geopolitical risks and oil market developments.

The events that transpired in the local and global arena were foreseen by your Company well in advance, and we have re-looked at our own position, considered our vulnerabilities, and now shifted gear to explore new avenues of business that compensate for falling margins. To accelerate our efforts, we changed our business model to make it more efficient, effective and relevant. We fortified the strengths of our core business, addressed under-performing areas, and diversified to less turbulent industries in pursuit of emerging market opportunities outside the automotive industry.

In our core business, we adjusted ourselves on two fronts to ensure sustainable profitability. We responded to customer demand by rolling out a new and customer-focused vehicle portfolio that meets the needs of our customers in terms of price and efficiency. We also fine-tuned customer service by modifying our service offering with a quick response mechanism and a focused delivery system that promptly attends to customer requests. These initiatives are based on the precepts that customers value convenience, speed and ease of interaction, and are geared to enhance our customers' experience. We are also proud to be able to provide them with an exceptional repair and maintenance service within reliable and technically competent facilities which also enable them to take their vehicles for a health check and diagnosis of potential problems.

We enhanced our internal systems as well, by implementing an effective SAP ERP system that integrates operations and offers speedier and more accurate solutions to our customers, suppliers and all other stakeholders.

"We understand that the concept of transportation is changing, spurred on by changes in the ways in which people communicate. The 21st Century has become an era of technological revolution facilitated by the internet and social media."

On the new business front, the two main businesses to which we diversified are now fully operational. Our rooftop solar system was completed in March 2019 and has the capacity to generate 2 MW to the national grid. The 3D printing business embarked on last year continues to gain market acceptance and demand. We sell the printers as well as provide 3D printing services and also conduct training programmes, all of which have immense potential for expansion in the future. Many more innovative initiatives are in the pipeline. I believe that they will provide a platform for future growth that could circumvent the decline in industry volumes.

These strategies also supports the Company's vision of promoting diversification whilst maintaining our leadership position in the transport industry.

Our people

Our people are integral to the Company's growth and development. Equipping them with the necessary skills and expertise to excel in the increasingly competitive and globalised business environment is paramount to our success. Various local and overseas training and development programmes were introduced this year, too, to build a strong team that can maintain our competitive edge by continuing to drive performance.

In keeping with our focus on enhancing the customer experience, we fine tuned and upgraded the service orientation of our internal customers. The 'Api United' team was revamped during the year and a new Accelerated Care Team (ACT) appointed, which introduced a number of initiatives to enhance the service experience of our employees and upgrade service standards in line with the Code of Conduct of the UML Group.

Sustainability

As a responsible corporate entity, we have committed to embracing sustainable practices across the organisation. This enables us to support the long-term growth of the Company as well as ensures that we make a positive impact in relevant areas outside the business.

Our sustainability efforts under our economic, environmental and social pillars encapsulate our focus on improving the lives of children and youth, in the conviction that they hold the key to the advancement of the nation and are the hope of the future.

Accordingly, several initiatives were continued this year to improve their health and better their educational prospects.

Outlook for the future

The future we build will be rooted in our past. We had to make some tough decisions, navigate many disruptions to drive change, but through it all, we are proud to have marketed the products, provided the services and realised the technologies, business efficiencies, and cash-flow to deliver sustainable growth and continued returns to our shareholders.

The Company continues to keep its ear to the ground to assess the pattern of businesses of the future, and the shape of transport and communication systems in the years to come. We understand that the concept of transportation is changing, spurred on by changes in the ways in which people communicate. The 21st Century has become an era of technological revolution facilitated by the internet and social media. Organisations will no longer need all their employees present in one physical place, and remote working will increase as new avenues of communication become available.

Meetings are being conducted differently already and often do not require direct personal contact, video conferencing, working from home are now possible due to high connectivity frameworks and will continue to increase in popularity. Sri Lanka, too, is getting on the vanguard of this technological revolution due to the exigencies of the times. The incidents of terrorism in April 2019 will help spur some changes in the way we work, by prompting people to avoid areas of teeming populations.

In step with these developments, the Company is devising many changes inspired by far-thinking strategies that will be introduced in line with market demand.

Dividend

I am pleased to inform you that the Board of Directors has recommended payment of a first and final dividend of Rs. 4 per share, subject to your approval at this AGM.

Appreciation

In closure, I express my gratitude to my Board of Directors whose skills and experience have been invaluable in guiding the Company on the right course over the years. I also take this opportunity to express my special appreciation to Mr. Chanaka Yatawara, his management team and staff for the dedication and tenacity with which they ensured, we delivered on our promises, a commitment which assures the Company's position at the apex of the industry. Today, we have grown from a committed automobile trader into a modern and relevant enterprise with the flexibility to adjust to the evolving business environment. Our success can be attributed to the support of our efforts by our shareholders, customers and other business partners. We thank them for their loyalty over the years and count it our privilege to share the fruits of our success with them.

Sunil G. Wijesinha
Chairman

27 May 2019

"Reforms in the fiscal environment during the year reverberated throughout the local automobile industry. Several tariffs and policies were revised upwards and new tariffs introduced. Import taxes on several categories of vehicles were increased, and this was topped with a luxury tax on passenger vehicles that have a CIF value of above Rs. 3.5 million."

It has been a bumpy ride for your Company this year, with several obstacles placed in our path due to the several unfavourable policies introduced to the automobile sector, on top of the challenges faced as a result of the country's overall economic situation.

Reforms in the fiscal environment during the year reverberated throughout the local automobile industry. Several tariffs and policies were revised upwards and new tariffs introduced. Import taxes on several categories of vehicles were increased, and this was topped with a luxury tax on passenger vehicles that have a CIF value of above Rs. 3.5 million. This is in addition to the existing 200% LC margin and loan to value ratio. The government also decided to postpone the use of thousands of permits issued to government service employees for importing vehicles under a concessionary duty scheme. This, too, affected the expectations of vehicles importers.

A new fuel emissions standard, the Euro 4, was introduced in mid-2018. While we fully support the government in its commitment to introduce more environmentally friendly and safer transportation on our roads, we wish to point out that the Euro 4 standard is a quantum leap from the Euro Zero and Euro two emissions standards the country followed until July 2018. Moving from one standard to another necessitates preparing vehicles to suit local conditions, which takes over a year, but we were given only a period of six months to do so. This resulted in most importers running out of stocks of key categories of vehicles. Our FUSO trucks, which contribute approximately 40% to our bottom line, were one such vehicle category affected by this change. We expect the new shipments that comply with this standard to be ready only in July 2019. Vehicles that comply with Euro 4 standards are also substantially more expensive than the lower euro standard vehicles.

Industry Performance

Product	2015/16	2016/17	2017/18	2018/19
Cars	51,206	19,580	10,400	8,286
SUVs	2,660	1,410	1,422	3,662
Double Cabs	1,167	1,247	758	752
Single Cabs	4,112	3,325	910	909
Vans	794	595	424	349
Ambulances	21	106	23	539
Trucks	24,745	22,537	12,660	10,635
Buses	2,175	1,610	2,323	1,547
Total	86,880	50,410	28,920	26,679

The table above shows, based on RMV registrations, the industry performance of the brand new vehicle sector over the last 4 years and indicates how prohibitive policies have constricted the vehicle market by 69% since 2015/16. Your Company struggled during the current year as its flagship brands, the Montero SUVs and the FUSO trucks, were either not affordable due to the high import duties or were affected by the new euro 4 standard and consequently, were not available for sale. However, we are pleased to state that in other sectors in which we were present, such as the smaller 1.5 litre SUV and the under 1000 cc passenger car sectors, our market share grew from 16% to 30% in the under 1000 cc sector and from 2% to 20% in the 1.5 litre SUV sector.

We were also faced with the dilemma of accumulated stocks due to the changes in duty in certain sectors. These stocks generated heavy finance costs, especially in our subsidiary company, Unimo. For example, the under 1,000 cc sector sold approximately 3,500 units a month in 2015/16, but in 2016/17, this figure fell to 1,500 units. During the year under review however, numbers have been averaging at 350 units. Since stocks are ordered ahead, at the present policy situation has made it difficult to sell the incoming stocks in the same volume as before .

Our strategy in the automobile sector

In view of the fact that our main products, the Montero, Montero Sport, Outlander, the FUSO truck and bus range were not part of our portfolio during most of the current year, we adopted the following selective strategies to somewhat mitigate the impact of the current policy scenario.

We agreed with Mitsubishi Motors, Japan, to grant Sri Lanka the privilege of being among the first countries to accept exports of the smaller 1.5 litre Xpander and Eclipse SUVs. These products pay a lesser duty under the new duty structure and as a result more affordable for even permit holders.

a.) We successfully launched the new L200 double cab in March this year, and are optimistic that your Company will reap the benefits during the next financial year.

b.) We began assembling the DFSK 580, a 1.5 litre SUV from Indonesia during the fourth quarter of the year, which is priced at a comfortable Rs. 6,195,000. We believe this product will also gain market popularity in the new financial year.

c.) Our sales team was continuously trained and motivated to deliver high performance and increase market share through aggressively pursuing new channel partners, retaining our existing customers and increasing our conversion ratios.

"Keeping in step with evolving market needs and state-of-the-art technology for decision making, we invested in the SAP software to manage the business. The system extends beyond a conventional ERP system to even include customer relationship management (CRM)."

d.) We also expanded our efforts in after sales, which increased the revenue from our repair workshops by 15%, despite the difficult circumstances.

We adopted several other strategies as well. We realised we had to change our DNA from being a predominantly automobile company to one that looked at the opportunities available in other sectors, and were quick to embrace the advantages by developing the required skills set. Our 2 MW rooftop solar project was completed in March 2019 and is one of the largest rooftop solar projects in the country. We are proud that this project will not only give us high returns but will also reduce our carbon foot print.

We also opened a showroom for 3D printing technology in September 2018 and now offer 3D printing machines for sale, services of printing prototypes and training courses in 3D printing .

During the previous financial year, we secured the agencies for JCB construction equipment and Liugong machinery, for which we opened showroom and workshop facilities in July this year. We believe our team is making great strides in building the brand despite the fact that the construction industry itself has shrunk during the year .

Keeping in step with evolving market needs and state-of-the-art technology for decision making, we invested in the SAP software to manage the business. The system extends beyond a conventional ERP system to even include customer relationship management (CRM). This information will allow us to anticipate customer needs early through analytics of their buying behaviour, so that we can be ready for them with new products and services when required.

In addition to this CRM system, we continued to subscribe to a world moving away from the traditional concept of customer centricity by developing a responsive aftersales service app. We believe this is a first-of-its kind app which expands the traditional concept of customer centricity to include new consumer touch points. Customers can now book a service, check the availability of spare parts and request a breakdown truck from their mobile phone without visiting a showroom or service centre. We are confident that this app, along with the SAP CRM system ,will enable us to build a strong relationship with our customers.

We trimmed operations during the year by embarking on several carefully identified strategies. Most significant among them was the stock rationalising process in which vehicle spare parts over 5 years old, valued at over Rs. 200 million, were auctioned. This brought in revenue while freeing valuable storage space for more productive use.

Expectations for the future

While the fiscal year just completed was among the most challenging in a decade, we prepared ourselves to face similar situations in the future by introducing a mix of new products and services to our portfolio. Our present market share of 30% in the under 1,000 cc category has increased from 16% achieved in the previous year, this sector of under 1000 cc and is the largest sector across product lines. This gives us the confidence that we have secured ourselves in this position. We believe that this entry- level market will grow from the position to which it has been reduced to today and our volumes should be more promising in the future due to the higher market share achieved . In the 1.5 litre sector, we now have 3 products that we didn't have in our portfolio until the third and fourth quarters of the year of review. Since these products have been made available to our customers, the response has been extremely encouraging. We expect that a full year of sales of these products will give us greater revenue than before.

We will have the FUSO range of Euro 4 products by July/August 2019, and believe that there is pent up market demand for these trucks. Should the construction sector and the general economy improve during the year, we are well placed to meet demand with our FUSO range as well as our construction machinery.

One of our other biggest challenges was the increased finance cost of the stocks of vehicles in our subsidiary companies, due to the massive slowdown in some vehicle segments. We believe that we will be more successful in selling these vehicles in the forthcoming year due to our network expansion and pricing strategies that will result in lower finance expenses incurred in the new year than in this year of review.

Responsibility to our people

We reinforced our people focus during the year. Many training initiatives were introduced to equip our people with the tools necessary to deliver on our promises to our customers and other stakeholders. We emphasise a service-centred approach throughout the organisation by incorporating appraisal ratings on customer care into our annual staff evaluation system as well, and assess employee performance based on their level of customer focus. Additionally, the 'Api United' campaign was relaunched during the year and new cross functional team (CFT) were appointed to drive our customer care initiatives into every aspect of the business. The success of these many initiatives was confirmed in the annual employee engagement survey held during the year, in which the Organizational Health Index (OHI) reported a healthy 79%. The OHI is a key component of the survey and measures employee satisfaction with the Company and their jobs. This Index has been improving steadily over the years.

Responsibility to society

We cared for communities by continuing our focus on pediatric healthcare and youth education. we continued to sponsor children from impoverished families for congenital heart surgery overseas. Furthermore, we awarded scholarships and supplied school books and other educational material to school children, to motivate them to reach higher levels of academic achievement. We are firmly convinced that a healthy and educated generation of youth is the cornerstone of the country's future prosperity and wellbeing.

In closing, I'd like to say that we look forward to a more promising new year, with higher economic growth and more equitable policy decisions that will contribute towards a much healthier performance of the automotive industry.

Chanaka Yatawara
Group Chief Executive Officer/
Executive Director

27 May 2019

Board of **Directors**

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

Mr. Chanaka Yatawara
Group Chief Executive Officer/ Executive Director

Professor Malik Ranasinghe
Non-Executive Director (Independent)

Mr. Stuart Chapman
Non-Executive Director (Independent)

Mrs. Rinoza Hisham
Company Secretary

Mrs. Hiroshini Fernando
Non - Executive Director
(Non Independent)

Mr. Ramesh Yaseen
Executive Director
(After Sales Services)

Mr. Ananda Atukorala
Non-Executive Director
(Independent)

Not Pictured
Mr. Hiroyasu Inoue
Non-Executive Director (Independent)

Board of Directors

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 G. Wijesinha holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. 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, R I L Property PLC, Watawala Dairy Limited, Hatton Plantation PLC, SC Securities (Pvt) Limited, Unimo Enterprises Limited, Orient Motor Company Limited, UML Property Developments Limited and UML Heavy Equipment Limited.

Mr. Wijesinha is also a Director of BizEx Consulting (Pvt) Limited, He also serves as an Independent Non-Executive Director at Sampath Centre Limited.

He was the former Chairman of NDB Bank PLC, Merchant Credit of Sri Lanka Ltd, TVS Automotives (Pvt) 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 also a former Director of Siyapatha Finance PLC and TVS Lanka (Pvt) Limited. He was the former President of the Japan Sri Lanka Technical and Cultural Association (JASTECA). He is the Past Chairman and is a member of the Board of Trustee of Employers' Federation of Ceylon and Past President of the National Chamber of Commerce of Sri Lanka.

Mr. Chanaka Yatawara
Group Chief Executive Officer/Executive Director

Mr. Chanaka Yatawara was appointed to the Board in June 2004 as a Non-Executive Director and an Executive Director in November 2004.

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

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

He was a former Director of TVS Lanka (Pvt) Ltd, and TVS Automotives (Pvt) Limited.

Mr. Ananda 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 an MBA.

Mr. Atukorala is a Non-Executive Director of Colombo City Holdings PLC, NDB Securities Limited, Arni Holdings and Investments (Pvt) Ltd, Unawatuna Boutique Resort (Pvt) Ltd, Unimo Enterprises Limited and NDB Zephyr Partners Ltd Mauritius.

Mr. Atukorala was a former Chairman of NDB Bank PLC, Development Holdings (Pvt) Ltd and a former Director of DFCC Bank PLC, Union Bank of Colombo PLC, Orient Finance PLC, UB Finance Company Ltd and TVS Lanka (Pvt) Limited.

He 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.

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) Limited and CRIB - Credit Information Bureau of Sri Lanka.

Mr. Ramesh Yaseen
Executive Director–(After Sales Services)

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.

Mrs. Hiroshini Fernando
Non-Executive Director (Non Independent)

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

Mrs. Fernando is a Fellow member of Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka and has over 20 of expertise in finance and management across a diverse commercial spectrum.

Mrs. Fernando is the Chief Executive Officer/Executive Director of R I L Property PLC. She is also an Executive Director of Readywaer Industries Limited and Foodbuzz (Pvt) Limited.

She is also a Non-Executive Director of DFCC Bank PLC, Unimo Enterprises Limited, Orient Motor Company Limited and UML Heavy Equipment Limited.

Mrs. Fernando was a former Director of TVS Lanka (Pvt) Limited.

Professor Malik Ranasinghe

Non-Executive Director (Independent)

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

He is a Senior Professor in Civil Engineering at the University of Moratuwa, Member of the University Grants Commission and The National Research Council, 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 the Chairman of Sampath Bank PLC, He is also an Independent Non-Executive Director. Access Engineering PLC, Teejay Lanka PLC, Resus Energy PLC and UML Heavy Equipment Limited.

He is a 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.

Mr. Stuart Chapman

Non-Executive Director (Independent)

Mr. Chapman was appointed to the Board in September 2016.

Mr. Chapman holds an MBA from the University of Colombo, a Diploma in Marketing from the Chartered Institute of Marketing UK. Mr. Chapman also holds a Diploma in Life Insurance Sales and Marketing from the Life Underwriters Training Council USA and a Diploma in Business Management from the National Institute of Business Management Sri Lanka. He is a Fellow Member of the Chartered Institute of Marketing, UK and the Institute of Management UK. He is also a Member of the Institute of Certified Management Accountants, Australia.

Mr. Chapman's management experience, spanning over thirty years include Sales, Marketing and general management functions. His Industrial exposure spans Healthcare, FMCG, Consumer Durables, Insurance, Banking and Telecommunications.

Mr. Chapman is also a Non-Executive Director of HNB Assurance PLC and Hemas Pharmaceuticals (Pvt) Limited.

Mr. Chapman was the former Managing Director GlaxoSmithKline (GSK) Pharmaceuticals and served on the Boards of Glaxo Wellcome Ceylon Limited and SmithKline Beecham Pvt. Ltd. Some of his previous appointments include Managing Director-Hemas Healthcare Sector, Marketing Director-Reckitt Benckiser, Senior Brand Manager Unilever, Managing Director/CEO–Lanka Orix Leasing Company and Director Life-Ceylinco Insurance.

Mr. Chapman was also a former Director/CEO of Janashakthi Insurance PLC.

Mr. Chapman held several Industry positions including Honorary President and a Founder Member of the Chartered Institute of Marketing Sri Lanka, President of the Sri Lanka Chamber of the Pharmaceutical Industry – the apex body for the pharmaceutical industry in Sri Lanka and Co-Chairman of the Pharmaceutical & Cosmetics Steering Committee of the Ceylon Chamber of Commerce.

Mr. Hiroyasu Inoue

Non-Executive Director (Independent)

Mr. Hiroyasu Inoue was appointed to the Board in January 2017.

Mr. Inoue is the General Manager, Africa and South Asia Department of Middle East/Africa and South Asia Division of Mitsubishi Motors Corporation, Japan.

He was the former General Manager in charge of North Asia.

He has several years of experience working in New Zealand and launching of KD project in North Asia.

Mrs. Rinoza 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 (ICSA-UK). She holds a Diploma in HR from the Chartered Institute of Personnel Management (CIPM), Sri Lanka and an MBA from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Senior **Management Team**

Group Chief Financial Officer and General Managers

Mr. T. Jayasekara
Group Chief Financial Officer

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

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

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

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

Head of Departments/Deputy General Managers

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

Mrs. R. Hisham
Deputy General Manager (HR/Company Secretary)

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

Senior Management Team

Deputy General Managers and Assistant General Managers

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

Mr. N. de Silva
Assistant General Manager (Spare Parts)

Mr. S. Kumara
Assistant General Manager (Technical)

Mr. K. Abeywardana
Assistant General Manager (Branches)

Mr. G. Francis
Assistant General Manager (Commercial)

Assistant General Managers

Mrs. D. Perera
Assistant General Manager (Finance)

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

Mr. P. Sudhakaran
Assistant General Manager (Technical)

Mr. T. Hopwood
Assistant General Manager (Public Sector)

Mr. B de Fonseka
Assistant General Manager (Technical)

Senior Management Team

Assistant General Managers

Mr. A. Dissanayake
Assistant General Manager
(New Fuso)

Mr. R. Senaratne
Assistant General Manager
(Lubricants Dealer Sales)

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

Mr. S. Ahangama
Assistant General Manager
(New Vehicle Sales)

Assistant General Managers and Head of Business Unit

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

Mr. S. Pelpola
Assistant General Manager (New Vehicle Sales)

Mr. A. Alwis
Business Unit Manager (3D Print)

Mrs. D. Pieris
Assistant General Manager (Human Resources & Administration)

Subsidiaries CEO's

Mr. M. Gunathilake
Chief Executive Officer/Executive Director
(Unimo Enterprises Ltd)

Mr. M. Silva
Deputy Chief Executive Officer
(Orient Motor Company Ltd)

Mr. D. Udugamasooriya
Deputy Chief Executive Officer
(UML Heavy Equipment Ltd)

Senior Management Team - Unimo Enterprises Limited

Mr. S. Palliyaguru
Assistant General Manager (Chinese Passenger Vehicles)

Mrs. N. Palihena
(Finance Manager)

Mr. D. Weerasinghe
Senior Sales Manager (Yokohama Tyres)

Senior Management Team

Senior Management Team - Unimo Enterprises Limited

Mr. U. Fernando
Assistant General Manager (JMC Trucks)

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

Mr. H. Rajapakse
Assistant General Manager (Operations)

Mr. K. Gunatilleka
Assistant General Manager (Perodua)

Senior Management Team - UML Heavy Equipment Limited

Mr. S. Liyanage
Assistant General Manager-Sales

Mr. I. Dhanapala
Assistant General Manager-Sales

Mr. A. Mendis
Head of Business Unit-Spare Parts


DFSK 580

Changing aspirations

DFSK 580 changed the aspiration of discerning customers who wanted both adventure and sophistication providing sophisticated options at an affordable price.

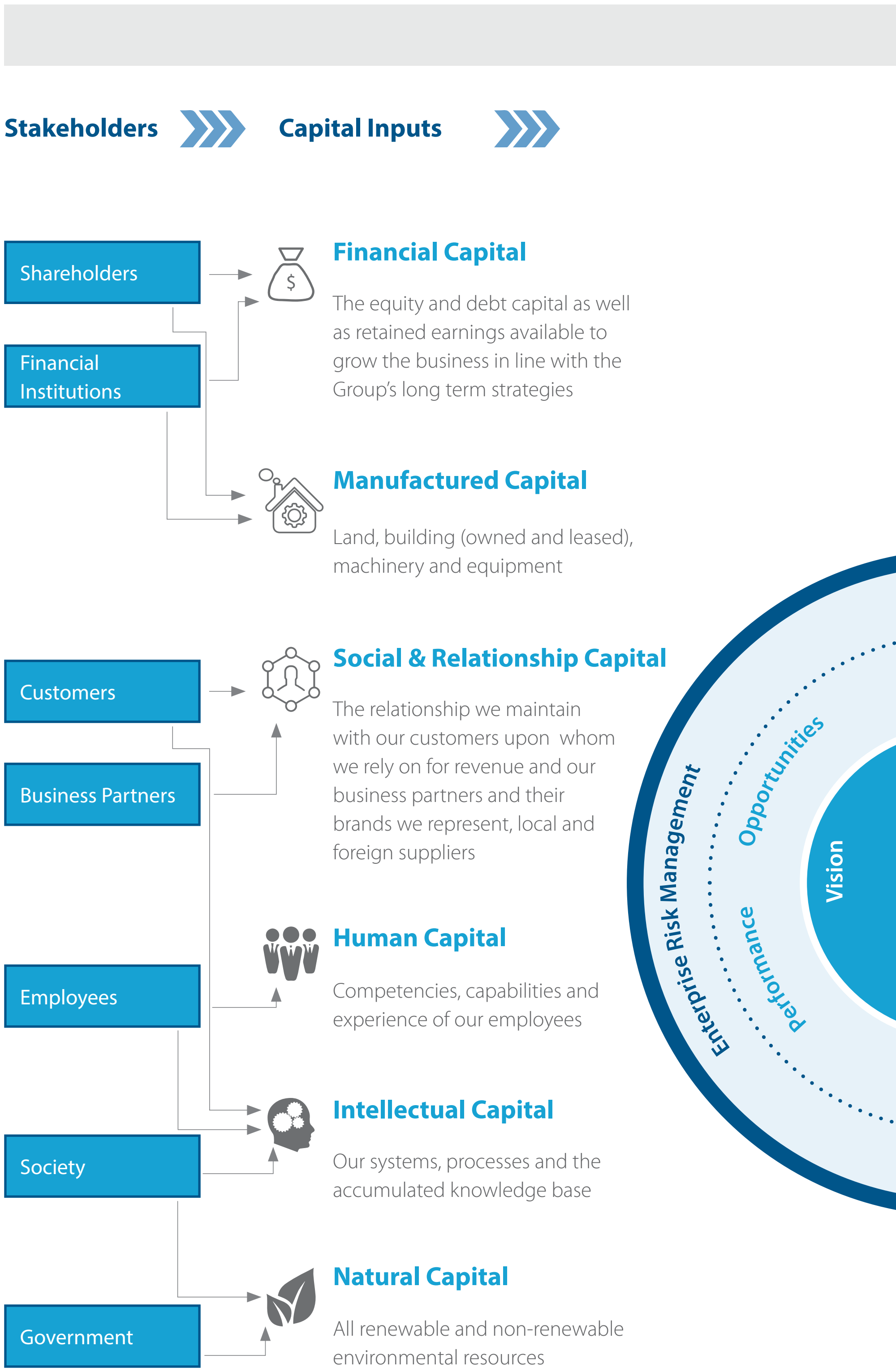
Management Discussion and Analysis

Value Creation Model

The delivery of stakeholder value has always been our key objective and we have focused on honing our value creation process and delivery for many years. We use our capitals to create value for stakeholders, carefully balancing their concerns. Our core expertise and processes support our role. Our value creation activities employ inputs from our six capitals which includes Financial Capital, Manufactured Capital and land, Social & Relationship Capital which includes customers and business partners, Human Capital, Intellectual Capital and Natural Capital.

Our strategic plan is prepared considering our value creation model, inputs from our stakeholder engagement process, risk management process and a thorough evaluation of macro environment including political, economic, social, technological, legal and environmental factors.

We make a conscious effort to allocate our capital and resources efficiently to ensure that we can continue to maximise long term value for all stakeholders. We maximise our capacity to leverage our strengths, our industry expertise and our pool of resources to deliver the best to our thousands of stakeholders who place their trust on us.

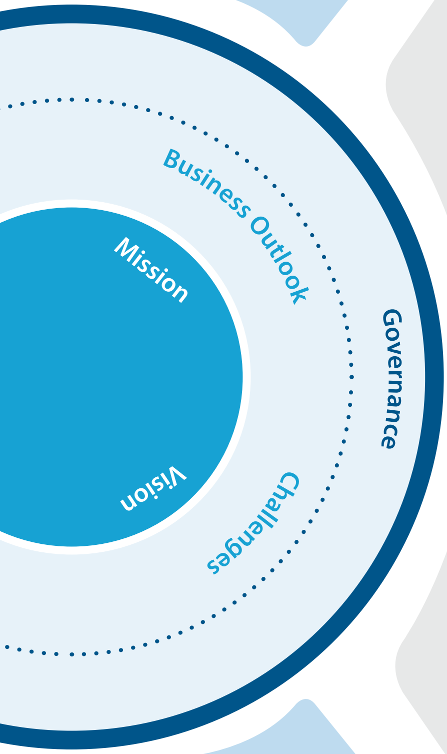


Value Creation Model

Value Creation Process ⟫ **Outcome/Output** ⟫ **Value Creation to Stakeholders**

Value Creation Process

- Vehicles
- Repairs & Services
- Spare Parts



- Lubricant
- 3D Printers and related services
- Tyres
- Assembly
- Equipment & Machinery and Others

Outcome/Output

Financial Capital
Profit After Tax - Rs. 436 Mn
Return on Equity - 3.38%
Earning Per Share - Rs. 4.32
Market Capitalization - Rs. 6.7 Bn

Manufactured Capital
Assets Base - Rs. 17.9 Bn

Social & Relationship Capital
Customer Satisfaction & Loyalty
Customer Satisfaction Index - 92 %
Superior Brand Reputation

Human Capital
Dynamic Team
Investment in Training - Rs. 7Mn
Employee Satisfaction - 79 %

Intellectual Capital
Investment in new SAP System - Rs. 292 Mn
CSR Projects
Responsible Corporate Citizen

Natural Capital
Investment in Solar Power Generation- Rs. 226 Mn

Value Creation to Stakeholders

Shareholders
Net Asset Value Per Share - Rs. 127.64
Dividend Per Share - Rs. 1.50
Retained with in the business - Rs. 468 Mn

Providers of funds
Interest- Rs. 355 Mn

Customers
Sales - Rs. 12.8 Bn

Business Partners & Suppliers
Purchases of goods and services - Rs. 6.5 Bn

Employees
Remuneration & Rewards - Rs. 1 Bn

Government
Taxes - Rs. 4.5 Bn

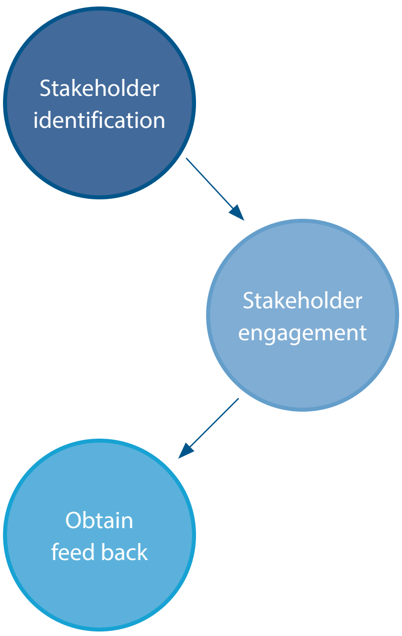
Stakeholder Engagement

As a Group, we believe that effective stakeholder engagement enriches our business, because our stakeholders help us improve communications, obtain wider support, gather useful data and information, and ensure more sustainable decision-making.

We maintain regular stakeholder engagement through a range of formal and transparent mechanisms that facilitates continuous communication, dialogue and feedback from our many and varied stakeholder groups while raising awareness of the need for sustainable resource consumption and sustainable practices. We also continue to pursue new avenues of communication that would enable our stakeholders to give us more feedback to improve our sustainability efforts.

Our stakeholders are:

- Customers
- Shareholders and investors
- Employees
- Government institutions and regulators
- Suppliers and business partners
- Community and environment



Engaging with our stakeholders

	Customers	
Stakeholder expectation	✦ Service excellence ✦ Service quality ✦ Affordability of services ✦ Convenience ✦ Rapid response	
Mode and frequency	**Engagement activity**	**Frequency**
	Customer surveys	Continuously
	Regular one to one engagements	Continuously
	Corporate Website, Facebook, LinkedIn, Instagram, Google display ads	Continuously
	Conventional media (press, radio and TV)	As required
	Customer visits	As required
	Workshop customers	As required

Suppliers and business partners	Shareholders and investors	Community and Environment	Employees
✦ Contractual performance ✦ Future business opportunities ✦ Maintaining healthy relationships ✦ Timely settlement of dues ✦ Ease of working ✦ Growth potential	✦ Financial performance/ Return on Investment ✦ Governance ✦ Transparency and disclosure ✦ Risk management ✦ Sustainable growth	✦ Commitment to community upliftment ✦ Ethics and business conduct ✦ Environmental performance ✦ Responsible business practices ✦ Minimum environment impact from the Company operations	✦ Job satisfaction ✦ Training and development ✦ Career advancement opportunities ✦ Work-life balance ✦ Value driven corporate culture ✦ Diversity

Engagement activity	Frequency	Engagement activity	Frequency	Engagement activity	Frequency	Engagement activity	Frequency
Regular one to one engagements	As required	Annual Reports and Annual General Meetings	Annually	Events and sponsorships	When required	Performance appraisals and individual reviews	Annually
Telephone discussions and emails	On a regular basis	Extraordinary General Meetings	As required	Corporate Website/ Facebook	Online	Open door policy	As required
Supplier relationship management	As required	Interim financial statements	Quarterly			Training	As required
On-site visits and meetings	As required	Announcements to CSE	As required			Corporate communication	On a regular basis
Corporate Website/ Face book	Online	Immediate market disclosures	As required			Employee rewards and recognition	Annually
		One-to-one discussions	As required			Employee engagement activities	As required
		Corporate website	Online			Regular one to one engagements	As required
		CSE website	Online				

Operating Environment

Local Economy

The year saw modest expansion in real economic activity, with economic growth continuing at a sluggish pace at 3.2%, a marginal decline from 3.4% in 2017. This growth is well below the IMF forecast of 4.3% for 2018, and is comparatively lower than in other economies in the region, which experienced GDP growth of up to 7%. The low growth could be attributed to the various challenges experienced by the country on both the domestic and global fronts.

Growth was mainly due to increased activity in the services sector that expanded by 4.7% and the recovery of the agriculture sector, which grew by 4.8%. The services sector provided the highest contribution to the economy during the year, led by growth in financial services and wholesale and retail trade activities and supported by the residual effects of the rebound in agricultural activities. However, Industry activities slowed to 0.9%, from a growth of 4.1% recorded in 2017, mainly due to the contraction in construction and mining activities which accounted for a significant 35.1% share of Industry activities. The reduced activity in the construction sector was due to a decline in large scale construction, especially infrastructure development projects during the year. Accordingly, the value added of construction activities contracted by 2.1% in the current year, from a growth of 4.3% achieved in 2017. This slow down negatively impacted economic growth.

The financial services sector recorded a moderate expansion during the year. The banking sector reported a moderate growth in total assets and maintained its capital and liquidity levels at well above the minimum statutory requirement. The increase in loans accounted for 84.1% of the asset growth of the banking sector during 2018. Deposits continued to be the main source of funding, representing 72% of total liabilities of the sector.

The growth of the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector slowed in 2018, with the decline in credit growth and profitability. Lending activities of the sector decelerated mainly due to the fiscal and macroprudential policy measures taken during the year to curtail motor vehicle imports and credit facilities for purchasing vehicles.

Rupee liquidity in the domestic money market, which displayed mixed movements until mid-September 2018, turned into persistent deficit levels thereafter, mainly due to foreign exchange-related transactions carried out by the Central Bank. The imposition of the margin requirement on Letters of Credit (LCs) on motor vehicle imports and the statutory requirement for such deposits to be maintained with the Central Bank, also contributed to the liquidity deficit to some extent. With a view to improving the liquidity in the market, the Central Bank took policy decisions to reduce the Statutory Reserve Ratio (SRR) by 2.50 percentage points in two stages in November 2018 and March 2019, which substantially improved the liquidity conditions.

Investment as a percentage of GDP declined marginally to 28.6% in 2018 from 28.8% in the previous year, while the savings-investment gap widened during the year, indicating increased dependence on external resources to fill the shortfall.

Public investment also declined due to fiscal consolidation measures targeted at rationalising government expenditure. Despite the sharp depreciation of the Sri Lankan rupee against major currencies, net external demand remained weaker. Moreover, domestic savings slowed in 2018, with a moderation in private savings and continued increases in government dis-savings.

Year- on-year headline inflation, measured by CCPI, increased to 4.3% by March 2019, partly due to the lagged effect of the sharp depreciation of the rupee during 2018. The National Consumer Price Index (NCPI) on a year on year basis rose to 5.8% as at end - March 2019 in comparison to 2.9% as at 31 March 2018. Core inflation remained at low single digits throughout 2018, reflecting the lagged impact of the relatively tight monetary policy stance maintained recently.

Amidst the moderate growth in economic activity, the unemployment rate increased marginally and there was a slight decline in the labour force participation rate.

GDP at current prices recorded a growth of 7.7% in 2018, compared to the higher growth of 11.9% recorded in 2017. This indicates relatively low price pressure. In dollar terms, per Capita GDP was recorded at US $ 4,102 in 2018, almost similar to 2017 level of US $ 4,104.

The trade deficit widened considerably during the year to US $10,343 million, from US $ 9,619 amillion in 2017, due to a substantial increase in import expenditure in the first eight months of the year. This increase was driven by an expansion in the import of vehicles as well as a higher fuel bill and gold imports, which outpaced the increase in export earnings. Substantial quantities of cars with a small engine capacity, hybrids and electric cars were imported as a result of the revised tax structure for vehicles in the 2018 budget. Personal motor vehicle imports were the main contributor to the increase in expenditure on non-food consumer goods imports during the year, which rose by 103.6%. To curb the widening trade deficit, the Central Bank implemented a series of measures to curb non-essential imports by increasing tariffs, imposing margin requirements, tightening loan to-value ratios on selected types of lending, and suspending the issuance of letters of credit (LCs) on concessionary permits for vehicle imports. These measures proved successful and the deficit in the trade account of the Balance of Payments contracted significantly in the first quarter of 2019, fortified by increased export earnings and the substantially depreciated Sri Lankan rupee.

The current account deficit widened to 3.2% of GDP during the year as a result of stagnant workers' remittances and rising foreign interest payments. But increased tourist arrivals in the first quarter of 2019 helped improve associated earnings, although a moderation in workers' remittances was observed during the first two months of 2019.

The Average Weighted Lending Rate (AWLR), which is based on interest rates of all outstanding loans and advances extended by commercial banks, increased to 14.49% by end March 2019 from 14.04% as at 31 March 2018.

The Central Bank followed a market-based exchange rate policy that allowed a sharper depreciation of the rupee, but intervened in the domestic foreign exchange market when there were large capital outflows and undue speculation that caused excessive volatility in the market.

The Sri Lankan rupee depreciated by 16.4% cent against the US dollar during the year. The Central Bank intervened to reduce the pressure on the rupee and supplied US $ 1,120 million to the domestic foreign exchange market on a net basis, which caused exchange rate fluctuations to subside somewhat during late 2018 and early 2019.

The financial account also benefitted from increased FDI inflows which were at their historically highest level in 2018, following the easing of global financial conditions and the shift in the monetary policy focus in advanced economies, particularly the United States. These developments, along with exporter conversions and seasonal inflow of remittances, led to an appreciation of the Sri Lankan rupee against the US dollar and other major currencies, and enabled the Central Bank to purchase a substantial amount of foreign exchange from the domestic market, on a net basis so far, during 2019. The Gross official reserves are estimated at US dollars 7.6 billion by end March 2019, providing an import cover of 4.2 months.

The delayed implementation of structural reforms and policy uncertainties throughout the year, exacerbated by political tension during the latter part of 2018 had a negative impact on business confidence and investor sentiment. The uncertain political climate compounded by concerns of fiscal slippage in the lead up to the elections resulted in all three major international rating agencies downgrading Sri Lanka's sovereign ratings.

The external sector was also volatile. Monetary policy normalisation, particularly in the United States caused a tightening of global financial conditions that resulted in outflows of capital from emerging market economies, which increased pressure on the exchange rates of economies like Sri Lanka that experience a fiscal deficit as well as a deficit on the current account of the balance of payments.

The average import price of crude oil increased by 31.9 per cent to US dollars 76.25 per barrel during the year, from US dollars 57.79 per barrel, in 2017, reflecting the higher oil prices in the international market.

Outlook for the future

The successful completion of development activities taking place in the Colombo Port City project and the Western Region Megapolis Master Plan are also expected to boost economic growth in the future.

The series of coordinated attacks on Easter Sunday, in which over 250 people lost their lives and more than 500 were injured, is expected to have a negative impact on the entire economy and on the tourism industry and related sectors in particular, in the immediate short-term. In the aftermath of this incident, the UML Group witnessed disruptions across all segments of its business due to dampened business sentiment.

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Domestic motor vehicle industry

The Sri Lanka automotive industry continued its deteriorating trend in sale of brand new motor vehicles, over the past few years. Sales of brand new cars dropped further during the year to 8,286 units, from 10,400 units sold in 2017/2018. This is a 20.3% decrease over the previous year and a significant drop of 83.8% or 42,920 units from the 51,206 units achieved four years ago in 2015/16.

This poor performance was the result of fiscal and macro prudential policy decisions taken from August 2018 to curtail import volumes and narrow the expanding trade deficit. The policy measures taken to curtail motor vehicles imports and reduce credit facilities for purchasing vehicles include the following:

- Imposition of the margin requirement on Letters of Credit (LCs) on motor vehicle imports
- Suspension of the issue of Letters of Credit (LCs) on concessionary permits for vehicle imports.
- Increased tariffs
- Revisions to excise duty
- Tightening of loan- to-value ratios on selected types of lending
- Implementation of a luxury tax on motor vehicles on the CIF value of vehicles that exceed the luxury tax-free threshold of Rs. 3.5 million

The substantially increased duty, coupled with the depreciating rupee and the strengthening Yen, caused a sharp decline in the vehicle sales of all segments with the exception of the SUV, which saw a phenomenal rise to 3,530 units, which is an increase of 157% of 2,240 more units sold during the year, from the 1,422 units sold in the same period last year. The current sales figure exceeded the sales of 2,660 units recorded in 2015/16 by 27%. This escalation in demand reflects the rapidly rising demand for SUVs worldwide.

The dual purpose vehicle market, which comprises vans, ambulance, double cabs and single cabs, showed a 20% increase during the year to 2549 units, from 2,115 units achieved in 2017/2018. However, the sales recorded in the current year are a 58% drop from the sales figure of 6,094 units achieved just four years ago in 2015/16. During the current year, 752 double cabs 909 single cabs and 349 vans were sold during the year. The truck segment showed a similar declining trend, with sales during the year reducing by 14% to 10,635 units, from 12,660 units recorded in 2017/18, which is a significant drop of 56% from the 24,745 units achieved in 2015/16. Buses sold during the year reduced by one-third to 1,547 units, from 2,323 units sold during the previous year, which is a 28% reduction over the 2,175 units reported in 2015/16.

Product	2015/16 No. of units	2016/17 No. of units	2017/18 No. of units	2018/19 No. of units
Cars	51,206	19,580	10,400	8,286
SUVs	2,660	1,410	1,422	3,662
Dual purpose vehicles	6,094	5,273	2,115	2,549
Trucks	24,745	22,537	12,660	10,635
Buses	2,175	1,610	2,323	1,547
Total	86,880	50,410	28,920	26,679

Of the 8.286 cars imported in the current financial year, imports of cars with an engine capacity of under 1000 cc reduced to 7,190 units, against the 48,699 units sold in 2015/16, which is a substantial increases of 85%. Small care sales in the current year included 874 units of the Perodua and 332 units of the Z100. Total sales of Japanese vehicles over 2800 cc were 2,686 units of which only 44 were Mitsubishi. Only 4 Japanese, Korean and India over 1800 cc were sold during the year.

The considerable drop in sales in the brand new cars, dual purpose vehicles, buses and trucks categories resulted in an overall deterioration of the market by 7.7% or a total 26,679 sales achieved during the year, from 28,920 units achieved in the preceding financial year. This figure is a phenomenal drop when compared with the 86,880 units sold in 2015/2016, which confirms that the total brand new vehicle sales have fallen by a disconcerting 60,201 units or 69% over just four years.

However, excise duties on hearses, hybrid and electric vans, single cabs and buddy trucks with cargo carrying capacities of less than 2,000 kg were reduced in March 2019 to facilitate the SME sector and promote environmentally-friendly transport modes.

Following from the 2018 budget, the Department of Import and Export Control introduced emission standards and safety measures on motor vehicle imports. Seat belts, air bags and ABS requirements were imposed at the point of import on selected vehicle categories.

Another development that affects the automotive markets was the impositions of the Euro 4 emissions standard. This new standard was introduced in the previous year and implemented in July 2018. Euro 4 is a substantial leap from the Euro Zero and Euro One emissions standards the country presently follows. Passenger cars that subscribe to Euro Two and Euro Three standards are still very new on Sri Lankan roads and phasing out the country's fleet of vehicles currently incompatible with the Euro 4 standard will be a huge challenge. The Euro emission standards seek to limit the toxic gases emitted by vehicles in the hope of attaining cleaner, breathable air. The first Euro level (Euro One) was introduced in 1992 as an initiative by the EU to regulate and standardise the amount of carbon monoxide (CO) and other poisonous chemicals emitted.

While conceding that some of the fiscal measures carried out by the government are in the interests of the country, motor vehicles traders query whether certain import duties imposed have been thought through carefully enough.

Outlook for the future

A policy framework to generate sustainable growth for the industry is the need of the hour. Such a framework would ease the burden of the government as well, by avoiding the imposition of drastic and often ad hoc measures to control motor vehicle imports. A carefully thought through policy will develop and secure Sri Lanka's motor vehicle industry against the volatility experienced in recent years.

Global economy

As distributor of many renowned global brands of automobiles and accessories, the performance and trends of the global economy and automobile market influence the success and continuity of the UML Group. Given below is an overview of the performance of the global environment and the automobile industry that affected our performance.

The global economy grew at a slower pace of 3.1 % in 2018, after peaking at close to 4% in the preceding year 2017. Economic activity accelerated in almost all regions of the world during the beginning of the year, which continued the growth momentum begun in 2017. But the escalation of US–China trade tensions which necessitated credit tightening in China, macroeconomic stress in Argentina and Turkey, disruptions to the auto sector in Germany, and financial tightening alongside the normalisation of monetary policy in the larger advanced economies, all contributed to a significantly weakened global expansion later in the year. Many commodity- exporting countries, notably fuel exporters, were also recovering gradually as oil revenues rose, although they remain sensitive to volatile prices.

The year also saw capital outflows from emerging market economies and increased pressure on the exchange rates of economies with wider deficits like Sri Lanka, as the Federal Reserve increased funds rate four times. The increase was by twenty five basis points each time. As a result, the funds rate which started at 1.5% at the beginning of 2018, increased to 2.5 % by end 2018.

Oil prices, which were on an increasing trend during the first nine months of 2018, caused some acceleration in inflation in all economies around the world. After a run of high prices during the year, oil declined in the last three months of the year, to the lowest recorded price of $ 42.53 per barrel on 24 December 2018. The oil market picked up in the first quarter of 2019 however, with the WTI rebounding to over $50 per barrel, and Brent briefly touched $60 per barrel during the first quarter of 2019. Both a closed in on official bull market territory, up by nearly 20 % from the low point in late December.

South and East Asia recorded strong growth, despite rising headwinds, expanding by 5.6% & and 5.8% respectively in 2018, with growth in aggregate gross domestic product (GDP) slowing only slightly from 6.2% in 2017 to 5.9% in 2018, against the backdrop of decelerating global trade and economic activity. With rising oil prices and the depreciation of a number of Asian currencies, inflation in Asia edged up during the year to 2.5% from 2.2% in 2017 but remained low by historical standards, in view of stable commodity prices. World average inflation was 3.7%.

The steady growth saw a rise in the world's average GDP per capita by $ 519 in 2018, to $ 11,368 from $ 10,849 in 2017.

But these headline figures conceal fragilities in many developing countries, which are home to nearly a quarter of the global population who live at or below the poverty threshold. While unemployment rates were at historical lows in several developed economies, many low- income people in parts of Asia, Africa and Latin America saw little or no growth in disposable income over the past decade.

The steady pace of global economic growth also masks the build-up of several risks, the rise in trade tensions among some of the world's largest economies being a case in point. Trade tensions and tariff hikes between the United States and China are causing an erosion in business confidence, tightening financial conditions, and leading to higher policy uncertainty across many economies. As a result, global trade growth lost momentum, although stimulus measures and direct subsidies have so far offset much of their direct negative impacts. However, protracted tensions could create severe disruptions to global value chains. Amidst the rise in global trade tensions, global trade growth reduced during the year of review from 5.3% in 2017, to 3.8% in 2018.

The possible failure of policymakers in Europe to finalise legal and regulatory arrangements in advance of the withdrawal of Great Britain and Northern Ireland from the European Union pose risks to financial stability, given the prominence of European banks in driving global cross-border financial flows.

Investor sentiments were also affected by escalating trade tensions as well as by high levels of debt, elevated geopolitical risks and oil market developments.

Climate risks also intensified and are impacting both developed and developing countries, but the human cost of disasters fell heavily on low-income countries. Disaster resilience must be fully integrated into economic decision-making if economies are to develop. Urgent and concrete policy action is needed to reduce these global risks and establish foundations for stable and sustainable economic growth in economies across-the-board.

Outlook for the future

After a weak start in 2019, global economic growth is projected to pick up in the second half of 2019 and level out at a steady 3% during 2019 and 2020, as growth in advanced economies decelerates and recovery in major commodity-exporting emerging markets and developing economies level off. This pickup is also supported by significant monetary policy accommodation by major economies, made possible by the absence of inflationary pressures despite growing at near potential. The US Federal Reserve, the European Central Bank, the Bank of Japan, and the Bank of England have all shifted to a more accommodative stance, which augurs well for the future. China has ramped up its fiscal and monetary stimulus to counter the negative effect of trade tariffs. Furthermore, the outlook for US–China trade tensions has improved as the prospects of a trade agreement take shape.

Global automotive industry

The current financial year was a rather challenging one for the global car market, as sales fell for the first time since 2009. However, worldwide car sales remained near record levels. Many automobile manufacturers felt the effects of trade tensions between China and the United States, the world's largest economies, political changes in key markets, and new threats to the status quo of the industry. Since China is the largest automobile market, comprising nearly 30% of global vehicle sales, any changes in the country's economy will be felt across the world. China is presently tottering dangerously from internal economic problems and may possibly face an imminent trade war with United States. The automotive industry also had to deal with uncertainty in the European market, following the fallout from Brexit and possible trade disruption that could follow, in addition to the introduction of more complex environmental regulations. To these uncertainties was added leadership changes at some of the world's biggest car makers, which were also not always easy to navigate either.

The present global automotive markets and industries are characterised by a slow diversification of demand from developed economies as demand grows in highly populated developing countries that experience higher standards of living. The performance of India and Brazil are cases in point. The auto market was robust in India, Brazil, Russia and South East Asia. In one of the most significant developments in 2018, India became the world's fourth largest car market, outselling Germany. China continued to lead the world rankings with US $ 28.08 million sales, followed by Europe with US $ 17.7 million sales and the US at US $ 17.3 million sales. Russia climbed the rankings and overtook South Korea, while Argentina and Turkey–two big producers of vehicles –saw declines, having felt the effects of challenging economic times. Latin America outsold Japan, recording 5.6 million and 5.2 million sales, respectively.

Toyota Motor Corporation, Volkswagen AG, Ford Motor Company and General Motors Corporation hold the largest market share in the automobile manufacturing industry. The Volkswagen Group, Toyota and Renault-Nissan were the world's largest carmakers and manufacturing groups in 2018. However, Renault-Nissan continued to dominate the SUV segment, recording almost 12% of the market share, despite the double-digit growth posted by Toyota, Hyundai-Kia and the Volkswagen Group. SUVs also made up a large portion of the sales of FCA, Geely, Mazda, Tata Group, and many Chinese makers as well. Toyota was the leading car brand and the Ford F-Series the top-selling model. The Toyota Corolla was the world's favourite standard passenger car model in 2018.

Industry demand was driven by significant improvements in technologies, particularly in fuel efficiency, entertainment and autonomous driving capabilities. Automakers have gradually put greater emphasis on increasing fuel efficiency to conform with stricter regulatory requirements and consumer demand. To this is added internet connectivity, advances in safety features and navigation capabilities, which are becoming staples in automobiles worldwide, which is increasing the price of cars.

The deceleration in auto sales is a sign of the paradigm shift the industry is experiencing today, as mobility is fast becoming a service. The traditional business model of car ownership is being gradually complemented by a range of diverse mobility solutions as ride-hailing services like Uber, triggering new trends. Digitalisation is encouraging new advances in technologies, and the rise of the electric car is potentially foreshadowing the decrease in demand for the internal combustion engine.

Outlook for the future

Global car and SUV sales in 2019 are expected to fall slightly with a slower growth in the world economy in 2019, and the days of easy profits for the world's carmakers since the financial crisis seem to be coming to an end. Investment bank Morgan Stanley expects global automobile sales to decrease by 0.3% in 2019 to US $ 82.1 million.

The big carmakers will be hard pressed to finance spend on electric cars as well as spend on the new forms of mobility that will be needed soon as high technology companies threated to move in, to capitalise on the rapid advances in mobility technology that will drive the industry into the future.

According to the 2019 KPMG Global Automotive Executive Survey, 43% of the respondents believe that half of car owners will no longer want to own a personal vehicle by 2025. They cite the most important reasons for this as being living circumstances (32%), followed by total cost of ownership (23%). In particular, executives in vehicle manufacture cite living circumstances and the resulting urbanisation as being the most important reasons (43%) for this change.

Business Review

Group turnover dropped by 13% to Rs. 12.8 billion during 2018/19, compared to Rs. 14.7 billion achieved in 2017/18. Group profit after tax for the year under review was Rs. 436 million as against the Group profit of Rs. 669 million recorded in the preceding year. This reflects the difficult environment in which the Group operated during the year under review.

Vehicle sales

The Vehicle Sales divisions contributed 73% to Group turnover in the current year, reporting revenue of Rs. 9.3 billion, which is almost 17% less than the turnover of Rs. 11.3 billion reported in the previous financial year.

Vehicle registrations

Total vehicle registrations during 2018/19 were 94,317 units, an increase of 24% over the last year. However, actual growth was in the reconditioned market, where registrations improved from 46,926 units to 67,638 units, an increase of 44%. In contrast, brand new vehicle registrations, which started declining from 2016/17, continued to weaken during the year under review.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Brand new Vehicle registrations	49,128	36,224	45,137	86,880	50,410	28,920	26,679

Mitsubishi vehicle sales

During the year under review, 1,141 Mitsubishi vehicles were sold with the majority of sales coming from SUVs and Trucks. In a declining market, UML was able to maintain Mitsubishi market share at 4%, which remains unchanged from last year.

Product	Total Qty	Vehicle sold by UML	Mitsubishi market share
Cars	8286	44	1%
SUVs	3662	440	12%
Double Cabs	752	69	9%
Single Cabs	909	2	0%
Vans	349	0	0%
Trucks	10635	502	5%
Buses	1547	84	5%
Ambulances	539	0	0%
Total	26679	1141	4%

In April 2018, the Company added the Mitsubishi Xpander and Mitsubishi Eclipse to its product portfolio. These two vehicles had very good market acceptance which enabled the Company to achieve a market share of 12% in the SUV segment.

Due to the challenging market conditions faced by brand new vehicle importers, the division performed well below expectations. Despite budgeted sales of 1,200 units, actual sales were only 343 units. The revenue decreased from Rs. 1.9 Bn last year to Rs. 1.3 Bn in the year under review. However, with better margins and tight cost controls, the division ended the year with a profit of Rs. 81 million as against the profit of Rs. 10 million achieved last year.

The permit division recorded a profit of Rs. 109 million during the year under review, from revenue earned though vehicle sales to permit holders.

Fuso trucks

The early part of the year saw the Fuso truck division not only outperforming last year's performance, but also exceeding budget expectations. However, in July 2018, the government made it mandatory for vehicles imported to Sri Lanka to comply with the Euro 4 emission standard. This delayed replenishment of stocks as the principal was required to make certain adjustments to the product to meet the stipulated requirements. Consequently, despite the strong start, overall results for the year were below budget and down from last year's performance. In terms of units sold, the actual for the year was 457 units as against a budgeted 675 units and last year's actual sales of 550 units. The revenue recorded for the year was Rs. 2.6 billion, which was a 13% reduction when compared with the Rs. 3 billion in revenue recorded in 2017/2018. The division ended the year with a profit of Rs. 389 million, which was a 15% decrease when compared to last year.

By the second quarter of the new financial year, the Company believes that the truck division will get back on track and perform at the high performance they set for themselves over the past few years.

Karma trucks
Karma trucks were not affected by the requirement for compliance with the Euro 4 emission standard. The division sold 118 units during the year, which were 23 units lower than last year. On a positive note, the division successfully maintained a healthy margin and kept costs under control, which enabled it to outperform last year's performance in terms of profits, achieving a profit of Rs. 78 million against a profit of Rs. 57 million recorded last year.

Perodua cars
The Perodua division continued to be the major contributor to the performance of Unimo Enterprises Limited (UEL), both in terms of revenue and profits in the current year as well. The division achieved a profit of Rs. 195 million against the budgeted Rs. 663 million, which is far below expectations and mainly due to the worst- ever market conditions experienced by brand new vehicle importers. The volume for the year was 866 units against a budgeted 1,560 units. Actuals were marginally below the previous year's volume of 997 units.

On a positive note, the Perodua brand captured its lost market share during the current year, in a situation in which almost all brands in the category had declined. The brand managed to up its market share from 11% last year to 20% in the last quarter of the year under review, by applying many strategies that enabled it to gain competitor market share.

JMC trucks
Divisional volume declined sharply, mainly due to the non-availability of Euro 4 products which had to be introduced to conform to the new government regulations. As a result, only 128 trucks were sold against a budget of 320 units, which resulted in a loss of Rs. 26 million. This situation is expected to turnaround with the introduction of Euro 4 models by the first quarter of the forthcoming financial year.

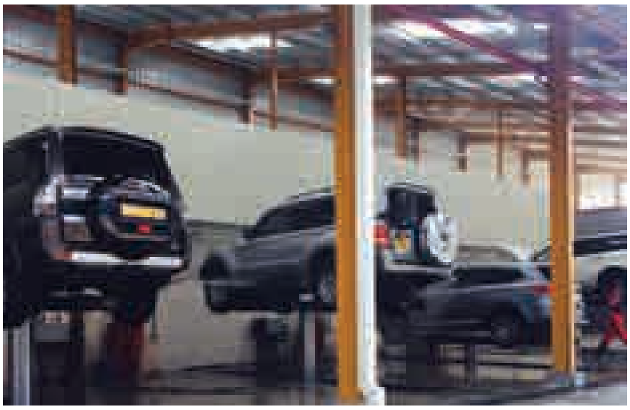
DFSK SUV/MPV vehicles
The DFSK Glory division continued to make losses due to the higher stockholding throughout the year. Continued duty increases from 2016 resulted in a progressively slow movement of the product over the past two years.

In the latter part of the year under review, the latest SUV from the DFSK range was introduced. Market acceptances and response were very positive, which enabled where the division to record a sale of 17 vehicles in the first month alone. The division anticipated these volumes to accelerate in the forthcoming financial year.

Z100 cars
This division, too, continued to lose money due to slow moving stocks and the overall negative market condition being the key factor for the sluggish sales. The division managed to sell 323 units against a budget of 1400 units in the current year. However, the Company foresees an increase of 1% in market share in the forthcoming year due to many marketing activities undertaken in the year under review .

Unimo Lokka/Unimo King
The small truck segment handled though Orient Motor Company was badly affected by the steep rise in duty in the recent past. Although the government is trying to remedy the situation by reducing the duty on this product. imports cleared while the duty was very high will continue to face high selling prices. Additionally, despite the fact that the duty was reduced in the last few budgets, duties are still not on par with the levels they were at prior to the increase that began a few years earlier. During the year under review, the Company sold 74 trucks of both models.

After sales
During the year under review, the Spare Parts division increased its turnover to Rs. 1.7 billion, from Rs. 1.6 billion achieved in the year before. Although this increase was only 6.25%, this is a step in the right direction. The Spare Parts division achieved a profit of Rs. 447 million, which was slightly below the Rs. 458 million achieved last year. Performance was about 12% below the budget.



The workshop division also reported a marginal increase of 2% in turnover for the year under review, with actual turnover recorded at Rs. 739 million, whereas turnover was Rs. 724 million for the year before. In terms of profits, the division achieved Rs. 298 million whereas last year's profit was Rs. 258 million. The actual profit for the year under review was about the same as the budgeted profit.

Revenue from the sale of Valvoline lubricants dropped to Rs. 665 million during the year under review, from Rs. 821 million achieved last year. Lubricants are sold mainly through the dealer network and the Company has been following a strict credit policy which ensured that growth was not achieved at the expense of bad debts, specially at a time when the finance sector faces substantial increases in non-performing loans. The Company is proud not to have followed suit, despite experiencing arduous growth. UML continued to grow car care brand 'Simoniz' and hopes to expand it further in the coming years. UML was awarded the outstanding Sales Performance in South East Asia award by Prestone during the year under review.

Tyre division volumes narrowed mainly due to the non-availability of some of the fast moving sizes. This is a temporary situation that will be corrected in the first quarter of the forthcoming financial year. The division recorded a loss of Rs. 5.7 million in the year under review.

Construction equipment

Group sells JCB construction equipment through UML Heavy Equipment limited. The construction industry is experiencing a tough time due to the slowdown in projects throughout the country. Almost all contractors, including the main contractors who primarily contribute to the purchase of a larger number of construction machinery, were also affected. Some foreign contractors were using their own machinery and generators imported from their own countries, added to the drop in demand. Due to these many shortcomings, total industry demand reduced substantially and growth was correspondingly constricted when compared to previous years.

Operating with minimal stocks and introducing cost saving initiatives helped the Company to survive during this lean period. Serving niche markets in which funds were available was another effective strategy pursued. It was also essential to keep operating costs to a minimum.

JCB Generators were added to the portfolio. Currently, the Company offers JCB products of both European as well as Indian makes and has two different pricing structures to suit different customer segments.

Sales to the Maldivian market was a noteworthy achievement during the year, and the Company will strive to capture a larger market share in the coming years. Customer demonstrations carried out with 3S awareness sessions at customer sites gave the Company the opportunity to enable potential customers to personally experience the superior performance of its JCB machines and provided them first- hand knowledge of UML's exceptional after sales support capabilities.

UML Heavy Equipment Ltd. was awarded for its Special Contribution to Sri Lankan market growth during the under review, at the JCB annual dealer conference held in Goa, India, in Feb 2019.

During the year under review UML Heavy recorded turnover of RS. 99.4 MN and a loss of Rs. 47 Mn.

3D Printers & services

3D Printers & Services is the newest business entered into by the Group, and a dedicated showroom was opened in September 2018 to carry out business activities. The division achieved a turnover of Rs. 6 million this year, mainly from printing services and Filament sales. Sri Lanka is still to grasp the potential of this state-of-the-art technology and once its potential is understood, the Company is confident that this segment take off rapidly. Increasing awareness of the capabilities of this technology will be crucial in the coming year.

Solar power generation

As part of diversification strategy, , the Company completed the setting up of a 2MW roof top solar power project during the year. Power generation commenced towards the latter part of March and the Company expects to earn a full year of income from this project in the next financial year.

SAP software

During the year under review, the Group worked on implementing a SAP Enterprise Resource Planning (ERP) system. SAP is among the world's best ERP systems and is expected to transform business operations across- the- board, by empowering decision makers with the right tools. SAP implementation is across the Group and will cover all major functions of the Company. It was implemented in May 2019. SAP brings with it many best practices from which the Group plans to benefit.

Financial Capital

Overview

As business environments grow increasingly more volatile, as new challenges and developments appear over the horizon, organizations face mounting risks that threaten continuity. Their survival rests on how prudently they manage their funds.

Companies manage their finances prudently by exploring appropriate sources of funding at the lowest costs, control the cost of capital and avoid leveraging their balance sheets with high debt capital. A company that judiciously manages its finances apportions its funds to achieve the profitability and growth determined by its financial objectives and long-term and short-term goals. Effective fiscal management is essential if a company is to achieve sustainable growth whilst generating significant competitive advantages.

Approach

The Management of the UML Group oversees its Financial Capital with due diligence in order to integrate and balance all the other capitals to attain the objectives of every stakeholder and the vision and mission of the Company. Group financial capital management complies with the best practices and standards of relevant local and international statutory and regulatory bodies, and places effective safeguards to deal with uncertainty and associated risks. Discipline in making financial decisions and transparency in every transaction are key factors that sustain the Group's financial position.

UML's Financial Capital comprises a pool of funds accumulated from the investments of shareholders and raised from banks. The Company operates under the following financial advantages that place us on the firm financial footing necessary to effectively utilise these funds by:

- Exploring new business opportunities that increase profitability
- Pursuing investments that provide the best returns
- Sourcing cost and process efficiencies
- Enhancing credibility with stakeholders by distributing returns
- Reducing overheads by introducing effective strategies for containing energy use and managing waste

Financial review

In a highly unfavourable environment for brand new vehicle sales, the Company recorded a highly commendable profit after tax of Rs. 729 million, in comparison to Rs. 1.46 billion recorded last year. Last year's profit included a one- off gain of Rs. 826 million received on the divestment of TVS Lanka (Pvt.) Ltd. The Group recorded a profit of Rs.436 million, which was a 35% reduction on the Rs. 669 million profit recorded last year.

Income Statement

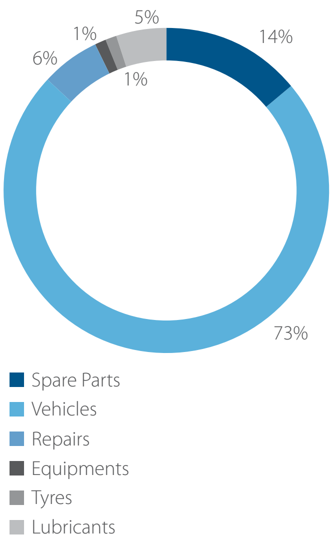
Revenue

During the year under review, the Company achieved revenue of Rs. 7.9 billion, while the revenue achieved by the Group was Rs.12.8 billion. Last year, the revenue of the Company and the Group was Rs.9 billion and Rs. 14.7 billion respectively. The Company's revenue has reduced by 12% whereas Group revenue reduced by 13% in the current year.

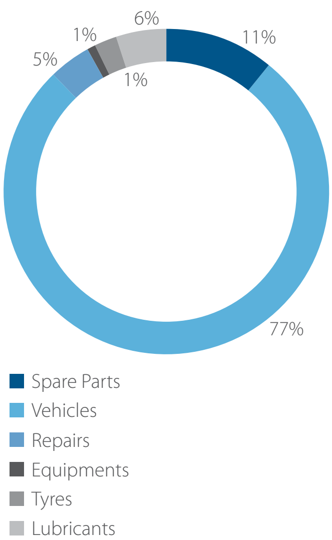
Gross Profit

The Company recorded a gross profit of Rs. 2.4 billion during the year which was nearly in line with the Rs. 2.45 billion gross profit reported last year. Group gross profit fared a little worse, with the current year's gross profit reported at 8.6% below the gross profit of last year. This translates into the current year's gross profit posted at Rs.2.8 billion, while last year's gross profit was Rs.3 billion.

Segment Revenue 2019- Group



Segment Revenue 2018- Group



Other Income
Other income of the Company dropped substantially during the year, when compared with the other income achieved last year since last year's other income included the one-off gain from divestment of TVS Lanka (Pvt) Ltd amounting to Rs. 826 million.

Expenses
The Company continued to spend on marketing and distribution activities, which, amounted to Rs. 230.4 Mn during the year under review. This was almost the same as last year in which the spend was Rs. 229.7 million. The Group marketing and distribution spend was curtailed slightly with a 4.8 % reduction when compared to the preceding year. In rupee terms, this was a reduction from Rs. 389 million last year, to Rs. 370 million for the year under review.

Administrative and other expenses was 2.8% higher when compared to last year, with the Group recording a similar increase in the current year's administrative and other expenses at Rs.1.79 billion as against last year's Rs. 1.74 billion.

Net finance cost/income
The Company more than doubled its net finance income in the current year, reaching Rs. 123 million, in comparison to Rs.60 million achieved last year. From the Group perspective, we were able to reduce the finance cost by a little over 5% by bringing it down from Rs. 349 million to Rs. 330 million.

Income tax expenses
The Company's profit before tax (PBT) was Rs. 926 million and the relevant tax charge was Rs. 197 million. This reduction in the tax charge was mainly due to deferred tax assets and enhanced capital allowance claimed by the Company.

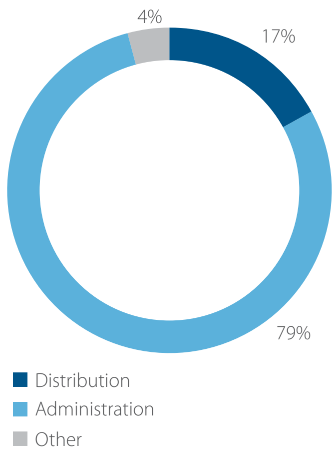
At Group level, PBT was Rs. 423 million, but the tax was only a reversal of Rs. 12 million. The tax losses incurred by Unimo Enterprises Limited, UML Heavy Equipment and Orient Motor Company Limited resulted in the lower tax charge for the year.

Balance Sheet
Assets
The total assets of the Company as at 31 March 2019 were Rs.13.4 billion, in comparison to Rs. 13 billion as at 31 March 2018. Total assets of the Group moved up to almost Rs. 18 billion, from Rs.16.9 billion as at 31 March 2018.

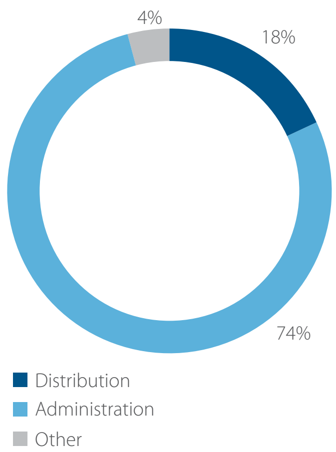
Liabilities
The total liabilities of the Company stood at Rs.1.2 billion, while Group total liabilities were Rs. 5 billion in the current year.

Equity
The total equity of the Company increased by Rs. 493 million to Rs.12.2 billion in the current financial year, while Group equity increased by almost Rs.179 million to Rs.12.9 billion.

Expenses 2019 - Group



Expenses 2018 - Group



Manufactured Capital

Overview

Manufacturing capital refers to the resources that enable an organisation to produce the goods or provide the services that are part and parcel of its daily activities, and include material goods and infrastructure owned, leased or controlled. Therefore, manufacturing capital can range from the tools, machinery and technology used in manufacturing processes, to the buildings that house them and the infrastructure that enables them.

This capital is essential for the sustainable development and continuity of an organisation because when employed efficiently, manufactured capital can increase the speed of provision of its products or services, thereby ensuring that the organisation is flexible, innovative and responsive to market needs. Combining manufactured capital with technology can reduce resource use as well, which enhances organisational efficiency and contributes towards its sustainable development. Therefore, developing and efficiently managing its manufacturing capital has the potential to boost an organisation's productivity, improve the quality of its output, and establish its brand reputation, all of which are vital for ensuring continuous cash flow in future.

Our Approach

The manufacturing capital of the Company broadly covers the machinery and equipment in our workshops and in our showrooms and offices, the constructions that house them and the land on which they are built. Manufacturing capital is key to our process of value creation because it forms the infrastructure for providing our customers with the superior service we are reputed for, and comprises the major portion of the Company's investments.

Workshops and serviced centres

The Company provides solutions for the service and repairs of motor vehicles purchased from the UML Group at our fully-equipped workshops. These workshops offer a range of services, from lubricant services to minor paintwork repairs of scratches, scuffs and dents to body repairs following a collision. Our service centres are equipped to provide vehicle services as well as carry out minor repairs, and have computerised paint mixing machines and paint booths as well, which are standard equipment in the workshops.

As at 31 March 2019 the UML Group had net book value of Rs. 158 million in machinery and tools. During the year under review the Group purchased Rs.17 million worth of machinery and tools.

The main workshops are situated in Orugodawatte and Ratmalana, and are supported by workshops in Kandy, Kurunegala, Matara, Rathnapura, Jaffna and Anurdhapura to meet the needs of our outstation clientele. UML invests substantially in high quality repair and servicing equipment, which ensures overall productivity, safety and reliability as well as a long working life of the equipment. All automobile repair and service equipment are manufactured and provided by suppliers who specialise in equipment manufacture for the automobile industry, and are built to strict standards of quality, safety and reliability. These high standard of quality substantially reduce the replacement, repair and maintenance costs of the equipment. The Ratmalana workshop opened its commecial opertaions in December 2016, and is a state-of-the-art facility equipped with the latest machinery to service and repair Mitsubishi vehicles and Fuso trucks,

Both the Orugodawatte and Ratmalana workshop roofs have been used to generate 2 MW solar electricity.

Equipment

The machinery with which the workshops are equipped range from air compressors necessary to operate many workshop tools, and hoists for servicing vehicles, to heavy duty 2-post and 4-post vehicle lifts essential for performing inspection and diagnostics under the vehicle for mechanical repairs. The workshops are also fitted with high-quality technologically advanced collision repair equipment like body jigs, body pulling kits, welding plants and car-o-liner alignment bench systems to get the vehicle back into shape following an accident.

All equipment at every location is operated by skilled and versatile technicians who have been trained, both locally and overseas, to the stringent manufacturers' standards of operation.

Other equipment owned and operated by the Company are office equipment, fixtures and fittings utilised to carry out the day-to-day administration work of the Company. Our 3D printing studio, opened in September 2018, provides printing services as well as markets some of the best European brands of 3D printing equipment and provides after sales services.

Details of the land held by the company is disclosed in note 18 to the financial statements.

Social & Relationship Capital

Communities

This year too, the Company continued its commitment in the areas of child health and youth education, based on our belief that a healthy and knowledgeable next generation is the nation's hope for a sustainable future.

At the heart of hope

During this financial year, the Company continued its focus on paediatric care by sponsoring yet another child from an impoverished family for congenital heart surgery in India. One child was sent for this surgery last year (2017/18), two children were sent to India in 2016/2017 and two children underwent surgery in the preceding year, 2015/16, the year during which the initiative was launched. This brings the total number of children sponsored for this operation since the project's inception to six. One parent is also sponsored to accompany the child to the hospital. All surgery conducted over the years have proved successful and have given these families new hope for the future.

About 0.6% - 0.8% of babies born throughout the world suffer from congenital heart defects, which is a term commonly used to describe abnormalities in the structure of the heart. The condition is often hereditary and present from birth. Signs and symptoms vary with the defect and could range from damage to the walls and arteries, to malfunctions in the valves and veins of the heart. In Sri Lanka alone, 2,500 to 3,000 babies are born with congenital heart defects each year, but surgery is expensive and beyond the reach of the poor, the average cost of surgery varying from between Rs. 500,000 and Rs. 700,000. Although the operation is available free of charge in several state-run hospitals, the long waiting list dictates that several children will die in the first year of their lives while awaiting their turn for this essential surgery. UML has stepped in to meet this need, but due to the high cost of the surgery and associated expenses, has introduced a careful process of selection to identify the child/ children for sponsorship.

Recognising academic excellence

Experts in the academia believe that students are encouraged to perform better when they anticipate a reward for their efforts. Accordingly, the Company continued its focus on rewarding academic excellence at the secondary level of educational with scholarships provided to children of employees who excelled in the Grade 5, O/Level and A/Level examinations. Winners in the three categories are awarded Rs. 10,000, Rs. 15,000 and Rs. 20,000 respectively under the Tikiri (grade 5) Navum (O/level) and Yovun (A/level) scholarships. Five winners were recognised for the Tikiri scholarship and 7 winners for Yovun. The cash awards were deposited in their bank books and a certificate of excellence was presented to them as motivation to pursue higher studies. A special felicitation ceremony was organised to present the awards.

Additionally, the Company provides the children of employees with gift vouchers in December each year to encourage them to pursue their education to higher levels.

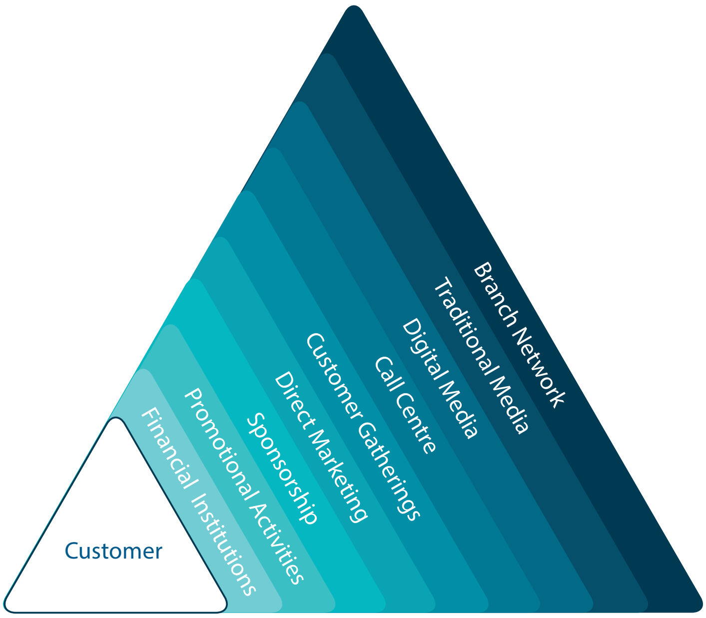
Investing in the Future

The Company will continue to explore more projects that improve livelihoods and enhance the quality of life of the communities in which we live and work. Several plans to address these areas are in the pipeline for the next year.

Customers

Customers are the driving force of an organisation, and hold the key to its success. The marketing process is customer centered with every aspect of the business focused on their needs.

We know that today's customers are sophisticated, focused, less tolerant, and demand value for their money. They compare not just our products with competitors but also a myriad of other brand elements such as quality and overall satisfaction, and they prioritise ease of service. If they don't have a good customer experience, they take to social media to let others know of their dissatisfaction.



With this in mind, UML has devised marketing campaigns that address customer needs using technologies that provide customers and potential customers with a superior, interactive and more immediate product experience.

A Customer Centric Approach

Three direct approaches were introduced to expand the Company's existing digital media model of lead generation and conversions to:

- Explore the target demographic of present as well as neoteric residents in and around the country.
- Generate product awareness through organic and paid mediums using visually appealing content.
- Establish customer engagement, answer queries instantly and generate accurate leads.

The ultimate intention of our paid and organic campaigns is to maximize conversions to enable us to increase sales.

This year, we took the initiative to introduce experiential marketing to our marketing mix. We showcased the capabilities of the latest Mitsubishi Xpander on various terrain by driving the vehicle cross-country from Colombo through Puttalam and Mannar to Jaffna, clocking 1700 km, and provided updates of the trip on our online channels. The Xpander was driven by a popular Vlogger couple "Travel with Wife" vlogs have a considerable following on Facebook, YouTube and Instagram. Their progress through the country was eagerly followed by fans on UML social media channels as well as the couple's own social media.

Vlogger couple "Travel with Wife"

Experiential marketing differs from traditional strategies that broadcast brand and product benefits. It meets the needs of discerning customers who wish to experience the product for themselves prior to purchase. This method engages customers in a number of different ways, and is a proven means of effective customer engagement.

UML also tied up with radio stations to invite winners of competitions to "spot the vehicle and win." Winners were rewarded with shopping sprees and dinners at premier restaurants with their families. This was another experiential marketing initiative implemented mainly to enable prospective customers to experience the product.

Based on the Mitsubishi tagline, "drive your ambition," UML partnered with lifestyle website Pulse in another experiential initiative that featured successful personalities, and invited them to experience the latest range of vehicles by Mitsubishi. Their experience was then featured online.

Social attributes and targeted marketing

Deeper insight derived from social media networks has enabled the United Motors Group to expand our reach to larger, more targeted audiences and create greater brand awareness of the Company and our products. Every social media channel has a separate and distinctive focus, hence, the content provided differs to enable the desired outcome of that particular social media. All content is also designed to conform to channel guidelines.

Facebook

Social media applications such as Facebook and Instagram have the tools necessary to access the demographics of the United Motors Group audience and assess the type of content that is of interest to them. The insights of this target audience have enabled us to strategise campaigns to communicate with them and create content that attracts their attention.

UML Group uses Facebook as a more conversational approach to customer engagement, which enables the Company to converse with its target market and encourage their responses and redirect them to our landing pages. In the short span of four months from October 2018 to March 2019, UML campaigns reached a record 3.25 million users and generated about 5,400 leads during that period.

United Motors Facebook Homepage

Instagram

Instagram, as a conventionally visual-based media, requires an appealing format to converse with our audience. Utilising strategic insight tools, UML has expanded the reach of potential leads in this visual medium too.

United Motors Instagram Homepage

Google AdWords and Lead Marketing

The ultimate aim of every campaign is to convert engagement through the various social and digital channels into potential leads that result in sales. UML targeted leads through campaigns that were spread over approximately three month periods. The Company was successful in this strategic focus which delivered substantial numbers of potential leads to its landing pages on social media.

UML's landing pages accumulated over 7,500 completed forms that resulted in leads that furthered our lead marketing initiative, during the year under review.

Perodua Landing Page

Non digital marketing

The Company also embarked on a series of initiatives to reach its customers through non-digital channels, through partnerships with financial institutions as well as promotions carried out at diverse locations.

Partnerships with financial institutions

The Company's database of financial institutions was extended during the year. These partnerships are invaluable because they deliver a two-fold service to the Company. Firstly, they provide preferential rates of finance for customers who purchase motor vehicles from UML. The network of partnerships also play a key role in areas of the country in which UML has little presence, by promoting UML's portfolio of products to engage new and potential customers.

Promotions

The Company continued its promotional activities throughout the year to increase the awareness of customers and potential customers of its new range of products and services. Several promotions this year featured "Trade-in and upgrade" initiatives where prospective customers were offered the facility of trading in any brand of vehicle as part payment for a brand new vehicle purchased from the UML Group. The trade-in option is offered to customers solely to ease their purchase decisions.

Customer initiatives expand

The ongoing special offer of the Z100 by subsidiary Unimo Enterprises Ltd., was further extended to Air Force and Army service personnel this year. This package was offered last year to government teachers, and provides various benefits from the People's Bank and People's Leasing to purchase a car, which include a pre-approved loan facility of up to Rs. 3 million and a repayment period of up to 7 years. Unimo also provides this group of customers with a range of benefits including free service clinics conducted by internationally qualified technicians, service and spare parts available island-wide, labour free services, a comprehensive warranty of 3 years or 100,000 km, plus a free loyalty card. This is in addition to special discounts on vehicle registration as well as on Yokohama, Valvoline and Simoniz car care products.

Managing Customer relationships

The Company has a focused and strategised approach to customer relationships, and is convinced that the relationship with the customer does not end with the sale but rather, that the sale is just the start of a long and productive journey. UML is committed to ensuring that every step of this journey meets the customer's expectations, and in many instances, exceeds them. A complaint management system is in place, and surveys are carried out periodically to ensure that customers are satisfied with the product purchased and the after-sales service provided. Customers are also provided with a host of benefits to build their goodwill and loyalty.

The Group's island-wide sales network ensures close and continuous customer relationships around the country through meetings and other events that engage customers in the private and public sectors.

'Privilege Circle' continues

The "Privilege Circle" loyalty programme initiated in 2011, continues to grow. The privilege of belonging to this close-knit group is now extended to all customers of the Group and provides them with unique opportunities for obtaining discounts on various categories of products of other companies. The list of product and service partners was increased during the year.

Extension of driver training programme

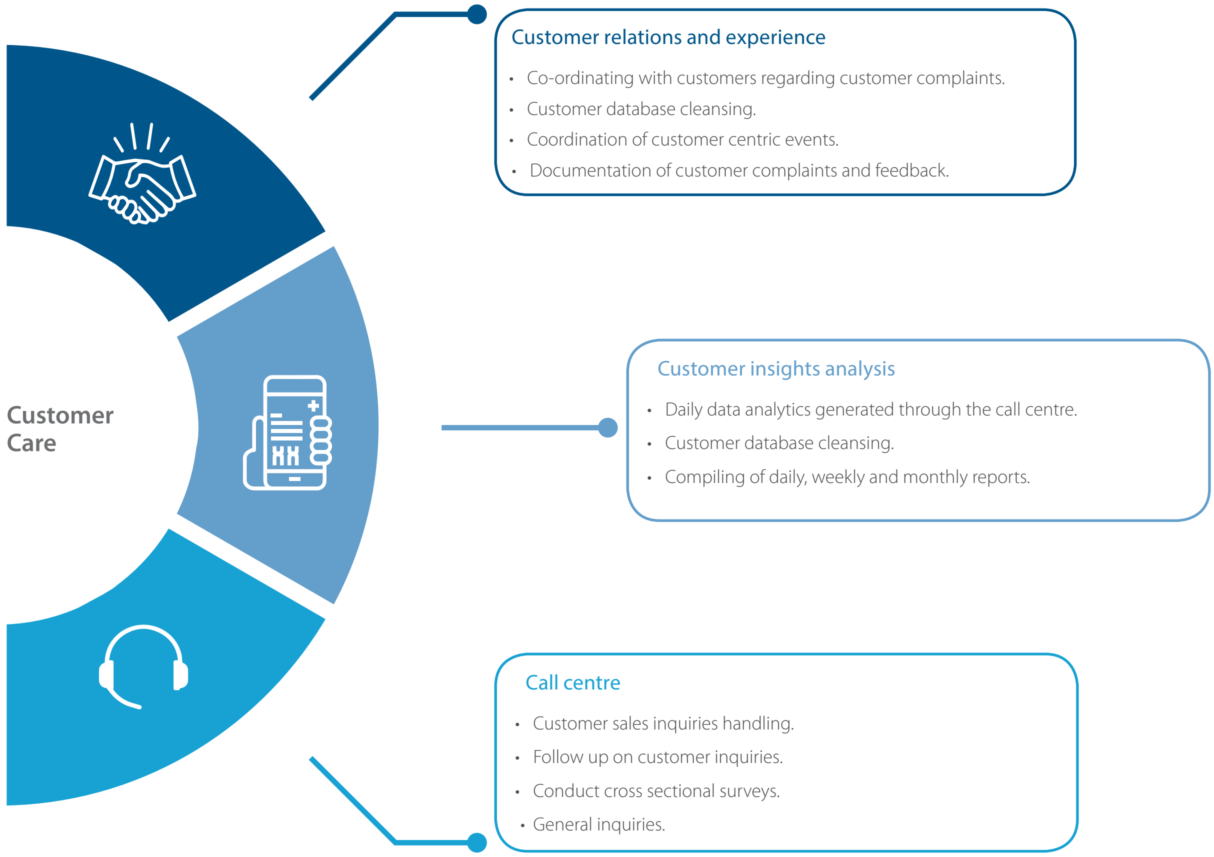
The driver training programmes initiated by the Company over the past few years, continued into this year too. Drivers of commercial vehicles in the Colombo and Kurunegala areas were instructed on good driving habits and the importance of paying attention to road rules.

Customer get-togethers

Customer get-togethers were also held in various locations around the country. These face-to-face interactions are valuable to the Company and reinforce relationships as well as provide invaluable feedback that is utilised to improve customer service and address any weak areas in the relationship.

Call Centre services intensified

Call Centre services were intensified during the year, with surveys conducted for every customer who purchased a vehicle from the Group. Earlier surveys were based on random samples of customers. Feedback on the customer experience is obtained in the form of a survey.



Other marketing initiatives introduced during the year

Launch of 3D studio

The Company opened a studio for its newest line of business in 3D printing, in September 2018. Customers can now obtain printing services as well as purchase some of the best European brands of 3D printing equipment and avail themselves of superior after sales services. It enables the creation of a digital 3 dimensional model of any object from a scanned, downloaded or created design which the 3D equipment prints layer-by-layer as a three-dimensional digital model. A range of industries including education, jewellery, medical, dental and architecture utilise 3D printing in several important functions.

UML's partnership with Novabeans introduced this technology, which is new to Sri Lanka. Novabeans represents many of the internationally recognised brands of 3D printers and works with engineers, product design teams, medical professionals, architects, students, teachers and entrepreneurs to make their ideas come to life through print.

Opening of JCB Heavy Equipment facility

The first phase of the machinery and service centre of JCB Heavy Equipment Ltd. was opened in June 2018 in Peliyagoda. This is a state-of-the art facility that sprawls over 1.5 acres of land and markets a range of brand new JCB equipment and offers a range of after-sales service and spare parts. The centre's product portfolio ranges from excavators, compactors, wheeled loaders and telescopic handlers to power generators. Mechanical repairs, painting, welding, servicing and maintenance are provided alongside. The Company has also introduced mobile service units equipped with sophisticated tools and skilled staff geared to respond immediately to breakdowns throughout the country, to ensure that customers experience minimal downtime of their machines. The latest telematics technology, Livelink, enables the Company to remotely monitor the performance of each machine, and identify and alert users on any urgent issues or decrease in efficiency of the machine early on, and provides the necessary details for servicing and product support. This promotes preventative maintenance and improves productivity.

Future plans

The Group plans to further expand its digital media presence and create a definitive space that will ensure a significant generation of return on investment through new and innovative methods of digital marketing. This will enable a seamless customer journey through digital channels that feature personalised content that appeals and engages them.

Other non-digital and innovative methods of customer interaction and service will also be pursued, to appeal to a wider group of customers of varying ages and incomes.

අපිUnited to serve-customer care initiative

අපිUnited to serve is an internal marketing programme commenced in 2012 to improve customer experience levels in the organization.

Having realized the need to emphasize the importance of differentiating our services in a competitive business environment to improve customer service levels and to create the customer centric culture the අපිUnited campaign was re-launched during the year.

Re-launch of අපිUnited campaign at Head office

අපිUnited driving team - CFT

A Cross Functional Team (CFT) of 24 selected members from all levels and across the Company was entrusted to carry out various initiatives to improve the customer service levels in the Company under the අපිUnited to serve concept.

CFT, having given due consideration to the expectations of today's customers, who are not merely interested in the products they buy but also the add-on elements they get, brainstormed and introduced series of initiatives to create a service culture throughout UML Group.

The driving team of අපිUnited-CFT

The Accelerated Care Team - ACT

The Accelerated Care Team comprised of 53 members representing the entire Group was nominated as leaders of their cells and are responsible to implement and sustain the customer care initiatives introduced by the CFT in their respective cells.

Customer care-code of conduct

The CFT developed and introduced a customer care code of conduct detailing the expected service levels in all areas of customer-staff interactions. The code also covers the expected service levels of our outsourced services namely security, tea services and cleaning services.

By following the code of conduct, the Management expects all employees to serve the customer promptly, accurately & caringly and deliver a greater experience to the customers of UML.

අපිUnited communication materials

Floor meetings

Following the re launch of the අපිUnited, the theme and the structure of the weekly floor meetings, conducted by the respective ACT members were revived by the CFT to empower them to enhance the level of service in their respective cells.

In addition to the discussion of customer care code of conduct, questions & answer sessions on customer care code of conduct, videos based on the customer care code of conduct, different activities such as discussion of survey results and inviting Heads of different divisions as guest speakers were done in order to make the floor meetings more interactive . A group photograph competition is held once every month and the most energetic picture posted by the cell is selected & recognized by the CFT.

Improving outsourced services

Several initiatives to improve the service levels of outsourced staff (security, tea service & cleaning service) were also introduced, with training on customer care code of conduct, conducted every three months followed by surveys to monitor service levels.

ACT Training and gatherings

Special trainings aligned with the guidelines of customer care code of conduct were also conducted for the ACT members. At these sessions, the ACT members were educated on the importance of their role in achieving expected customer service levels.

Good Job cards

Good Job card initiative was introduced to improve the service provided to the internal customers by creating a culture of appreciation among employees.

A Good Job card is given to an employee by another employee, in appreciation of the exceptional service provided.

Employees and the cells were rewarded based on the number of Good Job cards received. From November to December 2018, 910 appreciations were recorded while Season 2 from January to March 2019 saw an increase in appreciation going upto 1,022 .

Good Job Card

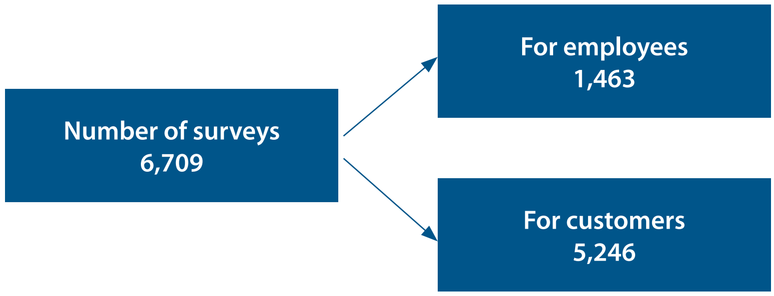
Surveys

Continuous surveys were conducted for the internal and external customers to measure the improvement in the customer service levels provided by the staff members.

These surveys were conducted monthly in the forms of observation surveys, call center surveys and internal call surveys to measure the customer service level within the organization. These surveys were used to rate the customer service level provided by each UML staff member under different parameters and rated as Excellent, Good, Average & Poor.

The individuals who scored high in these surveys were rewarded accordingly and highlighted within the group for their performances.

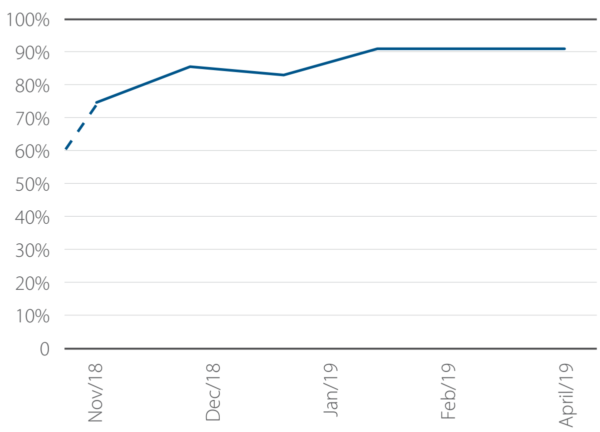
The best cells and the respective ACT members were also recognized and rewarded based on the results they received from the surveys.



No of initiatives to improve our customer care standards are now generating positive results, as indicated by the increasing customer satisfaction levels. At the end of the financial year we achieved a 92% satisfaction rating against the 86% satisfaction rating at the time of අපිunited re-launch. We are confident that we can continue to enhance our service standards by streamlining our process and backend operations.

Month	November 2018	December 2018	January 2019	February 2019	March 2019
Overall result	86%	90%	89%	92%	92%

Customer Service Index



Rewards and reprimand

A system of rewards and reprimands, motivates employees to strive continuously to attain higher levels of performance.

Employees who continued to excel in three consecutive surveys are rewarded with 'Star Performer' badges, while staff whose service levels need improvement are issued with letters of reprimand.

While the number of recognitions continued to increase, the number of letters of reprimand saw a steady decrease from 215 letters in November 2018 to 52 letters in March 2019.

Best three ACT members were also rewarded based on the performance of their individual cells.

Recipients of Excellent Customer Service Badges

1st row - left to right

Ms. Inushka Peiris, Mr. Niluk Medagoda, Mr. Amila Wedage, Mr. Vishva Dharmadasa, Mr. Ashan Sampath, Ms. Fathima Jinnah, Ms. Thamali Samarathunga, Mr. Shirantha Palliyaguru, Mr. Asanka Alwis, Mr. Akila Thuduwewaththa, Mr. L B Chinthaka,

2nd row – left to right

Mr. Afzal Hamza, Mr. Kulana Jayalath, Mr. Chamil Rajapaksha , Mr. Auranga Dissanayake, Mr. Mayura Siriwardena, Mr. Roshan Bothejue, Mr. Niroshan De Silva, Mr. Nuwan Madubashitha

Left to right: Mr. Tharindu Kumara, Mr. Chamara Kobewatta, Mr. Mahinda Bandara, Mr. Manoj Gunawardane, Mr. Chinthaka Jayamal, Mr. Viraj Palihakkara, Mr. Chinthaka Wijesinghe, Mr. Nuwan Wanasinghe, Mr. Sameera Indrajith, Mr. Rashmika Hettiarchchi, Mr. Anuruddha Prasad, Mr. Anuradha Abeykoon

Not Pictured: Mr. Anruddha Prasad, Mr. Raveendran Pirahatheeswar

Way forward

The Company will be taking several more steps to drive home the message of service excellence. Heads of Divisions will pay monthly visits to customer service points and provide their feedback, a 'Priority' sticker that specifies service expectations is being designed and will be issued shortly. Installation of a digital system to evaluate feedback from external customers is also being explored to create a customer centric culture within the organization.

In the year ahead, we plan to take United Motors Group closer to our ultimate goal as the best service organization in the country; one that is looked upon by others as the benchmark of service excellence.

After the first ACT training

Shareholders

United Motors Lanka PLC (UML) is committed to promote effective and open communication with shareholders and ensure consistency and clarity of disclosures at all times.

Our shareholders are the Company's primary stakeholder and their support and acceptance, alongside the support of other stakeholders is critical to our success. We aim to maximize shareholder wealth by increasing market capitalisation whilst ensuring the availability of sufficient capital for planned business expansion and for ensuring consistent dividends to shareholders.

	2014/15	2015/16	2016/17	2017/18	2018/19
Shareholders' Funds -Group (Rs.Mn)	10,436	10,312	10,742	12,700	12,879
Dividend Per Share (Rs)*	8	11	7	3.50	1.50
Net Assets Per Share-Group (Rs.)	103.42	102.2	106.46	125.87	127.64
Market Capitalization (Rs.Mn)	8,889	8,375	7,870	7,668	6,740

✦ Dividend per share has been calculated for all periods, based on the dividend paid during the year and the number of shares in issue as at 31 March 2019

Shareholder communication policy

We place considerable importance on effective communication with our shareholders to ensure their access to timely and relevant information that is consistent and clear. We keep our shareholders informed on business developments and all aspects of performance.

The Company has a Shareholder Communication Policy that outlines the procedure followed by United Motors Group to confirm that our communication with shareholders and the investment community is effective, consistent and follows the principles of continuous disclosure. The policy acknowledges shareholders' rights to information and their entitlement to access and examine corporate records related to the Group's governance and financial performance.

The Management and the Company Secretary are entrusted with the overall responsibility of communicating with shareholders in interactive dialogue. Discussions are held with shareholders as and when applicable, which share highlights of the Group's performance and obtain constructive feedback.

Shareholders can request the Company for all publicly available information. They may also directly questions, comments or make suggestions to the Directors or the Management of the Group, on any aspect of Company's performance. Such questions and comments must be addressed to the Company Secretary and posted to 100, Hyde Park Corner, Colombo 2 or emailed to ir@unitedmotors.lk .

The Company acknowledges that electronic communication with our shareholders, especially through our website (www.unitedmotors.lk), is also an effective mean of distributing information in a timely and convenient manner. Accordingly, reports, announcements and other public documentation are posted on the Company's website.

Financial reporting

The Company communicates information to shareholders on its activities and financial performance through financial reports prepared and published quarterly and annually, according to the Listing Rules of the Colombo Stock Exchange (CSE). From time to time, the Company communicate information to shareholders by way of company announcements and circulars in compliance with regulatory requirements.

The Board of Directors, in conjunction with the Audit Committee, is responsible for ensuring the accuracy and timeliness of published information and for presenting an accurate assessment of results in the quarterly and annual financial statements. UML confirms that as a listed company, our operational and financial information is transparent and communicated to our shareholders on a timely manner.

UML's Annual Report is the major written communication between the Company and shareholders each year, and provides relevant information on external factors that shaped our performance, our strategies, governance and risk management practices and performance against financial and non-financial objectives. The Annual Report is formally presented to shareholders at the Annual General Meeting (AGM). However, the Company provides the Annual Report to shareholders on a timely manner prior to the AGM, in accordance with the requirements of the Listing Rules of the Colombo Stock Exchange, to give them the opportunity to exercise their prerogative to raise any issues relating to the businesses of the Group.

The Annual General Meetings and other General Meetings are key shareholder events of the Company. They are utilized not only as opportunities and key means of communication to describe and explain our corporate activities but also enable us to listen to our shareholders' suggestions and opinions on our performance.

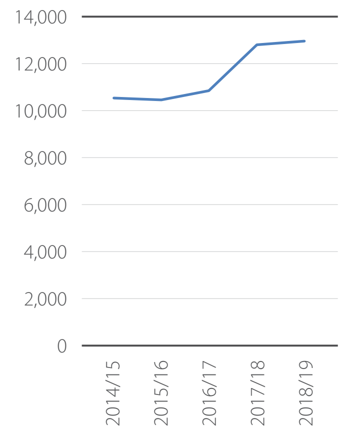
The Company encourages shareholders to be physically present at the Annual General Meetings and other General Meetings, the primary forum for shareholder participation, interaction and communication. If the shareholder is unable to attend, he/she has the right to appoint proxies to attend and vote for and on their behalf at such meetings. Notice 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, the members of the Board Sub-Committee and the Auditors where needed, are available to provide clarifications to shareholders.

Enhancing shareholder value

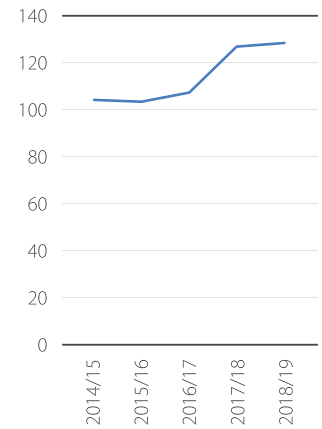
As an industry leader, the Company is committed to enhancing shareholder value by following the best practices of good corporate governance and prudent risk management. The Company has established a forward-thinking corporate strategic plan designed to increase shareholder wealth, with tools in place to ensure sustainability in an uncertain business climate. This strategy has enabled UML to deliver on our promise to shareholders by ensuring steady and dependable returns on their investment throughout the years, in terms of capital appreciation and dividends. This has provided our shareholders and investors one of the most consistent investment opportunities in the market.

The Group's asset base has grown steadily over the years as a result of the strong foundation that fortifies the Company against a business landscape of intense competition and increasing volatility.

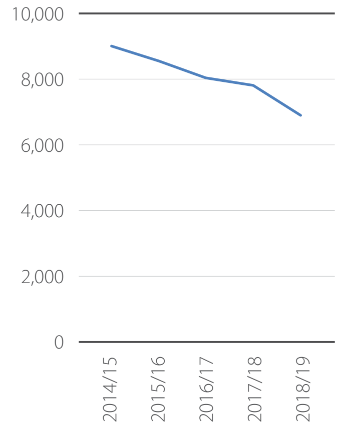
Shareholders' Funds -Group (Rs.Mn)



Net Assets Per Share- Group (Rs.)



Market Capitalization (Rs.Mn)



Business Partners

Business partners play a vital role in our social and relationship capital, UML Group partners with some of the most renowned global brands who are market leaders, these partnerships have been natured and developed over the past seven decades of business. The Group firmly believes in the value of partnering with reputed businesses and over the years have gained a wealth of knowledge and best practices from around the world. Frequent engagement with principals by on-site visits to principals locations and on-site visits from principals have helped us to strengthen our relationship and work towards a common goal.

We strive to exceed the expectations of our partners by achieving the sales targets, ensuring the product availability and carrying out various activities to build customer awareness, brand loyalty and expand the product presence and thereby increase the customer base.

Mitsubishi Motors Corporation, Japan (MMC) based in Tokyo, Japan, MMC is a global vehicle manufacturer and member of the Mitsubishi Group of Companies, sells and services minicars, minivans, SUVs, LCVs, pickup trucks and passenger cars in more than 160 countries.

Nissan Motor Company Limited has invested 34% in MMC making it the single largest shareholder while Mitsubishi Heavy Industries Ltd, Mitsubishi Corporation, the Bank of Tokyo-Mitsubishi UFJ, Ltd remain as shareholders.

Sojitz Corporation, Japan is UML's trading partner in the supply of Mitsubishi vehicles, is part of the Sojitz Group, which has 400 subsidiaries and affiliates located in Japan and throughout 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, food commodities, agricultural and forestry resources, consumer goods, and industrial parks, in addition to ensuring premium after-sales facilities.

Mitsubishi Fuso Truck & Bus Corporation, Japan (MFTBC) is an integral part of Daimler AG, one of the world's most successful automotive companies. With its divisions for Mercedes-Benz passenger cars and vans, Daimler trucks and buses, and financial services, the Daimler Group is a leading global vehicle manufacturer and the world's biggest manufacturer of commercial vehicles with a global reach.

Fuso serves as a center for the development of light duty trucks and hybrid technologies together with BharathBenz, Fuso is a corporation that represents Daimler Trucks Asia.

Our Partners of Success

Perodua Sales Sdn Bhd, Malaysia is a wholly owned subsidiary of Perusahaan Otomobil Kedua Sdn Bhd (Perodua) a Malaysian based manufacturer of compact cars. The Company over the two decades has introduced leading models such Perodua Kelisa, Viva, Axia and Bezza.

Yokohama Rubber Company Limited, Japan - (Yokohama) manufactures world- renowned Yokohama tyres, and was established in 1917. Yokohama tyres are selected by almost all vehicle manufacturers in Japan as an original tyre for brand new vehicles.

Jiangling Motors Corporation Group, China (JMCG) was established in 1947, its business covers automobiles, auto parts, auto finance; and engine manufacturing, engineering machinery, logistics, and real estate.

After 7 decades of development with joint ventures Isuzu, Ford and many more other world top 500 enterprises JMCG has six vehicle manufacturing bases in Qingyunpu, Xiaolan, Wangcheng, Changbei, Fuzhou and Taiyuan. The product line-up includes commercial vehicles, passenger vehicles, special vehicles and new energy vehicles, under JMC series, Ford series, Landwind series, Yu Sheng series, ISUZU series, Jingma series, JMCGL series, New Energy Series. In addition, JMCG owns an independent R&D and manufacturing capabilities on Engine, Gearbox, Body, Frame, Front Axle and Rear Axle on parts assembly. As a recognition, JMCG has been authorized by Chinese government as one of the National Enterprise Technology Centers and China Post-Doctoral Scientific Research Center.

DFSK Motors, China manufactures of DFSK brand of vehicles, is a subsidiary of the renowned Dongfeng Group of China, the second largest vehicle manufacturer in China and sells almost 4 million vehicles annually, which represents a 16% share of the Chinese vehicle market. DFSK is considered to be the second company in China to commence mass scale vehicle production since 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 Motors, SOKON Group was established in 1986 and listed in Shanghai Stock Exchange. DFM is now the largest private auto company in Western China. In 2018, it was chosen amongst the top 500 enterprises, producing mini vans, mini trucks, MPVs, SUVs and EVs. The Company has already set up intelligent manufacturing layouts in China, Indonesia and the USA.

Zotye Automobile Co. Ltd, China was founded in 2003, which is a modernized privately owned enterprise with its core business of automobile assembly, development and manufacturing key component parts such as moulds, sheet metals, transmission. Zotye has world class production lines for stamping, soldering, painting, assembly and dynamic testing line.

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 International 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.

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

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.

Valvoline, started its lubricant operation in 1866. The Company now serves more than 140 countries worldwide and is a leading marketer, distributor and premium 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.

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

Prestone, Holts and Simoniz, all specialise in different areas of car care and maintenance products and service. Prestone is the number one branded consumer choice for antifreeze/coolant, brake fluid and power steering fluid and is acclaimed for its antifreeze/coolant that protect vehicle cooling systems since 1927. Holts, on the other hand, has been a global leader in the manufacture of car care products, supplying superior performing appearance, repair, maintenance and winter products to the automotive aftermarket while Simoniz remains the industry benchmark for car care and detailing products.

JCB India Limited, is a leading manufacturer of earthmoving and construction equipment in India. The Company started as a joint venture in 1979 and is now a fully owned subsidiary of J.C Bamford Excavators, United Kingdom. With five state-of-the-art factories in India, it manufactures a wide range of world-class equipment for global markets, JCB India is a manufacturing hub for Global markets, exported to more than 93 countries.

The Company introduced the iconic Backhoe Loader in India about four decades ago and has since expanded its product range to over 50 different models in eight product categories. Operations were expanded in 2006 and 2007 by setting up two factories at Pune for Heavy line business. These factories manufacture Tracked Excavators, Wheeled Loaders, Compaction equipment and Fabrications for the Group. With over 400 engineers, Pune also has JCB's largest Design Center outside of the United Kingdom. A further investment in India was made at Jaipur in 2014 with the inauguration of a 114-acre, eco-friendly, green manufacturing facility. This facility today manufactures Fabrications, Mini Excavators, Skid Steers and the iconic Backhoe Loaders.

The Company's network also extends to Nepal, Bhutan, Bangladesh, Myanmar and Sri Lanka.

Our Partners of Success

Guangxi LiuGong Company Ltd, China

Guangxi LiuGong Company Ltd a leading construction equipment manufacturer offering a full range of extreme duty, intuitive machines for construction equipment owners who are constantly challenged to do more with less. The Company is head quartered in Liuzhou and China, has one of the most expansive arrays of product lines of any Chinese manufacturer. This includes wheel loaders, excavators, bulldozers, motor graders, pavers, cold planers, skid steers, backhoe loaders, rollers, forklifts, truck mounted cranes, crawler cranes, pipe layers, mining dump trucks and concrete equipment.

The machines are uniquely suited to rapidly growing markets because they are simple to operate, easy to service and affordable. The Company is among the world's fastest growing CE firms and 35 % of total sales revenue is from overseas markets.

LiuGong dealer network spans over 300 dealers in over 130 countries with 2,650 sales outlets supported by 12 regional offices.

Novabeans, India

Novabeans is a premier 3D printing solution provider in India. The company provides the most advanced and comprehensive 3D design-to-manufacturing solutions including 3D desktop printers, 3D scanners, 3D printing pens, 3D printing materials, 3D printing training workshops, 3D printing school kits, 3D printing professional support, made to order 3D design, 3D printing consultancy and services in India. Its powerful digital thread empowers professionals, students, and individuals everywhere to bring their ideas to life in material choices including plastics, metals, resins, silicon, ceramics and edibles, empowering customers to imagine, design and make their future. Novabeans is involved in three key 3D printing innovation activities namely, 3D Education, 3D printers and 3D printing services.

Human Capital

Overview

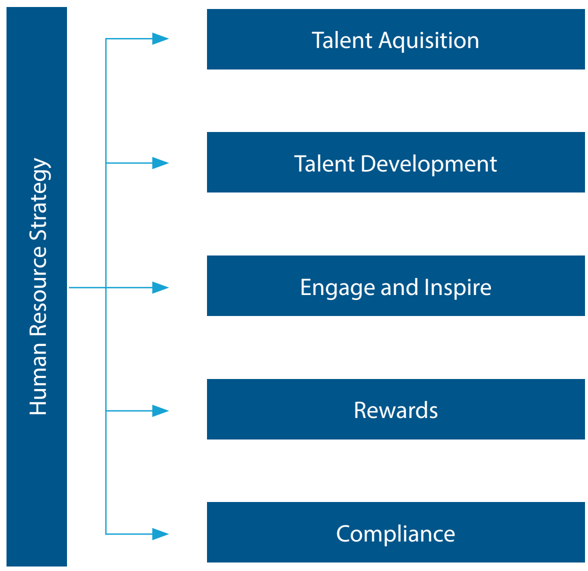
In the fast moving global environment, managing human capital effectively is more important to competitive success than ever. The development and innovative use of human capital can give an organization a distinctive competitive advantage.

Human Capital Management plays a key strategic role in an organisation. It maximises the organisation's efficiency by optimising the effectiveness of its employees. It ensures pleasant and productive work environment for optimum employee performance whilst adequately compensating them for the work they perform.

Our approach

The presence of trained and high-calibre professionals with the business know-how to drive the Company forward is essential whilst an experienced technical team is necessary to support our customer focus by providing excellent and reliable after sales services for the products we market.

To ensure this, we spend substantial resources for personal and professional growth of our staff by equipping them with training opportunities designed to improve their knowledge and skills in order to expand their output.

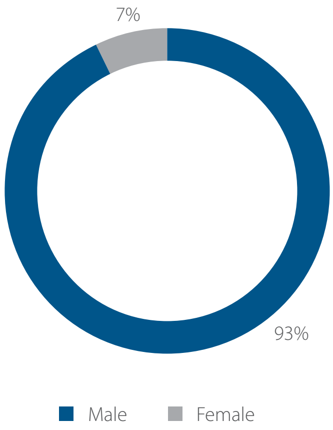


UML Human Resource Strategy

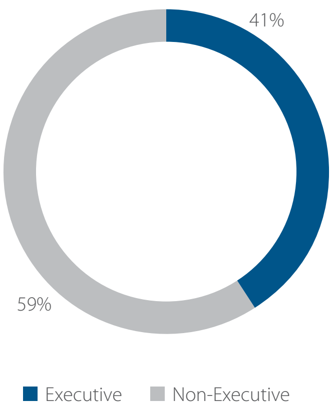
Staff composition

As at 31 March 2019, the Group had a total staff strength of 1,021 of which 93% are males and 7% are females, with 59% of our staff in non-executive cadre and the balance 41% in executive cadre. We strive for gender equality at all levels and in all areas of our operation, however, due to the nature of the operations in Sri Lankan automobile industry, it is a male dominated industry.

Gender



Employment Category



Promoting efficiency in a performance-based culture within a participatory environment

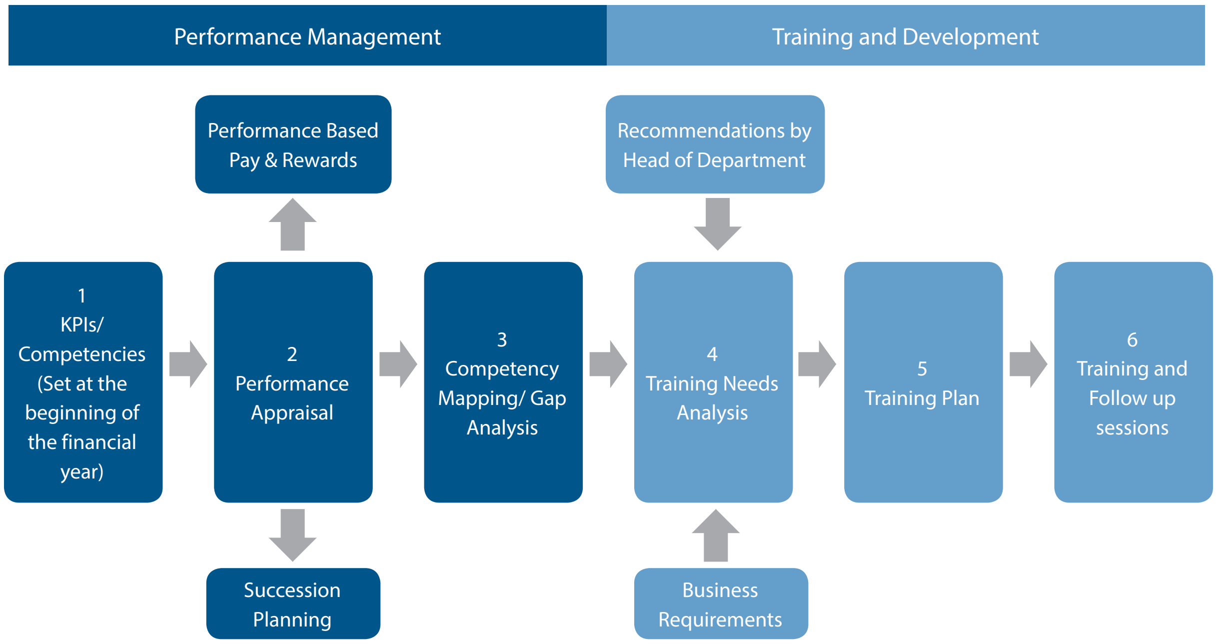
Over the years, we have created a strong performance-based culture within the organisation, aligned to participation and collaboration. Every individual is recognised for the value they bring into the business.

We also support a diversity-based work environment that promotes the philosophy of different ideas from varied backgrounds, inspire the power to innovate and build positive attitudes which bring quantifiable benefits to the organisation. Our workplace is free from harassment and promotes equal opportunity for all employees who are accepted and respected irrespective of their race, religion, gender and social status.

To ensure that our staffs perform at optimal levels, we have a well-structured performance management mechanism in place with clear measurement criteria to evaluate a set of key performance indicators (KPIs) set at the commencement of each financial year against organisational objectives. A competency matrix identifies the skills and competencies necessary for every position and conducts a gap analysis in line with the recommendations of the respective department heads and the requirements of the business. This analysis identifies the skills and trainings necessary to ensure the employee is provided with the resources for optimal job performance and this sets the base for the annual training plan. Training and follow-up sessions are conducted regularly to monitor the results or outcomes achieved during the year.

The Performance management system ensures that due consideration is given to the Company's customer – centric approach and 10% of the total appraisal rating is allocated to the employee's customer service levels.

All rewards and recognition schemes at UML group are directly linked with the individual/ group performance.



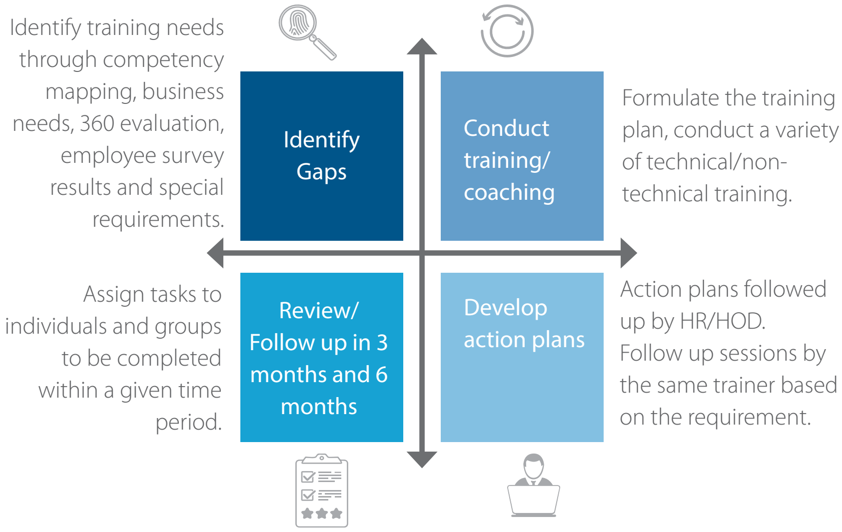
Enrich our talent to attain higher levels of performance

Our employees are provided with numerous opportunities, both local and overseas to grow, realise their true potential and excel through wide and varied trainings. We believe that continuous development of their knowledge and skills is vital for the Company's sustainability. Hence, we have planned programmes for improving the competencies of our people that foster a continuous process of learning. We aim continuous and focused training for our staff, since it enables them to develop themselves personally and professionally, which ultimately empowers them to reach their higher levels of performance.

Developing our people to reach their true potential level has been the key to our success in staff retention and in recruiting the best talent in the market.

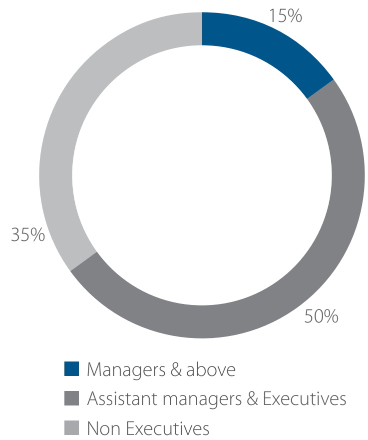
Our training initiatives cover a broad spectrum of requirements of both the organisation as well as the employees. These include on the job training and specific skills that include product and technical knowledge as well as the skills required for personal and leadership development. Further competency trainings such as, customer care, selling skills, compliance, health and safety were also conducted for the staff according to their identified training needs.

Training process chart

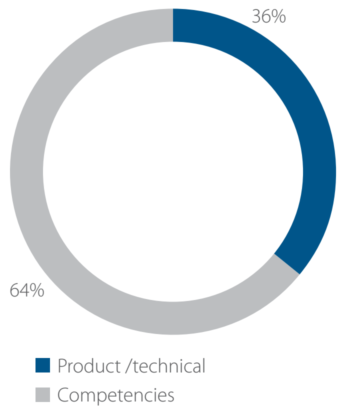


Composition of training hours

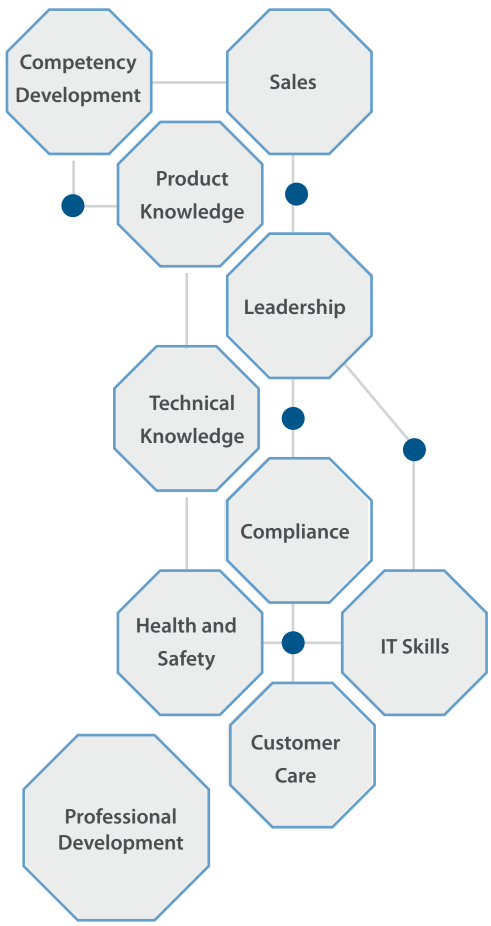
Employment Category



Nature of training



Types of Training



Training hours

		2018/19	2017/18	2016/17
Category	Managers & above	1,714	1,351	805
	Assistant managers & Executives	5,742	4,200	4,165
	Non Executives	4,064	4,033	3,609
		11,520	9,584	8,579
Types of Training	Local	10,872	9,424	8,347
	Foreign	648	160	232
		11,520	9,584	8,579
Nature of Training	Product /technical	4,171	3,816	5,120
	Competency based	7,349	5,768	3,459
		11,520	9,584	8,579

As the Company prioritises equipping its staff with the necessary skills and knowledge to attain the optimal performance to keep at the apex of the industry, number of training hours was increased substantially in all categories during the year under review.

Accordingly, training hours for senior management and managers were increased by 27% in the preceding year and training for Assistant Managers and Executives was increased by 37%. Product and technical training hours were also increased during the year by 9%, while competency-based training increased by 27% when compared to last year.

Number of foreign training hours was also increased by four times while local training increased by 15% compared to last year.

Technical/product training

Technical training is vital for organisations like UML which provide technical services for customers on the repair and maintenance of the automobiles which the Company markets. Therefore it is essential that all technical staff in the Company's workshops and service centres have an in-depth knowledge of these products to ensure that we provide a reliable and state of art service to customers. Improvement in their practical skills on- the- job, and updating of these skills in line with vehicle or system upgrades are some of the key performance indicator for technical staff. On the other hand, extensive product knowledge is mandatory for sales staff to differentiate our products from the competitive products and attract customers to increase our market share.

Accordingly, the Company provides extensive technical and product training to both technical as well as sales staff, to uphold our reputation for the customer-centric service that benchmarks the Company against our competitors.

A substantial 5,120 hours of product/technical training were completed during the year under review. This includes nearly 2,000 hours of training conducted for workshop technicians and service advisors and 3,120 hours of training for sales executives/non-executives. An additional 232 hours of technical training was obtained overseas.

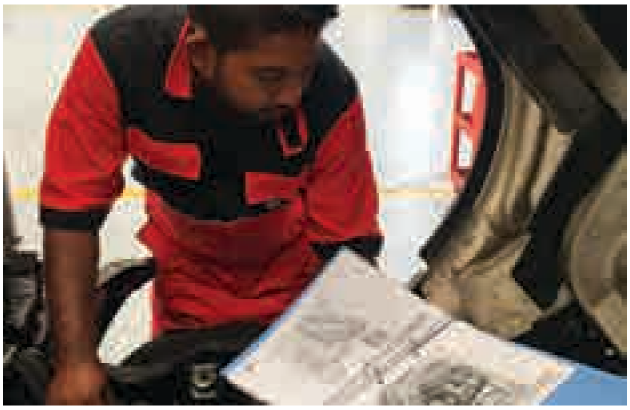
Several technical training programmes were conducted on different products which were designed to improve the technical knowledge of participants. Assessments were carried out at the conclusion of each session to ascertain the success of the training in terms of improving the knowledge of the participants.

About 172 technicians from the Orugodawatte workshop and branches were trained extensively on Mitsubishi as well as other vehicles such as Perodua, Glory, Z-100 and JMC.

Technical training for technicians at Orugodawatte workshop

M-STEP (Mitsubishi Service Technician) is an international technical training programme on Mitsubishi products conducted every year. Participants receive a globally recognised certificate on completion of the training. M-SAT (Mitsubishi Service Advisor) is a non-technical training programme for service advisors, which is also a certification recognised worldwide. Six staff members travelled to Japan and Thailand for M-STEP and M-SAT training and eight followed Mitsubishi Fuso Truck & Bus training in Indonesia during the year.

A five-day training programme for the FUSO truck and bus teams was conducted by a competent trainer from the FUSO Academy, Japan. The training covered brand awareness, technical knowledge and also addressed the essential areas of customer relationship management.



Practical training sessions on FUSO vehicles at Ratmalana

Competency- based training

Competency-based training was carried out to a number of disciplines during the year, to develop the knowledge and skills required for enhanced job performance and to take up higher responsibilities in the future. Competency-based trainings focus on individuals to develop the necessary skills required to achieve industry standard of performance that equips them to function in a range of environments and situations.

The Company has set up a competency library of 30 competencies compiled and developed internally. Each set of competencies is identified against, and allocated for, every job role. The competency assessment carried out at the annual performance evaluation identifies any gaps between the expected level of performance and the actual performance achieved. Training is provided during the year to bridge any competency gaps in knowledge, skills and attitudes.

Having identified the requirement of individual training and development, several individual coaching sessions 140 hours in total, were conducted over a period of three months for selected senior managers enabling the Company to identify their potential for development and progression.

In order to develop individuals for a positive mindset, confidence and for behavioural transformation to enhance the productivity, we trained employees from different divisions such as sales, finance and HR totalling to 133 hours in Neuro Linguistic Programming (NLP).

NLP Training at Head Office

Outbound training for survival skills in the corporate world

In order to equip the employee with the skills required to overcome market challenges in the competitive business world, we conducted OBT training for a mix of 143 employees from different divisions. Activities were designed to develop team building skills and to realise their potential by developing competencies and improving efficiencies that will help them to outperform in the corporate world.

A total of 143 staff participated in outbound training during the year.

Outbound Training at CHE Adventure park

The Company also provided staff with many opportunities to participate in seminars, summits, conferences and workshops conducted by diverse professional institutions across the country on topics relevant to their day to day work.

Staff were given opportunities to follow several programmes on 5S and KAIZEN on improving productivity, programmes on time management, office management, planning and organising. Additionally, sales training was organised for all sales staff to improve their selling and customer care skills needed to gain competitive advantages in the challenging business environment.

UML is committed to provide a safe and secure workplace for all staff and follows required guidelines and stipulations on workplace health and safety. As a proactive approach to health and safety, the Company has provided all employees with personal protective equipment and also introduced a range of health and safety activities that are conducted at all workshops, service centres and offices. This includes safety trainings and fire drills that increase employee awareness on the importance of ensuring a safe and hazard-free environment.

The training programmes were aligned in line with the training plan and at the conclusion of each training, evaluations were carried out to assess whether the desired outcome was achieved.

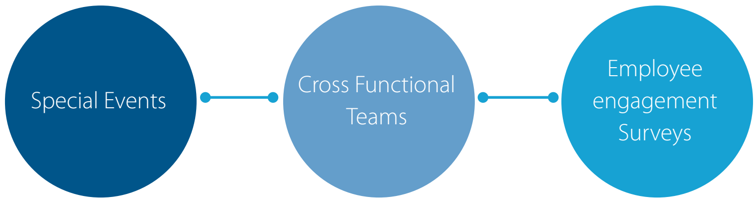
Training evaluation

The Company continued the training evaluation system which was initiated last year and the action plans agreed at the training were monitored and follow up sessions were also conducted at intervals of three and six months to assess the effectiveness of the learnings.

Employee engagement

We realise that engaged employees are happier in their professional as well as personal lives and bring purpose, energy and enthusiasm to their work, which creates positive mindset throughout the organisation. In order to promote this, the Company implemented different initiatives to engage employees.

Our engaged employees have been the driving force behind the achievement of UML's Vision and Mission. Their confidence in the Company, its goals and directions and their contribution to those goals takes the Company forward. They know that they are valued by the Company and this motivates them to strive even harder to achieve performance goals.



Our induction programme for new recruits is conducted monthly to familiarise the Company's products and services, policies, processes and the customer care initiatives. Further, personality development and motivational sessions were also conducted to establish a solid foundation for their future growth and progress in the Company. This programme is designed to enable the smooth transition of the new recruits to their job role and to experience the culture of the Company. The programme strengthens UML's engagement with the new recruits.

UML Induction Programme

Special Events

UML Wellness Day

Invoking religious blessings

Blessings were invoked for the continued prosperity and progress of the Company and all staff at the annual Pirith ceremony held on 12 October 2018 at the Head Office.

Annual pirith Ceremony 2018

Celebrating 'SHE' – "Balance for Better"

To recognize the female staff in celebration of the International Women's Day, the Management invited a recognised personality to address them on the "Role of Women in Organisational Success". This session was followed by memorable entertainment activities.

Women' Day Celebration at UML

Secret friend

The spirit of friendship was reinforced throughout the organisation from the first day of the working year, with a fun-filled gift-giving event held on the first working day of the calendar year. In the true spirit of the season, every member of staff receives a gift from a colleague.

GCEO/ ED receiving his gift

Suggestions and ideas

The Company added a new initiative this year to further encourage employee engagement. The "Idea Contest for Profit Generation & Cost Savings" was opened to all employees of the UML Group and aimed to motivate staff to submit their ideas on three areas of importance to the Company, namely; identifying new ways of generating profits; promoting cost savings; improving employee engagement. Suggestion boxes were placed at all business locations enabling the employees to express their ideas and suggestions.

UML believes that the employees who directly engage with customers have unique insights into how business operations can be improved. By obtaining invaluable feedbacks through ideas and suggestions, the Company took initiatives to implement same.

Cross functional teams

Employee engagement opportunities have been created through participation in special teams within the organisation. These special teams include;

- Api United Driving Team
- Accelerated Care Team
- Corporate Social Responsibility Team
- Environmental Sustainability Team

Appreciation of retirees

All staff who retired during the year were felicitated at a special ceremony for their service to the Company over the years. Service appreciation awards were presented to them in recognition of their invaluable contribution to the Company's growth and development. Ten retirees were presented with these felicitation awards in the year under review.

An evening of felicitation organized for a retiring staff member

Employee engagement survey

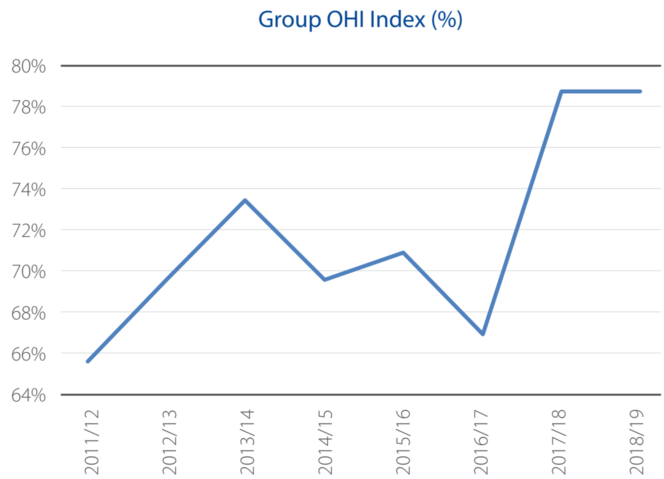
The Company initiated its employee engagement survey in 2011 and has been conducting it annually. The survey collects feedback from all levels of employees to measure their overall level of engagement with the Company and is an invaluable platform for voicing employee's opinions and addressing areas of concern, which are essential requisites for a happy and motivated workforce. Employees are encouraged to express their opinion on their level of satisfaction in the areas of communication, teamwork, their job and responsibilities and their relationship with superiors.

Organizational Health Index (OHI) derived from the survey focuses on areas that have contributed to the highest employee satisfaction within the Company during the year and areas that need to be improved, with actions identified to for improvements in relevant areas.

The overall Group OHI for 2018/19 is 79%, remained at the same level as last year. Job satisfaction was rated 78% while teamwork among employees improved to 80% from 79% in the preceding year, 78% of employees stated that they were satisfied with their job roles and responsibilities.

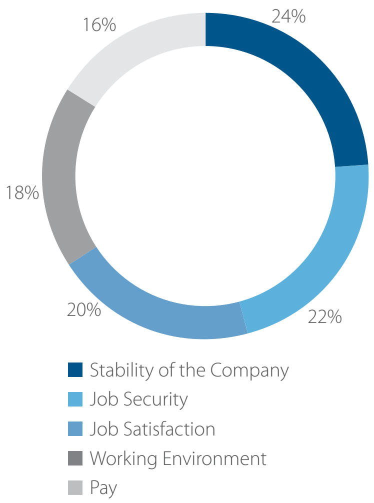
Employee satisfaction index

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Group OHI Index	69%	72%	75%	72%	73%	70%	79%	79%



Survey results revealed that the Company's Stability, Job Security, Job Satisfaction, working environment and pay were the main motivating factors for employees to work at UML.

Best five motivational factors to work at UML Group



The results of the survey was given to the respective Heads of Divisions, Functional Managers to improve identified gaps that come within their purview.

Rewards and benefits

Salary and benefits

In addition to very competitive salaries, the Company provides employees with financial benefits on par with, and in several instances, in excess of, industry standards. These benefits include annual increments, customary and performance based bonuses, a comprehensive medical scheme that covers the entire family, and special medical insurance for accidents and critical illnesses. The employees can make use of the loan facilities available to them which include EPF loans, thrift society loans and distress loans. The rewards and benefits has been a key motivator for our staff and play a vital role in our successful retention strategy.

The Company continued with its three scholarships, Tikiri, Navum and Yovun, which support the education of children of staff at the three main levels of achievement during secondary level education and awarded to those who demonstrate outstanding academic performance during their school career. Five "Yovun" scholarships were awarded for outstanding performances at the GCE Advance Level examination during the year under review.

At the commencement of each calendar year all school-going children of the staff totalling to 384 children, were gifted with book vouchers at the commencement of the school year.

Distribution of scholarships to the children of the staff

The non-financial benefits enjoyed by our employees enhance their loyalty, contribution and dedication to the Company and support UML's commitment to provide staff with a highly rewarding and satisfying career that goes beyond the defined financial boundaries.

Some of the privileges and entitlements UML employees receive are:

Financial Benefits	Non-Financial Benefits
Annual increments	Foreign trips
Annual customary bonus	Local & overseas trainings
Performance based bonus	Coaching sessions
Insurance facilities including critical illness cover	Long service awards
Encashment of leave	Retirement awards
Loan facilities	Memberships in cross functional teams / projects
Scholarship programmes and book vouchers for children of staff members	Recognition of high performers
Payment of memberships in professional institutes	

Industrial relations

The Company has established extensive policies and procedures designed to promote and maintain harmonious working relationships between Management and staff. Policies and procedures like the Whistle Blowing policy, Share Trading policy, Non-Disclosure Agreement, Conflict of Interest and Code of Business Conduct and Ethics are in place to ensure that all duties and responsibilities are performed ethically, professionally and with minimal disruption to work.

UML follows required regulations, agreements, guidelines, statutes, standards on labour and is committed to establishing, maintaining and improving relationships with its workforce. This includes respecting their right to be treated with dignity, respect and fair play. Industrial Relations are managed harmoniously across the Group through a two- way approach in which employees are encouraged to engage in free and open dialogue with the Management. Additionally, the Company has an Open Door policy that fosters a work environment of confidence and trust.

Child labour

We have zero tolerance of child labour and comply with the principles set out by the International Labour Organisation (ILO) on this requirement. We support no situations of forced or compulsory labour anywhere in our operations, either in our workshops, service centres or offices, and are committed to eliminating all forms of underage labour by supporting initiatives on eliminating this form of labour.

Code of business conduct, ethics and integrity

It is mandatory that every UML employee adheres to the rules and regulations set out in the Code of Business Conduct and Ethics, the Employee Hand Book and the Customer Care Code of Conduct, throughout their tenure with the Company. These documents govern the relationship between the employees, the Company and its other stakeholders and are designed to ensure transparency, integrity and ethical behaviour in all interactions.

Natural Capital

Overview
The business activities conducted by every organisation have an impact on the environment, to a greater or lesser extent. All organisations at least consume energy and produce many types of waste. Climate change initiatives around the world have brought environment awareness to the fore, and companies are becoming increasingly conscious of the need to curtail their use as much as possible, to minimise the negative impacts on the environment.

Businesses in the automotive industries that operate workshop facilities generate substantial waste and utilise significant quantities of waste water. This imposes a responsibility on the industry to use water resources in a sustainable manner and reduce waste to manageable proportions.

Approach
Natural capital concerns touch our business at several points. We reduce our environment footprint by taking steps to mitigate the harmful effects of our business on the environment, as well as create awareness among our stakeholders on the importance of protecting the environment. This means that we focus on sustainability in every aspect of our business.

The Company carried out several activities during the year to improve sustainability of the environment.

World environment day 2018
World Environment Day on June 5 was commemorated at Kandawala Maha Yidyalaya, Ratmalana, with an Art Competition and activities that raised environment-consciousness among the school children, teachers and parents, which was held during in the week of 5 to 12 June 2018. Session conducted to create awareness of the importance of protecting the environment highlighted the potential threats faced by humans if degradation of the environment continued. On conclusion of the session, certificates were awarded to the winners who participated in the green art competition organised for three levels of students, namely Primary (Grades 1-5) Junior (Grades 6-9) and Senior (Grades 10-13). UML supplied the school with all the equipment and stationery needed for these environment-related activities.

Green art competition

Greening the environment
The Company participated in the "Sahasak Turu" Tree Planting programme as well, which was conducted by the Ministry of Megapolis and Western Development on 15 August 2018 in Kurunegala. The Company planted trees in areas allocated by the Ministry.

Participation at the 'Sahasak Turu' programme

Reducing energy consumption throughout the organisation
Large operations like UML utilise significant amounts of energy. Ensuring energy efficiency is a major focus of the business. Energy consumption is carefully monitored at all locations and steps were taken during the year to reduce energy use throughout.

Process audits were conducted in the Group offices, service centres and workshops to identify areas that could reduce power consumption, with particular emphasis on the workshops. Substantial quantities of energy are consumed in the workshops by the high-tech equipment used to provide customers with the top- of- the range service experience that UML is reputed for.

This audit was held periodically and the findings presented to the Management. Remedial action was taken to reduce energy consumption especially in the workshops. Air and water leaks were identified and repaired, unnecessary lighting was reduced, and wherever possible, converted to LED lighting. Faulty electrical equipment and air conditioning units were replaced wherever necessary.

The Company's solar energy project launched during the year will further reinforce UML's commitment to green energy.

Reducing and recycling waste
The Company has a materials strategy that prioritises the increase of recycled and renewable materials and the reduction/ substitution of non-recyclable materials.

Polythene, plastic and paper are segregated in separate bins and disposed of responsibly to third parties. Paper is the main consumable in the offices and efforts were taken during this year too to reduce the quantities used. The Company bases its paper management on the 3R concept of reduce-reuse-recycle and used papers are sent for recycling to third parties. Staff are advised to use both sides of a sheet of paper when printing and to print documents only when necessary.

Management of technological waste is also rigorously carried out throughout the Group, and disposal complies with the environment standards of the country. Hazardous and technological waste is provided to licensed contractors who supply usable portions of this waste for use in other industries and dispose of the balance according to the stipulations of regulatory bodies.

Both workshops in Orugodawatte and Ratmalana have an agreement with a specialised service provider for the safe disposal of by-products like burnt oil, used oil filters and other unusable components generated from vehicles serviced.

Reducing water use

Efficient water use is ensured throughout the organisation by systematically monitoring taps and water faucets.

All workshops have water treatment plants and ensure that waste water is disposed of responsibly, or recycled for other purposes. Both workshops in Orugodawatte and Ratmalana recycle their grey water for gardening.

Green initiatives to promote Customer awareness

The Company also engaged our customers in our environment awareness Initiatives during the year. We believe that a well-maintained vehicle is an environmentally- friendly one because it reduces emissions, and provided our customers with a check list for ensuring that their vehicles were in optimum running condition. The vehicles were inspected according to this criteria and a "Green badge" was presented for the vehicles that successfully met the criteria.

The Company continues to educate customers on how to maintain their vehicles efficiently, and encourages them to use ecofriendly products for vehicle care. Customers are also supplied with information on efficient driving practices which includes details on how to monitor their RPM to get the best performance from their automobiles, correct braking methods, maintaining suitable A/C temperature and proper tyre pressure, using high Octane fuel and avoiding overloading.

Promoting green awareness among employees

Staff awareness on the importance of greening the business was reinforced this year too, as this is considered the first step in mitigating the Company's impact on the environment. Several initiatives were introduced to ensure that environment awareness continues to be part and parcel of our work ethics. Green Notice Boards were continuously updated with green messages, and e-mails were circulated fortnightly on environment-related topics, which served to keep environment awareness top-of-mind among staff. Staff are made aware of the importance of saving natural resources, the effects of pollution on the environment, and other related topics.

The Company believes that environment consciousness is key to assuring the well-being of staff, and promotes business continuity as well as contributes towards the sustainability of future generations.

Pasting of Green sticker for vehicles

Communicating the Green message to other stakeholders

The importance of ensuring a green environment continued to be communicated to the general public through 'Green Boards' placed in strategic localities of the country. These boards display green messages on diverse aspects of environment awareness and conservation that are designed to raise the awareness of passers-by.

Intellectual Capital

Overview

In today's knowledge economy, innovative organisations place great emphasis on their intellectual capital, which comprises their knowledge, reputation, systems and corporate culture. Consequently, they spend considerable time and effort to continuously develop and upgrade these elements of their business, because they are aware that their success rests on the quality of this intangible capital.

Approach

Our intellectual capital defines our corporate identity, determines our market competitiveness and creates economic value for our stakeholders. Although this capital does not appear in the Statement of Financial Position since it cannot be monetised, it is nevertheless a valuable component of business growth and progress.

Knowledge and experience

Knowledge is a key component of our intellectual capital and we continuously invest in and add to our pool of expertise and experience. We have introduced a knowledge-based approach in all business areas, which reinforces our focus on quality, innovation, and sustainability, and have on board a committed, professional and productive team motivated to achieve our goals.

Our staff has been our strength over the years, and we invest substantially in upgrading their technical and professional industry skills at all levels. Most employees have worked with the company for over 5 years, during which time they have accumulated a vast repertoire of knowledge in their areas of speciality.

Our position as industry leader has provided us with the capabilities, insights and specialised knowledge that is vital in the management of a rapidly diversifying business. This success in diversification is based on our foresight in anticipating future business trends, which is one example of our ability to strategise, innovate and adjust to the headwinds of change, a capability that is a substantial deposit in our base of intellectual capital.

Corporate culture

We have a performance – based culture that promotes efficiency within a participatory and collaborative environment. Every individual is recognised for the value they bring to the workplace and accepts accountability for their actions. We foster and encourage employee engagement in an atmosphere of open communication that assures job security.

Systems and processes

We have on board effectively designed systems, processes and procedures that are essential to the smooth flow of business. The process and procedure manuals, management and accounting systems, and financial controls introduced over the years ensure that our business is carried out according to the required legal and statutory frameworks of the industry.

During the current fiscal year, the Company made an investment in excess of Rs 200 million in technology to maximise operational efficiencies in all business areas and be more responsive to customer needs. Several modules of the SAP ERP (Enterprise Resource Planning) software are already in place to enhance business performance, reduce costs and streamline processes. SAP is now operational across business areas that range from customer initiatives and financial functions, production planning and quality management, documents and materials management, and manages workshop processes and warehouse functions as well. The software also facilitates management of all sales and distribution functions and dealer business.

Brand and reputation

Our store of knowledge has been fortified by the strong reputation of the UML brand, carefully built up through the years through our integrity, industry competencies, leadership market position, and deep sense of responsibility to ethical standards and practices. We also partner with a range of brands that have a strong international market presence.

Awards and Accolades

The Company was recognised in the following areas during the year:

- Gold Award winner for the 11th consecutive year in the "Automobile Category" at the Annual Report Awards conducted by the Institute of Chartered Accountants, Sri Lanka
- Recognition for the Company's contribution towards Mitsubishi Sales Volume Growth in South Asia 2018/2019
- Outstanding Sales Performance in South East Asia award for Preston at the 16th Asia Conference in London
- Outstanding Sales Performance award for Perodua in 2018/2019

The Company has an established presence as a Member in the following professional bodies:

- The Ceylon Chamber of Commerce
- The National Chamber of Commerce
- Sri Lanka – Malaysia Business Council
- Sri Lanka – China Business Council
- Ceylon Motor Traders Association

Change to sustainability

Being a responsible corporate, we are keen to offset the carbon footprint of our operations. The establishment of the solar panel project at our Ratmalana and Orugodawatte workshops has enabled us to contribute 2 MW to the national grid - becoming one of the largest private sector contributors of roof top solar-powered electricity in the country.

How We **Govern**

"We are strongly committed towards maintaining highest standards in governance for the creation of long term shareholder value and sustainable growth"

The Board of Directors of United Motors Lanka PLC (UML) is strongly committed towards maintaining highest standards in governance for the creation of long term shareholder value and sustainable growth. The trust we have earned over the years as a reputed automobile company clearly reflects on our adherence to highest standards in Governance. We firmly believe that good corporate governance is not only fundamental in ensuring that the Company is well-managed in the interest of all its stakeholders, but also essential to attain long-term sustainable growth. This report aims to provide an overview of the corporate governance framework of the Company, including the structure, principles, policies and practices of corporate governance at UML.

The Board of Directors, led by the Chairman is responsible for the governance and ensuring that governance structures, policies and processes are sufficiently robust and relevant in a fast changing environment. 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 structures, framework and processes are reviewed regularly to identify areas for improvement to ensure that all elements of our governance framework are fit for the purpose, enabling value creation and growth.

Governance Structure

The Board of Directors is the apex body responsible and accountable for the stewardship function to the Shareholders. The Directors are collectively responsible for upholding and ensuring the highest standards of corporate governance and inculcating ethics and integrity across the Companies.

The Board has delegated some of its functions to Board Sub Committees, enabling the Committees 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.

The Company has four Board Sub-Committees.

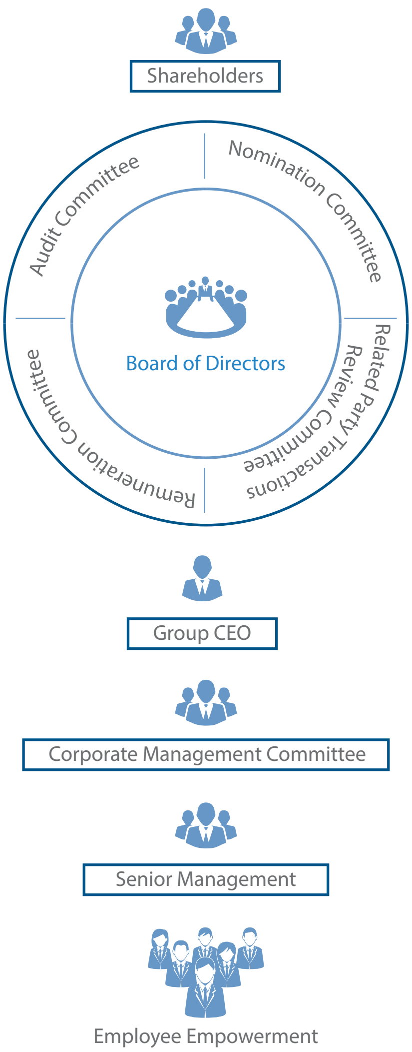
- Audit Committee
- Remuneration Committee
- Nomination Committee
- Related Party Transactions Review Committee

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

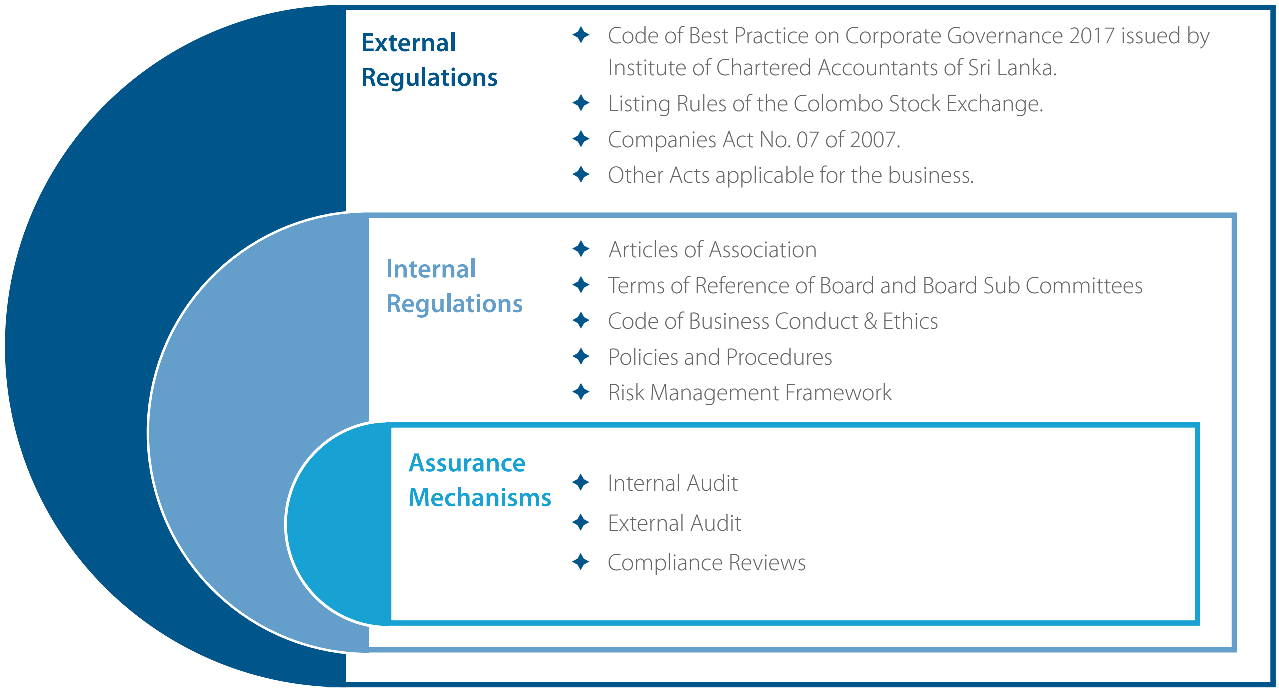
Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency and to expedite the decision making, through a Committee structure ensuring that Group Chief Executive Officer/ Executive Director, Executive Director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

The Corporate 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 business affairs of the Company through delegation and empowerment.

Internal Governance Structure



Governance framework



In setting the governance framework, the Board takes into account the external regulations which comprise of Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, Listing Rules of the Colombo Stock Exchange , Companies Act No.07 of 2007,other Acts that are applicable and the best practices to deliver value to stakeholders in a clear and transparent manner.

The internal regulations comprise of the following;

- Articles of Association
- Terms of Reference of Board and Board Sub Committees
- Code of Business Conduct & Ethics
- Policies and procedures
- Risk management framework

The above is drafted in line with;

- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka 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 shareholders.
- Inland Revenue Act No. 24 of 2017 and amendments thereto and other Acts which are applicable from regulatory bodies.
- Shop and Office and Wages Board ordinance EPF, ETF, Gratuity Act and Termination of Employment of Workmen Act and other Acts and Ordinance 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 2017 issued by the Institute of Chartered Accountants of Sri Lanka to detail the governance structures and processes.

Compliance

The disclosures below indicate the level of conformance with the above Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka which comprises of eight fundamental aspects namely:

A. Directors
B. Directors' Remuneration
C. Relationships with Shareholders
D. Accountability and Audit
E. Institutional Investors
F. Other Investors
G. Internet of Things and Cyber Security
H. Environment, Society and Governance Reporting (ESG)

Corporate governance principles	Code reference	Compliance status	Details of compliance
A) Directors			
The Board	A.1	Complied	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. The Board of United Motors Lanka PLC comprises eight eminent professionals drawn from multiple fields. They bring diverse perspectives and independent judgments to the deliberation of matters set before the Board.
Regular meetings	A.1.1	Complied	The Board meets on a monthly basis and each Sub Committee has its own schedule of meetings as set out in the respective Committee reports. The regularity of Board meetings and the structure and process of submitting information have been agreed and documented by the Board. The attendance at meetings is summarized on page 106.
Roles and responsibilities of the Board	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 companies in 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 Corporate 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.
Act in accordance with laws	A.1.3	Complied	The Company has complied with all applicable laws and regulations during the year. The Board members are permitted to obtain independent professional advice from third parties whenever deemed necessary, at Company's expense. Independent professional advice was sought on matters in accordance with above provision on three occasions.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Access to advice and services of Company 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. Insurance cover is in place for Director's liability.
Independent judgement	A.1.5	Complied	The Board comprises of senior professionals from their respective fields and they uses their independent judgement in discharging their duties and responsibilities on matters of strategy, performance, resource allocation, risk management, compliance and standards of business conduct. The composition of the Board ensures that there is sufficient balance of power and contribution by all Directors.
Dedicate adequate time and effort to matters of the Board and the Company	A.1.6	Complied	All Directors are provided with Notice, agenda and board papers in advance of each meeting to ensure that Directors have sufficient time to review the same and call for additional information or clarifications if required. Members of the Corporate Management Team make representations to the Board on the business environment, regulatory changes, operations and other developments on a regular basis to facilitate enhancing the knowledge of the Board on matters relevant to the Group's operations.
If necessary, in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board.	A.1.7	Not applicable	
Board induction and training	A.1.8	Complied	No new appointments during the year under review. The Directors are regularly updated by the GCEO/ED on relevant information regarding internal and external environment.
Separating the business of the Board from the executive responsibilities for management of the Company	A.2	Complied	The positions of the Chairman and the CEO have been separated in line with best practice in order to maintain a balance of power and authority. The Chairman is responsible for leading and the effective functioning of the Board. The Chairman is a Non-Executive Director whilst the CEO is an Executive Director appointed by the Board. The roles of the Chairman and the CEO are clearly defined in the Board Charter. The CEO is responsible for managing the business, monitoring its progress and implementing the strategies of the Company within the policy framework formulated by the Board. This ensures balance of power and authority in strategic and operational decisions.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Chairman’s role in preserving good corporate governance	A.3	Complied	The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with KMPs, acting as a sound Board on strategic and operational matters. The agenda for Board Meetings is developed by the Chairman in consultation with the Directors, the CEO, and the Company Secretary, taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance. Sufficiently detailed information on matters included in the agenda is provided to the Directors on time. All Directors have been made aware of their duties and responsibilities and the Board and Committee structures. All Directors are encouraged to seek information necessary to discuss matters on the agenda. Views expressed by Directors on issues under consideration are recorded in the minutes. The Chairman ensures the optimum contribution of all the Directors in discussions and decision making. 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.
Availability of financial acumen and knowledge to offer guidance on matters of finance	A.4	Complied	One senior Chartered/Chartered Management Accountant and one Chartered Management Accountant is in the Board who possess the necessary knowledge and competence to guide and advice on matters relating to finance.
Board Balance	A.5	Complied	The Board comprises of eight Directors of whom six including the Chairman hold office in a Non-Executive capacity. All Non-Executive Directors other than Mrs. Hiroshini Fernando are independent. The Board determines the independence or non-independence of all Non-Executive Directors based on their declaration and their information available to the Board. Having taken into account all relevant aspects, the Board determined that Mr. Ananda Atukorala who has served the Board for continously more than nine years continues as Independent Non-Executive Director of the Company. Chairman holds a meeting at least once a year only with Non-Executive Directors. Company Secretary takes necessary action to record all unresolved matters and details required by the Board for further clarifications and ensures to submit required details for next Board meeting for effective decision making.
Provision of appropriate and timely information	A.6	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.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Appointments to the Board	A.7	Complied	Nomination Committee has set in place a formal and transparent procedure for nomination of candidates for appointment as Directors. Nomination Committee evaluates the resumes of potential candidates for consideration as Directors and makes recommendations to the Board for nomination. This process is based on an annual assessment of the combined knowledge, experience, and diversity of the Board to identify additional perspectives to ensure its effectiveness at all times. Appointments of new Directors are communicated to the Colombo Stock Exchange and shareholders through an announcement. The communications typically include a brief resume of the Director, relevant expertise, key appointments, shareholding and their status of independence. There were no new appointments to the Board during the year. The details of the Nomination Committee are given on page 112.
All Directors should submit themselves for re-election at regular intervals	A.8	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 2017 issued by the Institute of Chartered Accountants of Sri Lanka, the Chairman also seeks re-election on rotation.
Appraisal of Board and committee performance	A.9	Complied	There is a formal process for appraisal of Board performance. The appraisals are carried out at the end of the year 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 and the Remuneration Committee was carried out during the year under review.
Annual Report to disclose specified information regarding Directors	A.10	Complied	Brief profiles of the Directors are given on pages 32 and 33. Directors' attendance at Board meetings and Board Sub Committee meetings are given on page 106. The total number of Board positions (excluding directorship in UML) held be each Director is given on page 106.
The Board of Directors should at least annually assess the performance of the Chief Executive Officer.	A.11	Complied	An annual evaluation of the performance of the CEO is carried out by Remuneration Committee against pre-agreed targets.

Corporate governance principles	Code reference	Compliance status	Details of compliance
B) Directors' remuneration			
Remuneration Committee	B.1	Complied	Remuneration Committee decides on the Executive Directors' Remuneration. All members of the Remuneration Committee other than Mrs. Hiroshini Fernando are independent Non- Executive Directors as of the year end. Details of the Remuneration Committee are given in the Remuneration Committee report on pages 110 and 111.
The level and make up of remuneration	B.2	Complied	The remuneration scheme for Executive Directors is structured to align rewards to their individual and Corporate performance. Executive Directors terms of employment are governed by the contract of service. Non-Executive Directors' remuneration fee are based on the time commitment and responsibilities of their role taking into consideration prevailing market rates. Salaries surveys are carried out frequently to identify the salary levels of comparable position in other companies and necessary steps are taken to retain staff. Salary increments are based on individual ratings in performance appraisals. The Company does not have share option schemes for Executives.
Disclosures related to remuneration in Annual Report	B.3	Complied	Details are given in Remuneration Committee Report on pages 110 and 111. The remuneration paid to Executive and Non- Executive Directors is disclosed in aggregate in Note 13 to the financial statements.

Corporate governance principles	Code reference	Compliance status	Details of compliance
C) Relationships with shareholders			
Constructive use of the AGM and conduct of other general meetings	C.1	Complied	The AGM provides a forum for all shareholders to participate in decision making matters reserved for the shareholders which includes adoption of Annual Report and Accounts, appointment of Directors and Auditors and other matters requiring special resolutions as define in the Articles of Association and the Companies Act No. 07 of 2007. Separate resolutions are proposed for each substantially separate issue. The Company records all proxy votes lodged for each resolution. The Chairman ensures the presence of the Chairman of the Audit, Remuneration, Nomination and Related Party Transactions Review Committee to respond to any questions that may be directed to them by the Chairman. Notice of the meeting is circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM, fifteen workings days in advance. A summary of the procedures that govern voting is indicated in the proxy form. Where the vote is required on a show of hands, the Company will ensure that information required under the Code will be made available at the meeting and be published in the website within a month from the date of AGM.
Communication with shareholders	C.2	Complied	The Shareholder Communication Policy sets out multiple channels of communication for engaging with shareholders. The Company focuses on open communication and fair disclosures with emphasis on the integrity, timeliness and relevance of the information provided. The primary modes of communication between the Company and the shareholders are the interim financial statements, Annual Report and the AGM. Copies of Annual reports, interim reports, stock exchange announcements etc. are posted on the Company's website. The principal forum for shareholders is the AGM, while matters can also be raised through the Company Secretary. The Company Secretary keeps the Board apprised of issues raised by the shareholders to ensure that they are addressed in an appropriate manner in keeping with the corporate values of the Company. Matters raised in writing are responded in writing by the Company Secretary.
Disclosure of major and material transactions	C.3	Complied	In terms of the requirements pertaining to immediate disclosures, the Company notified 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. There were no transactions which would materially change the Company's or Group's net asset base or any major related party transactions apart from those disclosed in the Annual Report of Board of Directors on pages 122 to 127 and Note 40 to the financial statements.

Corporate governance principles	Code reference	Compliance status	Details of compliance
D) Accountability and Audit			
Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance, structure, risk management, internal controls, challenges, opportunities and prospects.	D.1	Complied	All efforts are taken to ensure that the Annual Report presents a balanced review of financial position, performance, business model, governance structure, risk management, internal controls, challenges, opportunities, and prospects combining narrative and visual element to facilitate readability and comprehension. In the preparation of interim and annual financial statements, all requirements of Companies Act No. 07 of 2007, Sri Lanka Accounting Standards and reporting requirements prescribed by the regulatory authorities has been complied with. Audit Committee reviews interim and annual financial statements and recommends to the Board prior to publication. The following disclosures as required by the Code are included in this report; ✦ Management Discussion and Analysis on pages 46 to 89. ✦ Annual Report of the Board of Directors on pages 122 to 127. ✦ Statement of Director's responsibilities in relation to the financial statements of the Company on pages 132 and 133. ✦ Statement on going concern of the Company is set out in the statement of Directors' responsibility and item 7 of the Annual Report of the Board of Directors on pages 122 to 127. ✦ Directors' statement on internal control on page 121. ✦ Independent Auditors' report on pages 135 to 139. ✦ Chief Executive Officer's & Chief Financial Officer's statement of responsibility on page 134. ✦ Related party transactions disclosed in Note 40 to the financial statements and process in place is described in the report of the related party transactions review committee on pages 113 and 114. No serious loss of capital to summon an EGM.
Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	D.2	Complied.	The Board is responsible for determining the risk appetite for achieving the strategic objectives and formulates and implements appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company. The Audit Committee assists the Board in discharging its duties with regard to risk management and internal controls as given in Audit Committee Report on pages 107 to 109 and Directors' statement on internal controls given on page 121. A comprehensive report on how the Company manages risk is included on pages 115 to 120.
Audit Committee	D.3	Complied	The Audit Committee comprises of four Independent Non- Executive Directors and one Non Independent Non- Executive Director as of year-end. It is supported by the Internal Audit division who directly reports to the Audit Committee. A summary of its responsibilities and activities are given in the Audit Committee Report on pages 107 to 109.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Related Party Transactions Review Committee	D.4	Complied	Related party transactions review committee consists of two Independent Non-Executive Directors and one Non Independent Non- Executive Director as of year-end. A summary of its responsibilities and activities are given in the Related Party Transactions Review Committee Report on pages 113 and 114.
Code of business conduct and ethics	D.5	Complied	An internally developed Code of Business Conduct & Ethics which is applicable to Directors, other Key Management Personnel and all other employees 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. The Code of Conduct is in compliance with the requirements of the Schedule J of the Code of Best Practice on Corporate Governance 2017. The Board is not aware of any material violations of any of the provisions of the Code of business conduct and ethics by any Directors, Senior Management or other employees of the Company.
Corporate governance disclosures	D.6	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 2017 issued by Institute of Chartered Accountants of Sri Lanka and compliance with regulations of the section 7.10 of the listing rules of Colombo Stock Exchange in relation to Corporate Governance.
E) Institutional Investors			
Shareholder voting	E.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.
Evaluation of governance initiatives	E.2	Complied	Institutional investors are encouraged to provide any feedback on the governance related issues.
F) Other Investors			
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.
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. The proxy form and instructions are given in Annual Report for the appointment of proxy.
G) Internet of things and cyber security			
Internet of things and cyber security	G	In progress	Internet Security Policy (ISP) is in place. An external party will be engaged to carry out a security audit. A designated officer has been appointed to independently monitor implementation of the ISP and report to the Board. Arrangements will be made to comply with the requirements under Section G of the Code in due course.

Corporate governance principles	Code reference	Compliance status	Details of compliance
H) Environment, Society and Governance (ESG Reporting)			
ESG reporting	H.1	To be complied in future.	Although an ESG reporting framework has not been applied, ESG principles are embedded in our business and considered in formulating our business strategy and reported throughout this report. Information required by the Code is given in the Management Discussion and Analysis on pages 46 to 89, Governance report on pages 92 to 106 and Risk management report on pages 115 to 120.
Environmental factors	H.1.2		
Social factors	H.1.3		
Governance	H.1.4		
Board's role on ESG factors	H.1.5		

Status of compliance with the Listing Regulations 7.10 of Colombo Stock Exchange

CSE Rule		Compliance Status	Details of Compliance
7.10 Compliance			
a / b /c	Confirmation of compliance with the Corporate Governance rules of CSE	Complied	The group is in compliance with the Corporate Governance rules of CSE.
7.10.1 Non-Executive Directors			
a / b /c	At least 2 or 1/3 of the total number of Directors whichever is higher should be Non-Executive Directors.	Complied	Six out of eight Board members are Non-Executive Directors.
7.10.2 Independent Directors			
A	2 or 1/3 on Non-Executive Directors whichever is higher shall be 'independent'.	Complied	Out of six Non-Executive Directors five Directors other than Mrs. Hiroshini Fernando is 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	Disclosure of names of Directors determined to be independent.	Complied	Refer page 106 for details.
B	The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	The Board considers Non-Executive Director's independence on an annual basis. Refer A.5 on page 96.
C	A brief resume of each Director should be included in the annual report including the director's experience.	Complied	Refer Board of Directors profiles on pages 32 and 33.
d	Provide a resume of new Directors appointed to the Board along with details.	Complied	Detailed resume of the new Directors are submitted to the Colombo Stock Exchange. No Directors were appointed during year under review.
7.10.4 Criteria for defining independence			
a. to h.	Requirements for meeting the criteria to be an independent Director.	Complied	Requirements specified are considered in deciding the independence.

CSE Rule		Compliance Status	Details of Compliance
7.10.5 Remuneration Committee			
a	Composition Remuneration Committee shall comprise of Non- Executive Directors and majority should be independent. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	Refer B.1 on page 98 for details. Remuneration Committee at the year- end consists of four Independent Non-Executive Directors and one Non Independent Non-Executive Director. An Independent Non-Executive Director is the Chairman of the Remuneration Committee at the year end.
b	Functions 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	Disclosure in the annual report Names of Remuneration Committee members Statement of remuneration policy Aggregate remuneration paid to Executive Directors and Non-Executive Directors	Complied Complied Complied	Refer Remuneration Committee report on page 110 for the names of the Committee members. Refer Remuneration Committee report for the remuneration policy. Aggregate remuneration paid to Executive and Non-Executive Directors are disclosed in Note 13 to the financial statements.
7.10.6 Audit Committee			
a.	Composition Audit Committee shall comprise of Non-Executive Directors, a majority of who should be independent. A Non-Executive Director shall be the Chairman of the Committee. Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings The Chairman of the Audit Committee or one member should be a member of professional accounting body.	Complied Complied Complied Complied	Audit Committee consists of four Independent Non-Executive Directors and one Non Independent Non-Executive Director. Refer D.3 on page 100 for details. Chairman of the Audit Committee is an Independent Non-Executive Director. Group Chief Executive Officer / Executive Director, Group Chief Financial Officer and DGM Internal Audit & Monitoring attended meetings by invitation. Mrs. Hiroshini Fernando 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.1	Functions 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.

CSE Rule		Compliance Status	Details of Compliance
b.2	Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other 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	Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.	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	To make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and Terms of Engagement of the external auditors.	Complied	The Audit Committee is responsible for making recommendations on the appointments, re-appointments and removal of the external auditors in line with professional standards and also approved their remunerations.
c.	**Disclosure in the annual report** Names of Directors comprising the Audit Committee.	Complied	Names of the Audit Committee members are disclosed in the Audit Committee report on page 107.
	Audit Committee shall make a determination of the independence of the external auditors and disclose the basis for such determination.	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.
	Report on the manner in which Audit Committee carried out its functions.	Complied	Refer Audit Committee Report on pages 107 to 109 for details of functions carried out.

Status of compliance with the information required to be disclosed as per Companies Act No. 07 of 2007

Information required to be disclosed	Reference to the Companies Act	Page Reference
i. The nature of the business of the Group and the Company together with any change thereof during the accounting period	Section 168 (1) (a)	122
ii. Signed financial statements of the Group and the Company for the accounting period completed	Section 168 (1) (b)	141
iii. Auditor's report on financial statements of the Group and the Company	Section 168 (1) (c)	135 to 139
iv. Accounting policies and any changes therein	Section 168 (1) (d)	147 to 161
v. Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	126
vi. Remuneration and other benefits paid to directors of the Company and its subsidiaries during the accounting period	Section 168 (1) (f)	168
vii. Amount of donations made by the Company and its subsidiaries during the accounting period	Section 168 (1) (g)	168
viii. Information on directorate of the Company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	20 and 21
ix. 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)	168
x. Auditor's relationship or any interest with the Company and its subsidiaries – audit fee/ non-audit fee	Section 168 (1) (j)	168
xi. Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	127

Assurance

The "Assurance" element is the supervisory role of the Corporate Governance framework. A range of assurance mechanisms such as internal audit, independent audit and compliance reviews are in place. The management assess the effectiveness of process controls and the internal audit recommends the corrective actions for implementation.

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.

Accordingly, we have complied with all listing regulations of Colombo Stock Exchange with regard to Corporate Governance, disclosure requirements of Companies Act No. 07 of 2007 and Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka except for sustainability reporting and internet of things and cyber security which we hope to comply in future.

Name of Director	Capacity	Status of independence	Board meetings		Audit Committee meetings		Nomination Committee meetings		Remuneration Committee meetings		Related Party Transactions 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	15	14	5	5	2	2	1	1	-	-
Mr. Chanaka Yatawara	GCEO/ Executive Director	Non Independent	15	15	5	*5	2	2	1	*1	-	-
Mr. Ananda Atukorala	Non-Executive Director	Independent	15	14	5	5	2	2	1	1	6	6
Mr. Ramesh Yaseen	Executive Director	Non Independent	15	5	-	-	-	-	-	-	-	-
Mrs. Hiroshini Fernando	Non-Executive Director	Non Independent	15	14	5	5	2	2	1	1	6	5
Prof. Malik Ranasinghe	Non-Executive Director	Independent	15	15	5	5	2	2	1	1	6	6
Mr. Stuart Chapman	Non-Executive Director	Independent	15	14	5	5	2	2	1	1	-	-
Mr. Hiroyasu Inoue	Non-Executive Director	Independent	15	-	-	-	-	-	-	-	-	-
Chairman of Board/ Board Sub Committee at the year end			Mr. Sunil .G. Wijesinha		Prof. Malik Ranasinghe		Prof. Malik Ranasinghe		Mr. Stuart Chapman		Mr. Ananda Atukorala	

* *Attended by invitation*

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	-	3	-	8
Mr. Chanaka Yatawara	-	-	4	2
Mr. Ananda Atukorala	-	3	-	6
Mr. Ramesh Yaseen	-	-	-	1
Mrs. Hiroshini Fernando	-	2	-	4
Prof. Malik Ranasinghe	-	4	-	1
Mr. Stuart Chapman	-	1	-	1
Mr. Hiroyasu Inoue	-	-	-	-

Audit Committee Report

Charter of the Committee

The Charter of the Audit Committee approved by the Board defines the Terms of Reference of the Committee and is annually reviewed to ensure that new developments relating to the Committee's functions are addressed. The Charter was last reviewed and approved in 2019.

The Committee assists the Board in discharging its responsibilities and exercises oversight over financial reporting, internal audit, external audit, internal controls, risks and compliance.

Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka further regulate the composition, authority, role and functions of the Committee.

The Committee is empowered by the Board to;

- Ensure that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, Regulatory Authorities, Shareholders, Management and other Stakeholders.
- Review the appropriateness of accounting policies and their adherence and assess the reasonableness of the underlying assumptions for estimates and judgments made in preparing the financial statements.
- Review the interim and annual financial statements in order to monitor the integrity of such financial statements prepared for publication prior to submission to the Board of Directors.
- Examine the adequacy, design and operating effectiveness of the risk management measures, internal controls and governance processes in place to identify, avoid and mitigate risks and to provide reasonable assurance that the Company's assets are safeguarded and steps are being taken to continuously improve the control environment.
- Monitoring and reviewing compliance with laws and regulations.
- Ensure that the Company has adopted and adhered to high standards of Corporate Governance practices, conforming to highest ethical standards and good industry practices and in the best interest of all stakeholders.
- 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.

Composition of the Committee

The Audit Committee appointed by and responsible to the Board of Directors comprises four Independent Non-Executive Directors and one Non Independent Non-Executive Director.

The Committee consists of following members as at 31 March 2019, whose profiles are given on pages 32 and 33.

Prof. Malik Ranasinghe	- (IND/NED) - Chairman
Mr. Sunil G. Wijesinha	- (IND/NED)
Mr. Ananda Atukorala	- (IND/NED)
Mrs. Hiroshini Fernando	- (NIND/NED)
Mr. Stuart Chapman	- (IND/NED)

Mrs. Hiroshini 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.

Attendees by Invitation
Group Chief Executive Officer / Executive Director
Group Chief Financial Officer
Deputy General Manager (Internal Audit and Monitoring).

The Board Secretary functions as Secretary to the Committee.

Meetings

The Committee held 5 meetings during the financial year ended 31 March 2019.

Name	Attendance
Prof. Malik Ranasinghe	5 /5
Mr. Sunil G. Wijesinha	5 /5
Mr. Ananda Atukorala	5 /5
Mrs. Hiroshini Fernando	5 /5
Mr. Stuart Chapman	5 /5

The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration. Two such meetings were held during the year.

The Committee also invited members of the Senior Management to participate in the meetings as and when required.

"The Committee continued to provide oversight over financial reporting, internal audit, external audit, internal controls, risks and compliance"

Activities for the year under review

Financial Reporting

The Committee, as part of its responsibility to oversee the financial reporting process on behalf of the Board of Directors, reviewed and discussed with the management, the annual and the quarterly financial statements prior to their release.

The review included the extent of compliance with the Sri Lanka Accounting Standards and other regulatory provisions relating to financial reporting and required disclosures, key judgments and estimates used in preparation of financial statements.

The Committee reviewed the effectiveness of the Financial Reporting Systems in place to ensure reliability of the information provided and the accounting policies to determine the most appropriate accounting policies are applied. The Committee assessed, whether the disclosures made under the financial reporting is appropriate and fair.

The Committee reviewed the impact of adopting new accounting standards. SLFRS 9 – Financial Instruments which became applicable for the financial reporting periods beginning on or after 1 January 2018. Despite SLFRS 9 becoming applicable from 1 April 2018, the Company continued to report interim financial statements based on LKAS 39 on the option granted by the Institute of Chartered Accountants of Sri Lanka to prepare the interim financial statements continuing the application of LKAS 39 – Financial Instruments ; Recognition & Measurement". However, the financial statements for the year ended 31 March 2019 are being presented in line with SLFRS 9. Sri Lanka Accounting Standard SLFRS 16 – Leases will be effective to the Company from 1 April 2019 and necessary steps are being taken to assess the impact on the financial statements.

The prevailing internal controls, systems and procedures were assessed by the Committee and it expressed the view that adequate controls are in place over financial reporting and procedures were in place to provide reasonable assurance to the effect that assets are safeguarded and the financial position is well monitored and accurately reported.

Internal controls and risk management

The Committee continued to assess the adequacy and effectiveness of the Company's internal controls including internal control over financial reporting. A risk-based audit approach is adopted and the effectiveness of the internal control procedures in place to identify and manage all significant risks are being reviewed by the Committee. The Committee assessed the effectiveness of the Company's internal controls by reviewing the reports submitted by the internal and external auditors. Having assessed, the Committee satisfied itself that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded.

The Committee also 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.

Directors' statement on internal controls is given on page 121.

Statutory and regulatory compliance

The Committee reviewed the procedures established by management for compliance with the requirements of regulatory authorities. Monthly reports were submitted on the extent to which the Company was in compliance with the regulatory requirements.

The Internal Audit Division has been mandated to conduct independent test checks covering all regulatory compliance requirements, as a further monitoring measure.

Internal Audit
During the year, the Committee continued to fulfill its mandate to monitor and review the scope, independence and objectivity, extent and effectiveness of the activities of the Internal Audit Division. The annual audit plan for the year was prepared on risk based planning methodology and was approved by the Committee at the beginning of the year.

During the year under review, the Internal Audit Department carried out comprehensive audits covering all aspects of the business. The areas covered and the regularity of audits was dependent on the risk boundary for each process, with higher risk areas subject to more frequent audits. The Committee reviewed the management's responses to the issues raised and recommendations to overcome the issues and the implementation plans.

External Audit
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 approved by the 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 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.

The Committee also reviewed the external auditor's management letter for the previous financial year with the management's responses thereto and necessary actions were taken.

The Committee has recommended to the Board, Messrs PricewaterhouseCoopers (PwC), Chartered Accountants be re- appointed as statutory auditors for the financial year ending 31 March 2020 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Corporate Governance
The Committee 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 2017, issued by the Institute of Chartered Accountants of Sri Lanka.

The Committee continuously emphasized on upholding ethical values by the staff members.

The Whistle Blowing Policy continued as a component of the Corporate Fraud Risk Management Framework. This policy allows any employee, who has a legitimate concern on an existing or potential "wrong doing", by any person within the Company to come forward voluntarily, and bring such concern to the notice of the Chairman of the Committee or the Head of Internal Audit. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. Even anonymous complaints are investigated under the said policy. This procedure continues to be strictly monitored by the Committee.

Evaluation of the Committee
An evaluation of the effectiveness of the Committee was carried out during the year under review. It was concluded that its performance was satisfactory.

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.

Prof. Malik Ranasinghe
Chairman – Audit Committee

27 May 2019

Remuneration Committee Report

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 in a competitive environment.

Terms of reference (TOR)

The TOR is governed by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and the recommended best practices.

During the year the TOR was reviewed by the Board of Directors and changes were made where required.

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 organisation in relation to performance, talent retention and rewards.
- To formulate on behalf of the Board, formal and transparent procedures for developing policy on remuneration for Executive Directors, Group CEO and Corporate Management Team.
- To recommend to the Board a competitive remuneration and rewards structure that is linked to performance.
- To decide on the remuneration packages of Group CEO, Executive Directors and Key Management Personnel.
- Reviewing / monitoring evaluation of Group CEO, Management development plan and succession planning.
- Group CEO, management development plans and succession planning.
- To approve annual salary increments, bonuses, changes in perquisites and incentives.

Professional advice

The Committee, when necessary obtains external independent professional advice on matters within the purview of the Committee and invite professional advisors with relevant experience to assist in carrying out various duties.

Composition

The Remuneration Committee appointed by and responsible to the Board of Directors comprises of four Independent Non-Executive Directors and one Non Independent Non-Executive Director., as at 31 March 2019.

Members of the Committee are:

Prof. Malik Ranasinghe	- (IND/NED) - Chairman
Mr. Sunil G. Wijesinha	- (IND/NED)
Mr. Ananda Atukorala	- (IND/NED)
Mrs. Hiroshini Fernando	- (NIND/NED)
Mr. Stuart Chapman	- (IND/NED)

The profiles of the members are given on pages 32 to 33.

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

The Company Secretary functions as the secretary of the Remuneration Committee.

Methodology used

The remuneration arrangements at UML are designed to support the Company's vision and the implementation of the business strategies. The performance measures have been selected to support our business strategy and the ongoing enhancement of shareholder value.

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.

The Committee determines the variable (bonus) pay plan according to the overall achievement of the Company which is based on various performance parameters. In the event of over or under achievement against predetermined targets the Committee makes appropriate adjustments to the quantum of bonus.

Surveys are conducted periodically in order to assess the prevailing salary and benefit structure within the Company and the market position, enabling the Committee to make informed decisions when reviewing the salaries.

Employees

Total remuneration of employees are influenced by 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.

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

The employee 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 performance and the Company performance. Individual performance evaluations are based on pre agreed Key Performance Indicators (KPI) and various structured key performance measures so that the target levels of reward are challenging but achievable.

Meetings

The Committee held two meetings during the year.

Name	Attendance
Prof. Malik Ranasinghe	02/02
Mr. Sunil G. Wijesinha	02/02
Mr. Ananda Atukorala	02/02
Mrs. Hiroshini Fernando	02/02
Mr. Stuart Chapman	02/02

Board of 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 on 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 aggregate remuneration paid to the Executive Directors and the fees paid to the Non-Executive Directors for serving on the Board and attending Board and Board Sub Committee Meetings are disclosed in Note 13 to the financial statements.

Share options for Directors

The Company does not have a share options scheme for Directors.

Personal loans to Directors

None of the Directors have taken loans from the Company.

Remuneration committee evaluation

The annual evaluation of the Committee was conducted by the members of the Remuneration Committee during the year and concluded that its performance was effective.

Prof. Malik Ranasinghe
Chairman – Remuneration Committee.
27 May 2019

Nomination Committee Report

Purpose of the committee

The Nomination Committee was established for the purpose of advising the Board in relation to nominations, retirement, re-election, succession and training needs 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 decisions.

Terms of reference (TOR)

The TOR is governed by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and the recommended best practices.

During the year the TOR was reviewed by the Board of Directors and changes were made where required.

Rules and responsibilities

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 the selection and appointment of a Chairman in case a vacancy arises.
- To consider the succession plan for the Chief Executive Officer and ensure that there is a succession plan for all key management personnel.
- 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.

Composition of the nomination committee

The Nomination Committee appointed by the Board of Directors comprises four Independent Non- Executive Directors, one Non Independent Non-Executive Director and the Group Chief Executive Officer /Executive Director (GCEO/ED). Members of the Committee as at 31 March 2019 were:

Mr. Stuart Chapman	- (IND/NED) - Chairman
Mr. Sunil G. Wijesinha	- (IND/NED)
Mr. Ananda Atukorala	- (IND/NED)
Mr. Chanaka Yatawara	- (GCEO/ED)
Mrs. Hiroshini Fernando	- (NIND/NED)
Prof. Malik Ranasinghe	- (IND/NED)

Brief profiles of the members are given on pages 32 to 33.

The Company Secretary acts as the secretary of the Nomination Committee.

Meetings

The Nomination Committee met once during the year, which was attended by all Members of the Committee.

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/her own re- appointment/re-election.

Professional advice

The committee seeks 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 reported back to the Board of Directors with its recommendations.

Activities

During the year, the Committee recommended the re-election of Directors and the appointment of members to the Board Sub Committees taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.

Evaluation

The annual evaluation of the Committee was conducted by the members of the Nomination Committee during the year and concluded that its performance was effective.

Stuart Chapman
Chairman-Nomination Committee

27 May 2019

Related Party Transactions Review Committee Report

Purpose of the committee

The Related Party Transactions (RPT) Review Committee has been formed to adopt the Code of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka (the 'Code') and Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules").

Terms of reference (TOR)

The TOR is governed by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and the recommended best practices.

During the year the TOR was reviewed by the Board of Directors and changes were made where required.

Roles and responsibilities

The responsibilities of the Committee, derived from the Code and the Rules includes the following:

- 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.
- Establish a procedure to identify and review the RPTs that are recurrent and non-recurrent.
- 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.

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

Professional advice

The Committee has the authority to seek external professional advice on matters within its purview from time to time.

Composition of the committee

The Related Party Transactions (RPT) Review Committee comprised of two Independent Non-Executive Directors and one Non Independent Non-Executive Director at 31 March 2019.

The members of the Committee as at 31March 2019 were;

Mr. Ananda Atukorala	- (IND/NED) (Chairman)
Mrs. Hiroshini Fernando	- (NIND/NED)
Prof. Malik Ranasinghe	- (IND/NED)

Mr. Stuart Chapman was appointed to the Committee w. e . f. 03 May 2019.

The profiles of the members are given on pages 32 to 33.

The Company Secretary functions as the secretary to the Committee.

Meetings

The Related Party Transactions Review Committee held five meetings during the year.

The proceedings of the Committee meetings which mainly included activities under its Terms of Reference were regularly communicated to Board of Directors.

Name	Attendance
Mr. Ananda Atukorala	06/06
Mrs. Hiroshini Fernando	05/06
Prof. Malik Ranasinghe	06/06

Activities during the year

- All recurrent and non-recurrent related party transactions that had taken place during the year ended 31 March 2019 were reviewed by the Committee and communicated to the Board where necessary.
- In addition, the Board of Directors was updated on the RPTs of the Group on a quarterly basis.

Review of function of the committee

Review of the Related Party Transactions by the Committee takes place quarterly and as and when required.

Evaluation

The annual evaluation of the Committee was conducted by the members of the Related Party Transactions Review Committee during the year.

Related Party Transactions Review Committee Report

Declaration

A declaration by the Board of Directors as per Section 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange is included on page 126 of this annual report.

Conclusion

The related party transactions in terms of LKAS 24 – 'Related Party Disclosures', are given in Note 40 to the financial statements.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per audited financial statements of 31 March 2019 which required additional disclosure in this annual report.

Non Recurrent related party transactions

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets whichever is lower of the Company as per audited financial statements of 31 March 2019 which required additional disclosure in this annual report.

Ananda Atukorala
Chairman – Related Party Transactions Review Committee

27 May 2019

Enterprise **Risk Management**

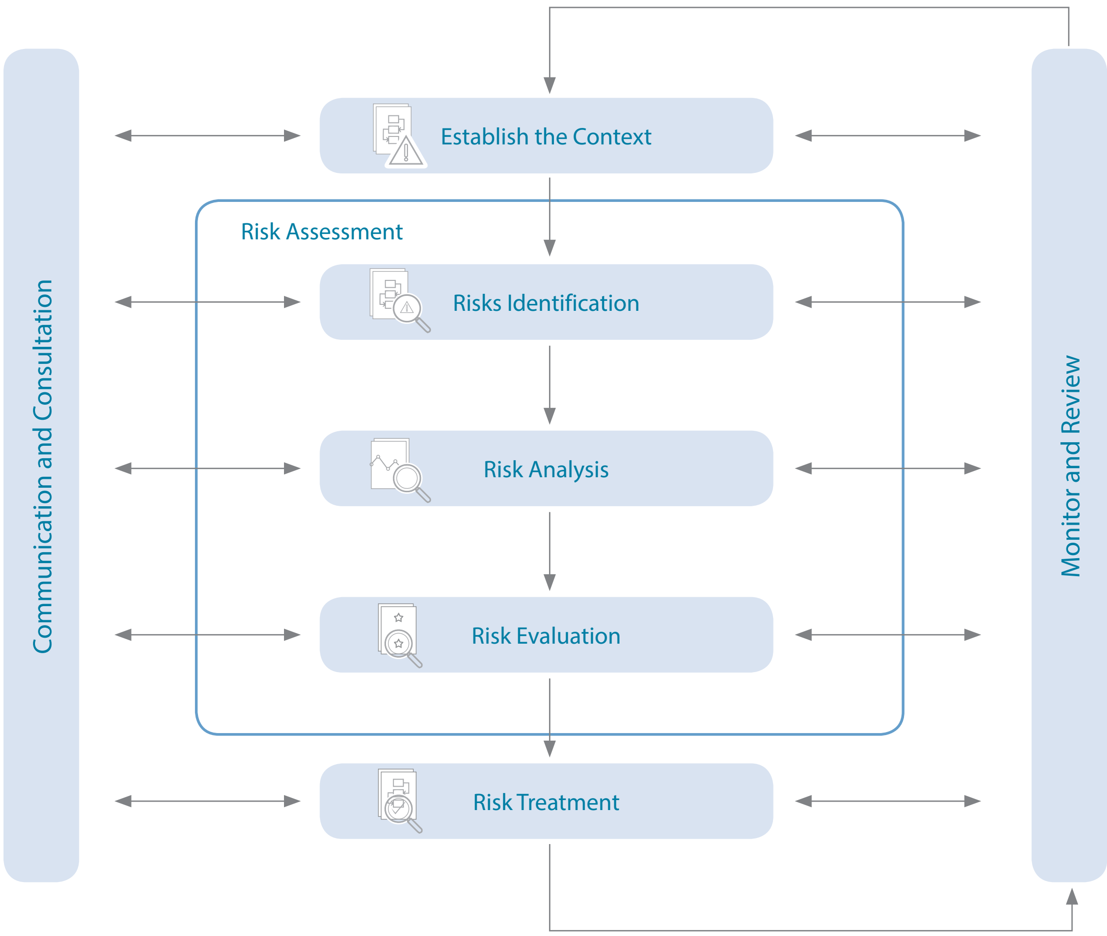
Overview

Almost all business decisions contain an element of risk. Therefore understanding and managing risk that may affect the value creation process in the short, medium and in the long term is fundamental to strategic planning and decision making process.

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.

"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 governance



Enterprise Risk Management

Risk management structure

The Board is primarily responsible for overseeing that risks are identified and appropriately managed and also to identify risks that do not match the risk appetite. The Audit Committee, to which this function has been delegated, reviews the effectiveness of the 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 Corporate Management Committee takes the lead in identifying risks. The Corporate Management Committee examines processes and events, uncertainties and changes in the environment that might expose to situations that could seriously reduce future earnings impair its asset value or create legal, regulatory or reputational risks. They also evaluate options available to eliminate or mitigate risks. Monitoring and reporting of risk management measures is a responsibility that rests with the Corporate Management Committee.

Risk management process

The risk management process identifies risks, evaluates them by mapping them against the likelihood of occurrence and assessing the potential impact and identifies mitigating action following a rigorous review and monitoring process.

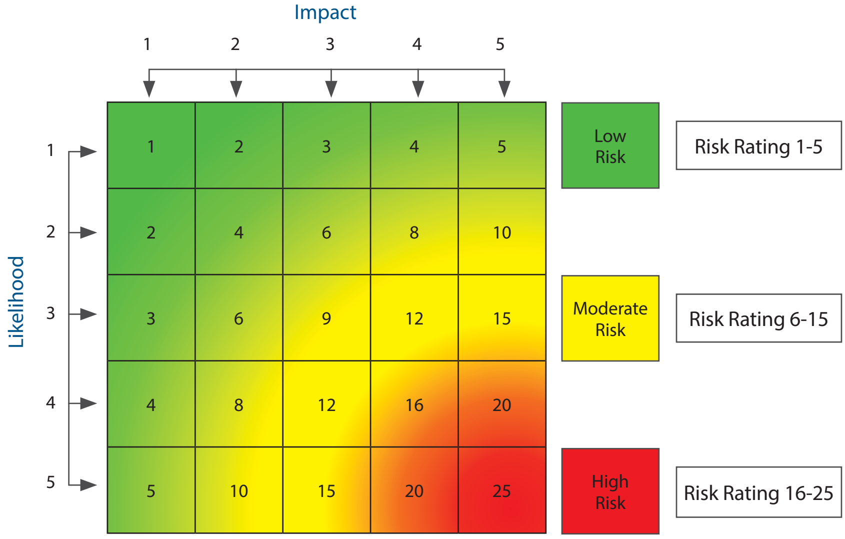
Risk identification and evaluation

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

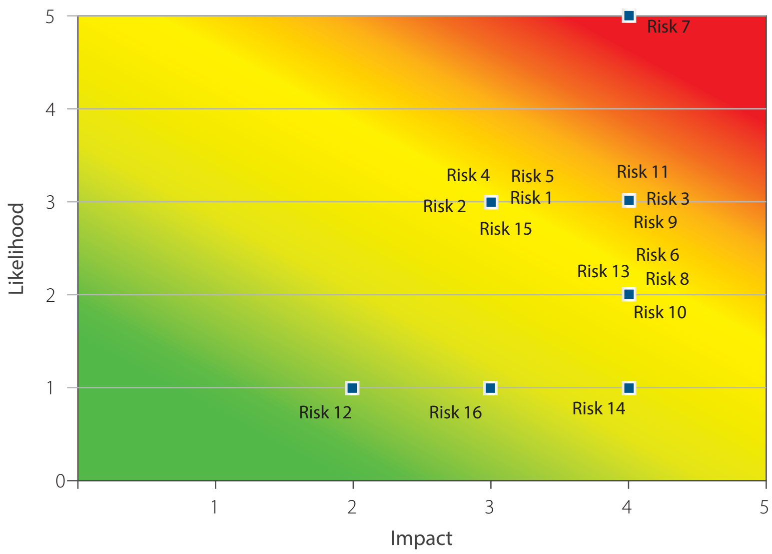
- Likelihood of occurrence is assessed on the basis of past experience, industry conditions and the mitigating controls that are in place. A rating of 1-5 has been assigned for high, medium-high, medium, medium-low and low for likelihood of occurrence.
- The impact of the event is assessed by determining the estimated loss it would cause and the extent of the business impact. A rating of 1-5 has been assigned for high, medium high, medium, medium-low and low for impact for each risk.

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



Heat Map - Group



Risks and challenges

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

Impacted capital	Risk Ref.	Risk	Risk management actions	Change in Risk Profile	
				2018/19	2017/18
Financial Capital	1	Credit Risk Credit risk arises from credit exposure to customers on unsecured debts.	Wherever applicable, prior to approving credit, a thorough process of evaluation is carried out to ensure the credit worthiness of the customer. Credit limits are initially set based on the Company's credit policy and thereafter revise 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.	Moderate	Moderate
	2	Interest Rate Risk Unfavourable interest rate movements impact negatively on the 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 forecast future movements to ensure borrowings and investments are at the best rate for the Company. Gearing is kept at an optimal level.	Moderate	Moderate
	3	Exchange Rate Risk Negative changes in exchange rates causing potential losses on assets & liabilities and transactions denominated in foreign currency.	Where ever favourable, variable interest rates are negotiated for investments and borrowings. Import bills are negotiated at the most favorable time to get the best exchange rate for the Company. Hedging through forward contracts is used where desirable.	Moderate	Moderate
	4	Liquidity risk Unavailability of sufficient funds to settle dues as and when they are due to ensure smooth functioning of the day-to-day operations.	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 forecasted cash needs for at least for a period of twelve months.	Moderate	Low

Impacted capital	Risk Ref.	Risk	Risk management actions	Change in Risk Profile	
				2018/19	2017/18
	5	**Equity Price Risk** 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 investee company performance. Timely purchase and exit decisions are taken to maximize profits.	Moderate	Moderate
	6	**Obsolescence of inventory/high stock holding** Inventory items run the risk of being obsolete due to slow moving.	Orders are placed in line with the demand to reduce the stock levels and thereby reduce the opportunity for obsolescence. 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 and actions are taken to dispose aged and damaged items.	Moderate	Moderate
	7	**Business Environment** The negative impact to the business due to changes in government policies and legislation.	As vehicle sales are subject to regular policy changes, we have reduced 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. Looking for opportunities to diversify into non related business segments.	High	High
Natural Capital	8	**Risk of natural disasters** Damages from fire and floods 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 case of fire or floods. Adequate and appropriate insurance covers are in place to cover if a disaster occurs to minimise the financial losses. Damages from fire and floods have been identified as key disaster related risks that the Group is exposed to.	Moderate	Moderate
Human Capital	9	**Human Resource Risk** Failure to recruit and retain appropriately skilled employees.	The Company invests in training and development. A balanced fixed and variable performance based incentives are offered to employees. Structured employee satisfaction surveys are carried out every year. Salary surveys are conducted to benchmark with the industry as and when necessary.	Moderate	Moderate

Impacted capital	Risk Ref.	Risk	Risk management actions	Change in Risk Profile	
				2018/19	2017/18
Social and Relationship Capital	10	**Relationship with Principals** Performance being adversely impacted as a result of disruptions to relationship 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 required. Market and product performance statistics are regularly shared with the principals.	Moderate	Moderate
	11	**Drop in customer satisfaction levels** Loss of customer satisfaction will impact negatively for current and future performance of the Company.	A 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. Regular independent customer surveys are carried out to assess the customer satisfaction levels.	Moderate	Moderate
	12	**Environmental Risk** The negative impact on the environment due to the operations of the Company.	Introduction of eco-friendly vehicles. Dedicated team is appointed to carry out green initiatives emphasizing the Company's commitment to preserve the environment. Environmental factors are considered in decision making. All required approvals are obtained for our business operations.	Low	Low
	13	**Regulatory Risk** Non-compliance with laws and regulations can have a negative impact on the Company.	Statutory compliances and non- compliances are reported monthly and monitored by the Board. All relevant statutes that the Group 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.	Moderate	Moderate

Impacted capital	Risk Ref.	Risk	Risk management actions	Change in Risk Profile	
				2018/19	2017/18
	14	**Reputation risk** 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.	Comply with Corporate Governance Best Practices. The group engages in various community related activities/CSR activities for the betterment of the general public.	Low	Low
Intellectual Capital	15	**Information Technology Risk** 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 internal and 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 action is regularly reviewed. Adequate connectivity ensures uninterrupted data transfer between the head office and all branches and workshops. Backup of the ERP data is kept at a remote location as part of the Company disaster recovery procedure.	Moderate	Moderate
	16	**Risk of Technological Obsolescence** The risk that process, product or technology used by the Company becomes obsolete.	Ordering of new vehicles take into account the technologies used in the vehicles to be imported. The group makes regular investment in new technology through purchase of latest diagnostic tools for after sales service. Staff are constantly exposed to new technology and are 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. Purchase of IT related equipment taking into consideration technology used in those products.	Low	Low

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 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of United Motors Lanka PLC's and its subsidiaries system of internal controls. However, such a system is designed to manage the key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives and policies. 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 and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The Audit Committee assists the Board in discharging these responsibilities and in turn internal audit division supports the Audit Committee to discharge its responsibilities.

The process is regularly reviewed by the Board in accordance with the guidance for Directors on the Directors' statement on internal control issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). As per the said guidance, significant processes affecting significant accounts were assessed along with the key risk areas.

The management assists the Board in the implementation of the Board's policies and procedures on risks and controls by identifying and assessing the risks faced, and in 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

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- Sub Committees of the Board are established to assist the Board in ensuring the effectiveness of the operations of the companies in the Group and that the 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 internal audit function provides comfort on compliance with policies and procedures and effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits were carried out on all business processes of the companies in 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 companies in the Group. The findings of internal audits are submitted to the Audit Committee for review at their periodic meetings.

- The Audit Committee reviewed internal control issues identified by the internal audit division, the external auditors, management and evaluated the adequacy and effectiveness of the risk management and internal control systems in those areas. They also reviewed the internal audit functions with particular emphasis on the scope of audits. The minutes of the Audit Committee meetings are tabled for information of the Board on a periodic basis. Details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on pages 107 to 109 .

- 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.

- The Board identified significant risks on an ongoing basis and took necessary steps for implementation of appropriate procedures to evaluate and manage identified risks and the updated risk maps were reviewed during the year.

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) and regulatory requirements.

Prof. Malik Ranasinghe
Chairman- Audit Committee

Chanaka Yatawara
Group Chief Executive Officer/Executive Director

Sunil. G. Wijesinha
Chairman

27 May 2019

Annual Report of the **Board of Directors**

1. Overview

The Directors have pleasure in presenting the thirtieth annual report of your Company together with the audited financial statements of the Group and the Company for the year ended 31 March 2019 and the auditors' report on the 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 annual report of the Company including the Annual Report of the Board of Directors was approved by the Board of Directors on 27 May 2019. The required 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 stipulated time.

The information table on disclosures required by Section 168 of the Companies Act No. 07 of 2007 appearing on page 105 form part of this annual report of the Board of Directors.

2. Review of Business

2.1. Vision, Mission, Values and Business Conduct

The Company's vision and mission are given on page 06. The business activities of the Company are conducted maintaining the highest level of ethical standards at all times. Employees are given copies of the Code of Business Conduct and Ethics and are required to adhere to it.

2.2. Principal Business Activities of the Company and the Group

United Motors Lanka PLC

United Motors Lanka PLC continues as the distributor for brand new Mitsubishi and Fuso vehicles, genuine spares of brands represented by the Group and provides after sales services to its customers at Colombo and from its branch network.

The Company continues to market Valvoline Lubricants, Eagle One car care products from USA and Simoniz car care products from UK.

The Company also imports and distributes LiuGong concrete mixing equipment from China.

During the year, the 3D printers and services business unit commenced 3D prototyping and conducting 3D certificate courses for beginners, in addition to the import and distribution of 3D printing equipment from Novabeans, India.

Subsidiary Companies	
Unimo Enterprises Limited	The Company is engaged in the import and distribution of Perodua vehicles from Malaysia, Brilliance vans and JMC commercial vehicles from China, Yokohama Tyres from Japan. The Company is also engaged in the assembly and marketing of DFSK & Z100 vehicles from China. During the year the Company commenced marketing of locally assembled DFSK 580 SUV.
Orient Motor Company Limited	This Company is engaged in the 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 Heavy Equipment Limited	The Company is engaged in the import and distribution of JCB earth moving equipment and power generators from India.

There were no other significant changes in the nature of principal activities of the Company, its subsidiaries during the financial year under review that may have significant impact on the Company's state of affairs.

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 form an integral part of this report provides an overall assessment on the financial performance and financial position of the Company, its subsidiaries 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 Discussion and Analysis".

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 Colombo Stock Exchange.

The Statement of Directors' Responsibility for financial reporting is given on page 132 forms an integral part of the Annual Report of the Board of Directors.

Details of responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the Corporate Governance section on pages 92 to 106.

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 Discussion and analysis'.

4. Financial statements

The financial statements of the Company and of the Group, prepared as per the regulatory requirements duly certified by the Group Chief Financial Officer, approved by the Board of Directors and signed by two members of the Board of Directors including the Chairman are given on page 140 of the Annual Report.

5. Auditors' report

The Company's auditors, Messrs PricewaterhouseCoopers performed the audit on the consolidated financial statements for the year ended 31 March 2019. The auditors' report on the financial statements is given on pages 135 to 139 of the annual report.

6. Significant accounting policies

The Company / Group 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 145 to 161 of the annual report. There were no changes in accounting policies during the year under review.

New accounting standards adopted during the year is given in note 8 of the financial statements.

7. Going concern

After making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the code of best practice on corporate governance issued by the Institute of Chartered Accountants of Sri Lanka, the Directors are satisfied that the Company and its subsidiaries 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. 7.97 billion during the year ended 31 March 2019. The details of the revenue by segment are given in Note 09 to financial statements.

9. Dividends and reserves

Profits and appropriations

Details of the profits relating to the Company and the appropriations are given in the table below:-

For the year ended 31 March	2019	2018
	Rs.'000	Rs.'000
Profit for the year before taxation	925,998	1,668,212
Income Tax expenses	(197,373)	(211,515)
Profit for the year after taxation	728,625	1,456,697
Other comprehensive income	2,416	(7,637)
Un-appropriated profit brought forward from previous year	5,674,334	4,578,426
Profit available for appropriation	6,405,375	6,027,486
Appropriations		
Dividend paid		
17/18-Rs. 3.50 per share (Interim)	-	(353,152)
17/18-Rs. 1.50 per share (Final)	(151,351)	-
Un-appropriated profit to be carried forward	6,254,024	5,674,334

Dividends

A first and final dividend of Rs. 4 per share has been recommended by the Board of Directors for payment on 05 August 2019.

The Board of Directors provided the statement of solvency to the external auditors and obtained the certificate of solvency from the external auditors in respect of the payment. The Board is satisfied that the Company would meet the solvency test immediately after the payment of first and final dividend proposed.

Reserves

The total revenue reserves of the Company as at 31 March 2019 amounted to Rs.6,720 million and the capital reserves of the Company as at 31 March 2019 amounted to Rs.4,242 million. Details of reserves are shown in the statement of changes in equity on page 142 and 143.

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 made donations to the value of Rs. 392,800 (Rs. 477,500 in 2017/18) to charities. Out of the aforementioned sum, the donations made by the Company/Group to Government approved charities amounted to Rs.110,000 (Rs.135,000 in 2017/2018).

12. Property, plant, equipment and investment properties

Details of property, plant and equipment are given on Note 18.2 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 land of the Group are revalued by professionally independent valuers and brought into financial statements. The investment properties are accounted using fair value method.

Details of fair values of investment properties are given in Note 19 to the financial statements. Details of revaluation of land are given in Note 18 to the 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 42 to the financial statements.

14. Stated capital

The stated capital of the Company as at 31 March 2019 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 3,664 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 pages 205 to 208.

Dividends, earnings, ratios, net assets, market values and the trading of the shares

Information relating to dividends, earnings, ratios, net assets, market values and the trading of the shares are given on pages 206 to 207.

The movement in the number of shares represented by the stated capital of the Company is given in the section on 'Investor Information' on page 210.

Substantial shareholdings

The details of top twenty shareholders and the percentage holding of the public are given under "Share Information" on page 205 to 208.

16. Equitable treatments to shareholders

The Company at all times ensures 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 has not engaged in any activity contravening the relevant laws and regulations.

(b) The Directors have declared all materials 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 the Board of Directors has reviewed the Company's and its subsidiaries' business plans and is satisfied that the Company and its subsidiaries have adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements of the Company and its subsidiaries 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 Company has compiled with the Code of Best Practice on Corporate Governance 2017, issued by Institute of Charted Accountants of Sri Lanka, and also the Listing Rules of the Colombo Stock Exchange. The level of conformance is given in the section on 'How we govern' on pages 92 to 106.

The Company maintains and practices high principles of good corporate governance. A separate report on "Corporate Governance" is given on pages 92 to 106 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 Director	Classification	Remarks
Mr. Sunil G. Wijesinha	NED/IND	Director/Chairman since July 2013.
Mr. Chanaka Yatawara	GCEO/ED	Non-Executive Director since June 2004; Appointed as an Executive Director since November 2004.
Mr. Ananda Atukorala	NED/IND	Director since November 2005.
Mr. Ramesh Yaseen	ED	Executive Director since June 2008.
Mrs. Hiroshini Fernando	NED/NIND	Director since July 2013.
Prof. Malik Ranasinghe	NED/IND	Director since July 2014.
Mr. Stuart Chapman	NED/IND	Director since September 2016.
Mr. Hiroyasu Inoue	NED/IND	Director since January 2017.

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

List of Directors of subsidiaries

Names of the Directors of subsidiaries of the Company are given in the 'Group Structure' on pages 20 to 21 .

New appointments and resignations of Directors

There were no new appointments or resignations of directors during the year.

Re-election and re-appointment of Directors

(i) In terms of the Article 83 of the Articles of Association of the Company, Mrs. Hiroshini Fernando, retires by rotation and being eligible offer her-self for re-election on the unanimous recommendation of the Board Nomination Committee and the Board of Directors.

(ii) Mr. Sunil G. Wijesinha, who has reached the age of 70 vacates his office, in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act). In compliance with Section 211 of the Act, the following Ordinary Resolution is proposed with the unanimous recommendation of the Board Nomination Committee and the Board of Directors in relation to his re-appointment.

"**RESOLVED THAT** Mr. Sunil G. Wijesinha, who retires in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act), upon reaching the age of 70, be and is hereby re-appointed as a Director of the Company and that the age limit of 70 years referred to in the Act shall not apply to the said Director, Mr. Sunil G. Wijesinha"

iii) Mr. Ananda Atukorala,who has reached the age of 70 vacates his office, in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act). In compliance with Section 211 of the Act, the following Ordinary Resolution is proposed with the unanimous recommendation of the Board

"**RESOLVED THAT** Mr. Ananda Atukorala, who retires in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act), upon reaching the age of 70, be and is hereby re-appointed as a Director of the Company and that the age limit of 70 years referred to in the Act shall not apply to the said Director, Mr. Ananda Atukorala"

Independence of Non-Executive Directors

The Board comprises of eight Directors of whom six Directors are Non-Executive Directors.

The Listing Rules of the Colombo Stock Exchange specify that a Non-Executive Director shall not be considered independent if he/ she has served on the Board for a period of nine years from the date of the first appointment, unless the Board taking into account all the circumstances, is of the opinion that the Director is nevertheless 'independent' and specify the criteria not met and the basis of its determination in the annual report.

Mr. Ananda Atukorala completed nine years in office as Non-Executive Director in November 2014.

The Board recognizes that Mr. Ananda Atukorala has acted in an independent manner over the years bringing his independent judgment upon matters relating to the Board Sub Committees and the Board. The Board is of the opinion that there is no reason to believe that his status as 'Independent' Director has been impaired in any manner due to his tenure in office. Having taken into account all relevant aspects, the Board determined that Mr. Ananda Atukorala continues as an 'Independent Non-Executive Director' of the Company.

All other Non-Executive Directors other than Mrs. Hiroshini Fernando are Independent Directors.

Directors' meetings

Directors' meetings which comprise of 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 106 of the annual report.

Directors' dealings in shares of the Company

Directors' shareholding as at 1 April 2018, disclosure in respect of Directors' dealings in shares of the Company during the year and their shareholding as at 31 March 2019 have been disclosed in "share information" on page 208.

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 is given in Note 13 to the financial statements.

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

Directors' 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 interests 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.

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

Related party transactions
The Directors have disclosed transactions, if any, that could be classified as related party transactions in term of LKAS 24 – 'Related Party Disclosures', and are given in Note 40 to the financial statements.

There were no related party transactions which exceed the threshold of 10% of the equity or 5% of the total assets, whichever is lower in relation to non-recurrent related party transactions or 10% of the gross revenue in relation to recurrent related party transactions. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on related party transactions.

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. They are Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee. While the first three committees are required by the Listing Rules of the Colombo Stock Exchange, functioning of all four committees are recommended by the Code of Best Practice on Corporate Governance – 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

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 each Committee is set by the Board. 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 2019 and the details of the attendance by Directors at meetings are given on page 106 and (Table 1) while the reports of these Sub Committees are given on pages 107 to 114.

Review of performance of the Board and Board Sub Committees

The performance of the Board and Board Sub Committees were appraised through a formalized process, where each individual Director anonymously comments on the dynamics of the Board/ Board Sub Committees.

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 and specific steps taken by the Company in managing the risks are detailed under the 'Enterprise Risk Management' on pages 115 to 120 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 obtained comfort on 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 is given on page 121.

20. Compliance with laws and regulations

To the best of the knowledge and belief of the Directors, the Company has 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 litigations

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

23. Responsible corporate behaviour

The Board is committed to and considers it a key priority to act responsibly towards its stakeholders and to manage economic, environmental and social impacts during value creation activities, efficiently and effectively.

24. Environmental protection

The Company has made its best endeavors 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 Management Discussion and Analysis on pages 87 to 88.

25. Human resources

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 as at the year-end was 1021 (2017/18 - 985). The details of human resources initiatives are given in the section on 'Human Capital' in the Management Discussion and Analysis on pages 77 to 86.

26. Technology

During the year, the Company, with the view to improve the processes and to deliver superior services to customers, implemented the SAP suite of HANA (SOH) ERP system and went live on 08 May 2019.

27. Industrial relations

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

28. Employee share ownership Plans

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

29. Auditors

Auditors' remuneration

The fees paid to the auditors, Messrs PricewaterhouseCoopers for audit, audit related services and non-audit services are given in Note 13 to the financial statements.

Auditors' independence

Based on the declaration provided by Messrs PricewaterhouseCoopers 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

In accordance with the Companies Act No. 07 of 2007, a resolution relating to the appointment of external auditors, Messrs. PricewaterhouseCoopers and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting to be held on the 25 July 2019.

30. Annual general meeting

The thirtieth Annual General Meeting of the Company will be held on 25 July 2019. The Notice of Meeting relating to the Annual General Meeting is given on page 213.

31. 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 Board of Directors.

Sunil G. Wijesinha
Chairman

Chanaka Yatawara
Chief Executive Officer/Executive Director

Mrs. Rinoza Hisham
Company Secretary

27 May 2019.


United
Motors
MOBILE
APP

Change with technology

In keeping with ever-evolving technological advances around the world, UML ventured in to new technologies to cater to evolving customer needs by implementing the world-renowned SAP system, launching a new after sales app and introducing 3D printing technology with a 3D studio and educational courses.

Financial **Information**

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Financial **Calendar**

Financial Statements 2018/19	
First quarter released on	30 July 2018
Second quarter released on	29 October 2018
Third quarter released on	05 February 2019
Fourth quarter released on	28 May 2019
Annual Report and Accounts	
2017/2018	04 June 2018
Meetings	
Twenty Ninth Annual General Meeting	28 June 2018
Thirtieth Annual General Meeting	25 July 2019
Dividends	
Final dividend 2017/18	06 July 2018
First & Final dividend 2018/19	05 August 2019 (Recommended)

Statement of Directors' 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 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 pages 135 to 139.

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 judgement 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 statements 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 2019 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 PricewaterhouseCoopers 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 PricewaterhouseCoopers 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 as given on page 135.

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 existence 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.

The Board of Directors provided the Statement of Solvency to the auditors and obtained Certificates of Solvency from the auditors in respect of dividend payment in terms of Section 56(2) of the Companies Act No. 07 of 2007.

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 sheet 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.

Ms. Rinoza Hisham
Company Secretary

27 May 2019

CEO and CFO's Responsibility Statement

The financial statements of United Motors Lanka PLC and Consolidated Financial Statements of the Group as at 31st March 2019 are prepared and presented in compliance with the following

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRS / LKAS)
- Companies Act No. 07 of 2007
- Listing rules of the Colombo Stock Exchange applicable to the Company

We confirm that 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. 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 judgement 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 140 to 204 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 the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgements 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 recognised in weighing the assurances provided by any system of internal controls and accounting.

The financial statements were audited by PricewaterhouseCoopers, Chartered Accountants, Independent External Auditors. Their report is given on pages from 135 to 139 of the Annual Report

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.

Thushara Jayasekara
Group Chief Financial Officer

Chanaka Yatawara
Group Chief Executive Officer / Executive Director

27 May 2019

Independent **Auditor's Report**

To the Shareholders of United Motors Lanka PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of United Motors Lanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Partners **D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, N.R. Gunasekera FCA, Ms. S. Perera ACA, T.U. Jayasinghe FCA**

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

The Company:

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property (Refer note 19 in the financial statements) The Company's investment property comprised land and building situated at Colombo 2 and is carried at fair value of Rs.495,630,000 as at 31 March 2019. A gain on revaluation of Rs.27,130,000 is recorded in the current year statement of profit or loss. The Company engaged an independent valuer to determine the fair value of its investment property at the balance sheet date. The valuation of investment property is an area of significant judgement, and includes a number of assumptions, including market prices of comparable properties in close proximity after adjusting for differences in key attributes such as property size and the physical state of building.	Our audit approach mainly included substantive audit procedures which covered the following; Obtained the valuation report provided by the external valuer and; • assessed the competence and independence of the external valuer; • verified the completeness and accuracy of the information provided to the valuer; • evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with the methods used in general industry practices for similar investment properties; • evaluated the relevance and reasonableness of significant assumptions used in the valuation [i.e. price ranges at which nearby lands are transacted, consideration of other factors such as access to main roads, size of the land extent in one plot, physical state of the buildings, replacement cost per sq ft and; • verified the land values considered by the valuer by corroborating to property market information independently. Based on our work performed, we found that the fair value of investment property as at 31 March 2019 and the resulting gain on revaluation to be appropriate.

The Group:

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory (Refer note 25 in the group financial statements) As at 31 March 2019, the group held Rs. 6,187,755,000 of inventories comprising of vehicles, spare parts, lubricants, tyres and other inventories. As disclosed in the accounting policy note 3.5.6, inventories are valued at the lower of cost and net realisable value. The determination of whether inventory will be realised for a value less than cost requires management to exercise judgement and apply assumptions. Management determined the level of write down required by estimating the future saleability of slow moving inventory with reference to inventory aging and expected future market conditions.	Our audit approach included a combination of controls testing related to the inventory process and substantive audit procedures which covered the following; • For a sample of inventory items, the recorded cost was agreed to supporting documentation to check the purchase cost, taxes and other costs incurred to bring the inventories to their present location had been recorded completely and accurately; • checked the accuracy of the inventory aging reports by testing the operating effectiveness of the IT system from which the inventory ageing reports are generated; • tested on a sample basis the reasonability of the net realisable value of vehicles by reference to recent selling prices; • management estimates of expected net realisable values for slow moving vehicle inventory were assessed for reasonableness; • evaluated the aging based write down applied, for spares, lubricants and tyres with reference to recoveries on slow moving inventories; • re- performed the calculation of the inventory write down to test computational accuracy and; • assesed whether the Group policies had been consistently applied and evaluated the appropriateness of the assumptions used based on our knowledge and information of the Group and the industry. Based on our work performed, we found management judgement and estimates for arriving at the net realisable value of slow moving inventory to be appropriate.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report - 2018/19 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate/ consolidated financial statements, management is responsible for assessing the Company's/ Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company/ Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/ consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, 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.

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number 1795
Colombo

27 May 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Revenue from contracts with customers	10	12,769,409	14,716,147	7,967,928	9,035,974
Cost of sales		(10,007,213)	(11,693,030)	(5,557,666)	(6,586,427)
Gross profit		2,762,196	3,023,117	2,410,262	2,449,547
Distribution expenses		(370,363)	(389,179)	(230,366)	(229,677)
Administrative expenses		(1,711,991)	(1,662,475)	(1,483,175)	(1,479,285)
Other expenses	11	(79,211)	(76,809)	(80,834)	(42,152)
Other income	12	152,883	182,693	159,991	909,445
Profit from operations		753,514	1,077,347	775,878	1,607,878
Finance income	14.1	44,490	58,699	201,973	159,560
Finance cost	14.1	(374,536)	(407,200)	(78,983)	(99,226)
Net finance (cost)/income		(330,046)	(348,501)	122,990	60,334
Change in fair value of investment property	19	-	-	27,130	-
Share of profit of equity accounted investee (net of income tax)		-	137,612	-	-
Profit before income tax expenses		423,468	866,458	925,998	1,668,212
Income tax (expense)/credit	15	12,455	(197,558)	(197,373)	(211,515)
Profit for the year		**435,923**	**668,900**	**728,625**	**1,456,697**
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Changes in the fair value of equity investments at fair value through other comprehensive income	14.2	(107,825)	-	(86,157)	-
Employee benefit plan actuarial gains/(losses)	32.6	3,703	(11,645)	4,039	(10,260)
Gain from revaluation of land	18	-	1,633,673	-	1,320,533
Deferred tax on actuarial (losses)/gains on defined benefit obligations	33.3	(1,470)	3,008	(1,623)	2,623
Equity accounted investee-share of other comprehensive income		-	(2,157)	-	
Items that are or may be reclassified to profit or loss					
Net change in fair value of available for sale financial assets	14.2	-	19,131	-	11,424
Other comprehensive income for the year, net of tax		(105,592)	1,642,010	(83,741)	1,324,320
Total comprehensive income for the year		**330,331**	**2,310,910**	**644,884**	**2,781,017**
Profit attributable to:					
Equity holders of the parent		435,923	668,900	728,625	1,456,697
Profit for the year		**435,923**	**668,900**	**728,625**	**1,456,697**
Total comprehensive income attributable to:					
Equity holders of the parent		330,331	2,310,910	644,884	2,781,017
Total comprehensive income for the year		**330,331**	**2,310,910**	**644,884**	**2,781,017**
Earnings per share (Rs.)	16	4.32	6.63	7.22	14.44
Dividend per share (Rs.)	17	-	-	1.50	3.50

Notes from pages 139 to 198 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March	Note	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Assets					
Non-current assets					
Property, plant and equipment	18	7,184,631	6,907,728	6,565,155	6,294,222
Investment property	19	-	-	495,630	468,500
Intangible assets	20	191,205	137,396	187,282	133,057
Investments in subsidiaries	21	-	-	222,400	247,400
Financial assets at fair value through other comprehensive income	23.2	256,411	-	197,755	-
Available for sale financial assets	23.3	-	356,309	-	274,163
Defined benefit plan	32.2	72,923	84,081	68,946	80,522
Deferred tax assets	33.1	218,550	12,057	-	-
Total non - current assets		**7,923,720**	**7,497,571**	**7,737,168**	**7,497,864**
Current assets					
Inventories	25	6,187,755	6,485,929	2,566,995	3,456,037
Trade and other receivables	26	3,068,963	1,657,783	2,406,532	917,215
Amounts due from related parties	27	-	-	51,688	40,430
Current tax receivables	36.2	9,818	5,854	-	-
Financial assets at fair value through profit or loss	24	249,469	87,203	249,469	87,203
Cash and cash equivalents	28	512,766	1,156,160	380,714	1,045,707
Total current assets		10,028,771	9,392,929	5,655,398	5,546,592
Total assets		**17,952,491**	**16,890,500**	**13,392,566**	**13,044,456**
Equity and liabilities					
Equity					
Stated capital	29	336,335	336,335	336,335	336,335
Capital reserve	30	4,556,009	4,556,009	4,242,869	4,242,869
Other components of equity		1,307,784	1,415,716	1,355,885	1,442,042
Retained earnings		6,678,979	6,392,067	6,254,024	5,674,334
Total equity attributable to the equity holders of the parent		**12,879,107**	**12,700,127**	**12,189,113**	**11,695,580**
Non-current liabilities					
Employee benefits	32.1	222,547	203,713	201,157	186,845
Deferred tax liabilities	33.2	77,411	49,077	82,274	51,103
Total non-current liabilities		**299,958**	**252,790**	**283,431**	**237,948**
Current liabilities					
Interest bearing borrowings	31	3,611,428	2,718,432	-	-
Trade and other payables	34	942,182	1,016,933	680,748	862,150
Amounts due to related parties	35	-	-	59,084	49,796
Current tax liabilities	36.1	78,205	87,785	78,073	88,524
Bank overdrafts	28	141,611	114,433	102,117	110,458
Total current liabilities		**4,773,426**	**3,937,583**	**920,022**	**1,110,928**
Total liabilities		**5,073,384**	**4,190,373**	**1,203,453**	**1,348,876**
Total equity and liabilities		**17,952,491**	**16,890,500**	**13,392,566**	**13,044,456**
Net assets per share (Rs.)		127.64	125.87	120.80	115.91

Notes from pages 139 to 198 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.

Thushara Jayasekara
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors on 27 May 2019

Approved and signed for and on behalf of the Board of Directors.

Sunil G. Wijesinha
Chairman

Chanaka Yatawara
Group CEO / Executive Director

Colombo
27 May 2019

Statement of **Changes in Equity**

	Stated Capital	Capital Reserve	Other Components of Equity: Development Reserve	Other Components of Equity: Property, Plant and Equipment Replacement Reserve	Other Components of Equity: General Reserves	Other Components of Equity: Available for Sale Reserve	FVOCI Reserve	Retained Earnings	Total Equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group									
Balance as at 01.04.2017	336,335	2,956,382	785,400	308,900	466,250	(163,965)	-	6,053,067	10,742,369
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	668,900	668,900
Other comprehensive income									
Employee benefit plan actuarial losses	-	-	-	-	-	-	-	(11,645)	(11,645)
Deferred tax on actuarial losses on defined benefit obligation	-	-	-	-	-	-	-	3,008	3,008
Net change in fair value of available for sale financial assets	-	-	-	-	-	19,131	-	-	19,131
Transfer of revaluation reserve on disposal of land	-	(34,046)	-	-	-	-	-	34,046	-
Gain from revaluation of land	-	1,633,673	-	-	-	-	-	-	1,633,673
Equity accounted investee-share of OCI	-	-	-	-	-	-	-	(2,157)	(2,157)
Total comprehensive income for the year	-	1,599,627	-	-	-	19,131	-	692,152	2,310,910
Transactions with owners, recognised directly in equity Distribution to owners of the Company									
First interim dividend paid 2017/2018	-	-	-	-	-	-	-	(353,152)	(353,152)
Balance as at 31.03.2018	336,335	4,556,009	785,400	308,900	466,250	(144,834)	-	6,392,067	12,700,127
Balance as at 31.03.2018	336,335	4,556,009	785,400	308,900	466,250	(144,834)	-	6,392,067	12,700,127
Impact of adopting SLFRS 9						144,834	(144,834)	-	-
Balance as at 01.04.2018	336,335	4,556,009	785,400	308,900	466,250	-	(144,834)	6,392,067	12,700,127
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	435,923	435,923
Other comprehensive income									
Employee benefit plan actuarial gains	-	-	-	-	-	-	-	3,703	3,703
Deferred tax on actuarial gains on defined benefit obligation	-	-	-	-	-	-	-	(1,470)	(1,470)
Net change in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	(107,825)	-	(107,825)
Net gains on disposal of FVOCI instruments							(107)	107	-
Total comprehensive income for the year	-	-	-	-	-	-	(107,932)	438,263	330,331
Transactions with owners, recognised directly in equity Distribution to owners of the Company									
Final dividend paid 2017/2018	-	-	-	-	-	-	-	(151,351)	(151,351)
Balance as at 31.03.2019	336,335	4,556,009	785,400	308,900	466,250	-	(252,766)	6,678,979	12,879,107

	Stated Capital	Capital Reserve	Other Components of Equity: Development Reserve	Property, Plant and Equipment Replacement Reserve	General Reserves	Available for Sale Reserve	FVOCI Reserve	Retained Earnings	Total Equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company									
Balance as at 01.04.2017	336,335	2,922,336	785,400	308,900	466,250	(129,932)	-	4,578,426	9,267,715
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	1,456,697	1,456,697
Other comprehensive income									
Employee benefit plan actuarial losses	-	-	-	-	-	-	-	(10,260)	(10,260)
Deferred tax on actuarial losses on defined benefit obligations	-	-	-	-	-	-	-	2,623	2,623
Gain from revaluation of land	-	1,320,533	-	-	-	-	-	-	1,320,533
Net change in fair value of available for sale financial assets	-	-	-	-	-	11,424	-	-	11,424
Total comprehensive income for the year	-	1,320,533	-	-	-	11,424	-	1,449,060	2,781,017
Transactions with owners, recognised directly in equity Distribution to owners of the Company									
First interim dividend paid 2017/2018								(353,152)	(353,152)
Balance as at 31.03.2018	336,335	4,242,869	785,400	308,900	466,250	(118,508)	-	5,674,334	11,695,580
Balance as at 31.03.2018	336,335	4,242,869	785,400	308,900	466,250	(118,508)	-	5,674,334	11,695,580
Impact of adopting SLFRS 9	-	-	-	-	-	118,508	(118,508)	-	-
Balance as at 01.04.2018	336,335	4,242,869	785,400	308,900	466,250	-	(118,508)	5,674,334	11,695,580
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	728,625	728,625
Other comprehensive income									
Employee benefit plan actuarial gains	-	-	-	-	-	-	-	4,039	4,039
Deferred tax on actuarial gains on defined benefit obligations	-	-	-	-	-	-	-	(1,623)	(1,623)
Net change in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	(86,157)	-	(86,157)
Total comprehensive income for the year	-	-	-	-	-	-	(86,157)	731,041	644,884
Transactions with owners, recognised directly in equity Distribution to owners of the Company									
Final dividend paid 2017/2018	-	-	-	-	-	-	-	(151,351)	(151,351)
Balance as at 31.03.2019	336,335	4,242,869	785,400	308,900	466,250	-	(204,665)	6,254,024	12,189,113

Capital reserve which includes revaluation reserve on property, plant & equipment represents the unutilised revaluation surplus arising out of the revaluation of lands owned by United Motors Lanka PLC.

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.

Fair value through other comprehensive income comprises the cumulative net change in the fair value of equity instruments until the investments are derecognised or impaired.

Notes from pages 139 to 198 form an integral part of these financial statements.
Figures in the brackets indicate deductions.

Statement of **Cash Flows**

For the year ended 31 March	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash (used in)/generated from operating activities (note 37.1)	(211,628)	1,790,348	234,497	1,487,613
Interest paid	(344,709)	(410,785)	(60,160)	(100,640)
Income tax paid	(180,718)	(290,883)	(178,276)	(206,076)
Contribution paid and received from investment plan (net)	(1,267)	(1,706)	(132)	(116)
Net cash (used in) / generated from operating activities	**(738,322)**	**1,086,974**	**(4,071)**	**1,180,781**
Cash flows from investing activities				
(Investment in)/proceeds from disposal of shares	(7,923)	386,124	(9,747)	339,919
Investment in unit trusts	(180,000)	-	(180,000)	-
Proceeds from disposal of equity accounted investee	-	1,000,000	-	1,000,000
Acquisitions of property, plant & equipment and intangible assets	(536,080)	(411,589)	(488,250)	(336,906)
Proceeds from disposal of property, plant & equipment	32,091	80,480	10,044	32,973
Investment in subsidiary	-	-	(25,000)	(75,000)
Interest received	19,659	13,535	108,428	35,268
Dividend received from equity accounted investee	-	15,750	-	15,750
Dividend received	8,599	18,152	83,295	90,874
Net cash (used in)/generated from investing activities	**(663,654)**	**1,102,452**	**(501,230)**	**1,102,878**
Cash flows from financing activities				
Dividend paid	(151,351)	(353,152)	(151,351)	(353,152)
Loans obtained	36,554,486	48,077,602	12,094,024	19,276,195
Loans paid	(35,671,731)	(49,320,084)	(12,094,024)	(20,634,053)
Net cash generated from/(used in) financing activities	731,404	(1,595,634)	(151,351)	(1,711,010)
Net (decrease)/increase in cash & cash equivalents	(670,572)	593,792	(656,652)	572,649
Cash & cash equivalents at the beginning of the year	1,041,727	447,935	935,249	362,600
Cash and cash equivalents at end of the year (note 28)	**371,155**	**1,041,727**	**278,597**	**935,249**

Notes from pages 139 to 198 form an integral part of these financial statements.
Figures in the brackets indicate deductions.

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.

The ultimate parent of the Company is R I L Property PLC which holds 51% of the issued shares of the Company.

1.2 Consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities").

All the Group entities are limited liability companies, incorporated and domiciled in Sri Lanka.

The financial statements of the Group entities are prepared to a common financial year ending 31 March using uniform accounting policies.

1.3 Principal activities and nature of operations

The principal activities of the Company and the subsidiaries are given below.

Name of the Company	Principal activities
United Motors Lanka PLC (UML)	Importation and sale of brand new Mitsubishi and Fuso vehicles, spare parts, lubricants, after sales services, 3D printers and related services.
Subsidiaries	
Unimo Enterprises Ltd (UEL)	Importation and sale of vehicles, accessories and tyres and assembling of vehicles.
Orient Motor Company Ltd (OMCL)	Importation and sale of vehicles & construction machinery and hiring of vehicles.
UML Heavy Equipment Ltd (UML Heavy)	Importation and sale of heavy equipment and Power generators.
UML Property Developments Ltd (UMPDL)	Renting of premises.

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 Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) relevant Interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC") 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 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

2.2 Responsibilities for the financial statements

The Board of Directors is responsible for the preparation and presentation of financial statements of the Group and the Company as per Sri Lanka Accounting Standards and the provisions of the Companies Act No.07 of 2007.

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 122 to 127, 132 to 133 and 141 respectively of this annual report.

2.3 Approval of financial statements

The financial statements for the year ended 31 March 2019 were approved and authorised for issue by the Board of Directors in accordance with the resolution of directors on 27 May 2019.

2.4 Basis of measurement

The consolidated financial statements have been prepared on an accrual basis of accounting except for cash flow information and under the historical cost convention except for following financial assets and liabilities which are measured at fair value;

- Financial assets at fair value through profit or loss.
- Financial assets measured at fair value through other comprehensive income (from 1 April 2018)
- Available for sale financial assets measured at fair value (Upto 31 March 2018).
- Defined benefit asset measured at fair value.
- Freehold land measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair value at the date of valuation.
- Investment property measured at fair value.
- Defined benefit obligation is measured after actuarially valuing the present value of the defined benefit obligation.

2.5 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The financial statements of the Company and the Group are presented in Sri Lankan Rupees, which is the Group's presentation currency. Foreign exchange gains and losses are presented in the income statement within "net finance income/ cost". All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousands, except where otherwise indicated as permitted by Sri Lanka Accounting Standards – LKAS 1 on presentation of Financial Statements.

2.6 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 LKAS 1 and amendments to LKAS 1 on "Disclosure initiatives".

2.7 Offsetting

Assets and liabilities and income and expenses in the financial statements are not offset unless required or permitted by an Accounting Standards/ interpretation (issued by the IFRS Interpretations Committee).

2.8 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous year in the financial statements in order to enhance the understanding of the current year's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year is reclassified, where relevant for better presentation and to be comparable with those of the current year.

The Group/Company has not restated the comparative information of previous financial year for financial instruments within the scope of Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Therefore, the comparative information for 2017/18 is reported under Sri Lanka Accounting Standard – LKAS 39 on "Financial Instruments: Recognition and Measurement" and is not comparable to the information presented for 2018/19. Differences arising from adoption of SLFRS 9 have been recognised directly in equity as of 1 April 2018 and are disclosed in Note 8 on pages 162 to 163.

The group has adopted SLFRS 15 Revenue from Contracts with Customers from 1 April 2018. In accordance with the transition provisions in SLFRS 15, the group has adopted the new rules retrospectively, with the cumulative effect of initially applying SLFRS 15 recognised in the opening balance of retained earnings using the modified retrospective transition approach.

2.9 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRS / LKAS) requires management to make judgements, 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 ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future year affected. More information on significant areas of estimates, uncertainty and significant judgements in applying accounting policies that have the most significant effects on the amounts recognised in these financial statements are included in the following:

Accounting Policies	Accounting judgements, estimates and assumptions	Note
Classification of financial assets and liabilities	Assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.	3.3.1
Impairment of financial assets	Estimation of amount and timing of future cash flows.	3.3.4
Useful lives of property, plant and equipment	Judgement is exercised in estimating the residual value, rates and method of depreciation.	3.5.1
Fair value of Investment properties	Judgement regarding market based evidence for estimating fair value of investment properties.	3.5.2
Impairment of non-financial assets	Judgement regarding impairment indicators, business outlook, industry & company performance, future projections & cash flows and discount rates.	3.5.7
Fair value of freehold land	Judgement regarding market based evidence for estimating fair value of land.	3.5.1
Defined benefit obligation	Key actuarial assumptions on discount rates, expected rates of return on assets, future salary increases and mortality rates.	3.6.5..3
Useful life of intangible assets	Judgement regarding useful life of intangible assets.	3.5.4

Accounting Policies	Accounting judgements, estimates and assumptions	Note
Provision for contingent liabilities	Estimate of ongoing legal disputes and litigations and any other commitments.	3.6.6
Current tax and deferred tax	Judgement regarding deferred tax asset (the likely timing and level of future taxable profits) and provision for uncertain tax positions.	3.7.9

2.10 Going concern
The Directors have made an assessment of the entity'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 entities in the Group. Accordingly, the financial statements continue to be prepared on a going concern basis.

2.11 Fair value of financial instruments
The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

3. Significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by the entities in the Group. The accounting policies adopted by the companies in the Group are consistent with those used in the previous year except for the changes due to adoption of new accounting standards as mentioned in note 7.

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 up to the date of divestment.

3.1.1 Business combination
Business combinations are accounted for using the acquisition method of accounting when the control is transferred to the parent as per Sri Lanka Accounting standard SLFRS 3 on "Business Combinations". The consideration transferred in the acquisition and identifiable net assets are measured at fair value. Any goodwill that arises is tested annually for impairment. The results of subsidiaries and equity accounted investee have been included from the date of acquisition, or incorporation while results of subsidiaries and equity accounted investee disposed will be included up to the date of disposal. Any gains on a bargain purchase is recognized 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 to govern the financial and operating policies 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 21 to the financial statements. 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
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.

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 gains or losses arising on the loss of control is recognized 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 the 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.

3.2 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. The foreign currency gains or losses on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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 and 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 Non derivative financial assets

3.3.1 Classification

From 1 April 2018 as per SLFRS 9, the group classifies its financial assets based on business model for managing the financial assets and the contractual terms of the cash flows measured at either;

- Fair value (either through OCI (FVOCI) or through profit or loss (FVPL), and;
- Amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

3.3.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

3.3.3 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3.3.3.1 Debt Instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or losses arising on derecognition is recognised directly in profit or loss and presented in finance income/cost together with foreign exchange gains and losses.

Financial assets measured at FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Financial assets measured at FVPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are measured at FVPL.

Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in finance income/(cost) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments not held for trading measured at FVOCI are not reported separately from other changes in fair value.

3.3.3.2 Equity instruments

The Group subsequently measures all equity investments at fair value.

The group's management has elected to present fair value gains and losses on long term equity investments in OCI with no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the company's right to receive payments is established.

Equity investments acquired for the purpose of trading and investments in unit trust are classified as FVPL. Changes in the fair value of financial assets at FVPL are recognised in finance income/(cost) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments not held for trading measured at FVOCI are not reported separately from other changes in fair value.

Details of the impact on reclassification and measurement from LKAS 39 to SLFRS 9 are disclosed in transition disclosures given in Note 8 on pages 162 to 163.

3.3.4 Impairment

From 1 April 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 22.4 for further details.

3.3.5 Accounting policies applied until 31 March 2018

Up to 31 March 2018 as per LKAS 39, the Group classified its financial assets into one of the following categories:

- Financial assets at fair value through profit or loss (FVPL)
- Loans and receivables
- Held to maturity
- Available for sale

The subsequent measurement of financial assets up to 31 March 2018 was as follows;

Financial assets at fair value through profit or loss

Financial asset at fair value through profit or loss include financial assets classified as held for trading or financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if such investments 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 recognized in finance income or finance costs in the Statement of Comprehensive Income.

Loans and 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 amortised cost using the effective interest method (EIR), less any impairment losses. The losses arising from impairment are recognised in the Statement of Comprehensive Income as impairment losses on loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. 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.

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. Held to maturity investments are initially recognised at fair value plus any directly attributable transaction costs. After initial measurement, held-to maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Amortised 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 Amortisation 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.

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.

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 amortised cost

The Company considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. 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 Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgements 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are 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 company 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. The cumulative impairment loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and Amortisation and the current fair value , less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected in interest income. 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 recognized in profit or loss, then the impairment loss is reversed, the reversal is 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.

3.4 Non derivative financial liabilities

3.4.1 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.

3.4.2 Subsequent measurement

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Such financial liabilities measured at amortised cost includes trade and other payables, interest bearing borrowings, overdrafts, amounts due to related companies etc.

3.4.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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.

3.4.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position when and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.5 Non financial assets and basis of measurement

3.5.1 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 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 unless carrying value do not differ materially from the fair value 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 Company 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.

Derecognition

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 gains 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 Company 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	5–10 years
Office equipment	4 years
Electrical fixtures and fittings	4–10 years
Machinery and tools	4–10 years
Motor vehicles	4 years
Reference books	10 years
Computers	5 years

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. The assets' useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

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 capitalised and depreciated over the term of the lease or useful life whichever is shorter. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately.

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 Statement of Comprehensive Income in the year 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 and equipment.

3.5.2 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 Company 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 and 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.
- 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.

At the subsequent measurement investment properties are recognized at fair value.

The fair value of investment properties is determined by using valuation techniques. Further details of the judgements and assumptions made are disclosed in Note 2.9

Derecognition

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-Investment Property.

3.5.3 Leased assets

Finance leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of 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. Any prepayments are recognised in the Consolidated Statement of Financial Position as leasehold rights.

When an operating lease is terminated before the lease period has expired, any payment required to be made to lessor by way of penalty is recognised as an expense in the period in which termination takes place.

3.5.4 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. If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree less the net amount of the fair value of the assets acquired and liabilities assumed is recognised. 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

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

- the expenditure attributable to the software during its development can be reliably measured.

Intangible assets are amortized using the straight- line method to write down the cost over its estimated useful economic life of 2-5 years from the date of which it is available for use.

Subsequent expenditure
Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Useful economic lives and amortisation
Computer software are amortised over their estimated useful economic life on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if required.

Derecognition
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 Derecognition 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.

3.5.5 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 recognized to the extent of its negative net assets.

3.5.6 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 purchasing the inventories and other costs incurred in bringing them to their present location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. 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

Inventories are written down to reflect the lower of cost or net realizable value where required.

3.5.7 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 its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets 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.

3.6 Liabilities and provisions

3.6.1 Trade & other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.6.2 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance costs.

3.6.3 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.

3.6.4 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-Events after the reporting period.

3.6.5 Employee benefits

3.6.5.1 Short term employee benefits

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

3.6.5.2 Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity (a fund) 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.

(a) 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 in the Group and their employees contribute at 12% and 8% respectively to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

(b) Employees' Trust Fund

The Company and the 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.

3.6.5.3 Defined benefit plans - retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits under the Payment of Gratuity Act No. 12 of 1983. The liability for the gratuity payment to an employee arises only on the completion of five years of continued service with the Company. The net obligation of the Company in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounted to determine its present value.

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 comprises actuarial gains and losses, are recognised immediately in OCI. The Company 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 recognized in the statement of comprehensive income.

The Company recognizes all actuarial gains and losses arising from defined benefit plan immediately in other comprehensive income and all expenses related to defined benefit plan in employee benefit expenses 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 into with AIA Insurance which covers 788 employees of the Company as at 31 March 2019.

All the subsidiaries have adopted actuarial valuation method in line with Group accounting policies.

The gratuity liability of subsidiaries are partly externally funded with AIA Insurance PLC.

3.6.6 Capital commitments and 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 as defined in the Sri Lanka Accounting Standard LKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Capital commitments and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

3.6.7 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.

3.7 Statement of comprehensive income

3.7.1 Revenue recognition

Revenue is recognised based on SLFRS 15, when control of the products/service has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the location as in the sales contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A new five-step model with reference to SLFRS 15, is applied before the revenue is recognized in books.

1. identify the contract with customers
2. identify the separate performance obligations
3. determine the transaction price of the contract
4. allocate the transaction price to each of the separate performance obligations, and;
5. recognise the revenue as each performance obligation is satisfied.

When determine the whether the control has been transferred to the customer, the following indicators are taken into account,

- Legal title to the asset;
- Customer has accepted the asset;
- Physical possession of the asset;
- Right for the payment; and
- Customer has significant risk and rewards

When (or as) a performance obligation is satisfied, an entity recognises as revenue the amount of the transaction price (which excludes estimates of variable considerations, if any) that is allocated to that performance obligation. Transaction prices are explicitly stated in the contract with customers and agreed upon.

The accounting policies for the group's revenue from contracts with customers are explained in note 10 of the financial statements.

3.7.2 Other income

(a) Profit or loss on disposal of property, plant and equipment

The gains or losses on the sale of property, plant and equipment are determined as the difference between the carrying amount of the property, plant and equipment at the time of disposal and the proceeds of disposal, net of expenses incurred on disposal.

(b) Gains/losses on the disposal of investments

Gains/losses on the disposal of investments held by the parent have been accounted under other income after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

(c) Rental income

Rental income received or receivable in the course of ordinary activities is recognised on a straight-line basis over the term of the lease.

(d) Sundry income

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material are aggregated, reported and presented under sundry income on a net basis.

3.7.3 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 Company's right to receive the payment is established.

The interest component of finance lease payment is recognized 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.

Changes in the fair value of financial assets at FVPL are recognised in finance income/(cost) in the statement of comprehensive income as applicable.

3.7.4 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 Comprehensive Income.

3.7.5 Expenditure

(a) Capital expenditure

All expenditure incurred in running of the business and in maintaining the property, plant and equipment 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 earnings capacity of the business has been treated as capital expenditure.

(b) Repairs and maintenance expenses

All expenditure incurred in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of comprehensive income in arriving at the profit of the year.

(c) Other expenses

Other expenses are recognised in the Statement of comprehensive income on the basis of a direct association between the cost incurred and the earnings of specific items of income. Provisions in respect of other expenses are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.7.6 Income tax expense

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or other comprehensive income.

3.7.7 Tax exposures

In determining the amount of current and deferred tax, the Company 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 Company 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.

3.7.8 Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Accordingly, provision for taxation is made on the basis of the accounting profit for the year is adjusted for taxation purposes in accordance with the provisions of Inland Revenue Act No 24 of 2017 and amendments thereto, have been applied w.e.f 1 April 2018.

3.7.9 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 at the time of transaction affect either accounting or taxable profit or loss,
- temporary differences relating to investments in subsidiaries, to the extent that the Company 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.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

The principal temporary difference arise from depreciation on property, plant and equipment, investment property, intangible assets, tax losses carried forward and provision for defined benefit obligations.

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 realised, based on the level of future taxable profit forecasts and tax planning strategies.

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 realised simultaneously.

3.7.10 Investment allowances and similar tax incentives

Companies within the group is entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

3.7.11 Withholding Tax on dividends (WHT)

- Withholding tax on dividends distributed by the subsidiaries.

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.

3.7.12 Value added tax (VAT)

The Company and its subsidiaries are liable to pay Value Added Tax on taxable supplies at the specified rates where applicable.

3.7.13 Economic service charge (ESC)

The Company and its subsidiaries are liable to pay Economic Service Charge at specified rates where applicable.

3.7.14 Nations building tax (NBT)

The Company and its subsidiaries are liable to pay Nation Building Tax (NBT) at specified rates where applicable.

4. Basic earnings per share

The financial statements present basic earnings per share (EPS) for its ordinary shares. 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. Operating segments

An operating segment is a distinguishable component of Group that is engaged in either in providing products or services (business segment) or in providing products and services with in a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

The Group has seven 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 passenger vehicles, commercial vehicles and special purpose vehicles
Repairs and services	Repairs and servicing of vehicles
Tyres	Sale of tyres
Lubricant and other services	Sale of lubricant and hiring of vehicles
Heavy equipment	Sale of heavy equipment and power generators
3D printers & services	Sale of 3D printers, spares, materials & related services

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) and related revenue, loans and borrowings, related expenses, corporate and head office expenses and income tax assets and 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.

6. 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

Cash and cash equivalents comprise of cash in hand and balances with banks which are 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 page 144.

7. New accounting standards adopted by the Company

(a) The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018:

- SLFRS 9 - Financial Instruments
- SLFRS 15- Revenue from Contracts with Customers
- Transfers to Investment Property – Amendments to LKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies following the adoption of SLFRS 9 and SLFRS 15. This is disclosed in note 8. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(i) SLFRS 9 Financial Instruments and associated amendments to various other standards

SLFRS 9 replaces the multiple classification and measurement models in LKAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if:

a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and

b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of comprehensive income except for equity investments that are not held for trading, which is recorded in the statement of other comprehensive income or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than in comprehensive income.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Further changes introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9. The changes introduced.

i. a third measurement category (FVOCI) for certain financial assets that are debt instruments
ii. a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard is effective for the annual periods beginning on or after 1 January 2018.

(ii) SLFRS 15 Revenue from contracts with customers and associated amendments to various other standards

SLFRS 15 replaced LKAS 18 which covered contracts for goods and services and LKAS 11 which covered construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:
i. identify contracts with customers
ii. identify the separate performance obligation
iii. determine the transaction price of the contract
iv. allocate the transaction price to each of the separate performance obligations, and;
v. recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:
i. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
ii. Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
iii. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
iv. There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
v. There are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Amendments to SLFRS 15, 'Revenue from contracts with customers'

These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation permitted).

This standard and the amendment is effective for the annual periods beginning on or after 1 January 2018.

(iii) Amendments to LKAS 40 - Transfers of Investment Property

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.

Provided two option for transition:
i. prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or
ii. retrospectively - only permitted without the use of hindsight.

Additional disclosures are required if an entity adopts the requirements prospectively.

This amendment is effective for the annual periods beginning on or after 1 January 2018.

(iv) IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:
i. retrospectively for each period presented
ii. prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or
iii. prospectively from the beginning of a prior reporting period presented as comparative information.

This amendment is effective for the annual periods beginning on or after 1 January 2018.

(b) New accounting standards, amendments and interpretations issued but not yet adopted.

(i) SLFRS 16, 'Leases' will affect primarily the accounting by lessees and will result in the recognition of almost all leases in the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company and the Group entities are assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 16.

The standard is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if SLFRS 15, 'Revenue from Contracts with Customers', is also applied.

(ii) IFRIC 23, 'Uncertainty over income tax treatments'
This IFRIC clarifies how the recognition and measurement requirements of LKAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

This amendment is effective for the annual periods beginning on or after 1 January 2019.

(iii) Amendments to LKAS 1 and LKAS 8 on the definition of material

The amendments to LKAS 1, 'Presentation of financial statements', and LKAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other SLFRSs:

I. use a consistent definition of materiality throughout SLFRSs and the Conceptual Framework for Financial Reporting;
II. clarify the explanation of the definition of material; and
III. incorporate some of the guidance in LKAS 1 about immaterial information.

These amendments are effective for the annual periods beginning on or after 1 January 2020.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on the foreseeable future transactions.

(iv) Amendments to SLFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from LKAS 39.

This amendment is effective for annual periods beginning on or after 1 January 2019.

(v) Annual improvements 2015–2017
These amendments includes minor changes to the following standards:

I. SLFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
II. LKAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
III. LKAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

These amendments are effective for the annual periods beginning on or after 1 January 2019.

(vi) Amendments to LKAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'

These amendments require an entity to:

I. use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
II. recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

This amendment is effective for the annual periods beginning on or after 1 January 2019.

(vii) Amendments to SLFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

This amendment is effective for the annual periods beginning on or after 1 January 2020.

8. Transition disclosures

8.1 Adoption of SLFRS 9

The following notes set out the impact of adopting Sri Lanka Accounting Standard–SLFRS 9 (Financial Instruments) at transition date, 1 April 2018 on the Statement of Financial Position.

Reclassification:

These adjustments reflect the movement of the balances between categories on the Statement of Financial Position with no impact to shareholders' equity. There is no change to the carrying value of the balances as a result of the reclassification.

8.1.1 Reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1 April 2018.

Group

As at 1 April 2018	Note	LKAS 39 Measurement		Reclassification	SLFRS 9	
		Category	Amount Rs'000	Amount Rs'000	Amount Rs'000	Category
Financial assets fair value through other comprehensive income (FVOCI)						
Financial assets available for sale		AFS	356,309	(356,309)		
To : Financial assets - FVOCI	A			(356,309)		
Financial assets - FVOCI		N/A		356,309	356,309	FVOCI
From : Financial assets AFS	A			356,309		
Financial assets fair value through profit or loss (FVPL)						
Other investments		FVPL	87,203		87,203	FVPL
Financial assets measured at amortised cost						
Trade and other receivables		L&R	1,657,783		1,657,783	AC
Cash and cash equivalents		L&R	1,156,160		1,156,160	AC
			3,257,455		3,257,455	
Financial liabilities at amortised cost						
Interest bearing borrowings		AC	2,718,432		2,718,432	AC
Trade and other payables		AC	1,016,933		1,016,933	AC
Bank overdrafts		AC	114,433		114,433	AC
			3,849,798		3,849,798	

Company

As at 1 April 2018	Note	LKAS 39 measurement		Reclassification	SLFRS 9	
		Category	Amount Rs'000	Amount Rs'000	Amount Rs'000	Category
Financial assets fair value through other comprehensive income (FVOCI)						
Financial assets available for sale		AFS	274,163	(274,163)		
To : Financial assets - FVOCI	A			(274,163)		
Financial assets - FVOCI		N/A		274,163	274,163	FVOCI
From : Financial assets AFS	A			274,163		
Financial assets fair value through profit or loss (FVPL)						
Other investments		FVPL	87,203		87,203	FVPL
Financial assets measured at amortised cost						
Trade and other receivables		L&R	917,215		917,215	AC
Amounts due from related parties		L&R	40,430		40,430	AC
Cash and cash equivalents		L&R	1,045,707		1,045,707	AC
			2,364,718		2,364,718	
Financial liabilities at amortised cost						
Trade and other payables		AC	862,150		862,150	AC
Amounts due to related parties		AC	49,796		49,796	AC
Bank overdrafts		AC	110,458		110,458	AC
			1,022,404	-	1,022,404	

L&R-Loans & Receivables, AFS-Available For Sale, FVPL-Fair Value through P&L, FVOCI-Fair Value through Other Comprehensive Income, AC-Amortised Cost, N/A-Not applicable

Note A :

Financial assets previously classified under available for sale category have been reclassified as financial assets fair value through other comprehensive income (FVOCI) upon adoption of SLFRS 9. The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of Rs. 356 Mn (Group) and Rs. 274 Mn (Company) were reclassified from available-for-sale financial assets to financial assets at FVOCI as of 1 April 2018.

8.1.2 Impact of Transition on reserves and retained earnings

Impact of adopting SLFRS 9 has not been recognized as a prior year adjustment as it was considered immaterial.

8.2 Adoption of SLFRS 15

Impact of transition to SLFRS 15

Impact of adopting SLFRS 15 has not been recognized as a restatement of opening reserves as it was considered immaterial.

9. SEGMENT INFORMATION

Group

In Rs.'000	Spare parts 2019	Spare parts 2018	Vehicles 2019	Vehicles 2018	Repairs & services 2019	Repairs & services 2018	Equipment & machinery 2019	Equipment & machinery 2018	3D Printers & services 2019	3D Printers & services 2018	Tyres 2019	Tyres 2018	Lubricant & Other services 2019	Lubricant & Other services 2018	Total 2019	Total 2018
Revenue from contracts with customers																
External - Goods transferred at a point in time	1,712,642	1,640,442	9,067,547	11,107,286	-	-	97,523	43,020	5,355	-	177,350	206,714	665,333	820,979	11,725,750	13,818,441
- Services rendered	-	-	304,548	174,102	739,111	723,604	-	-	-	-	-	-	-	-	1,043,659	897,706
Total revenue from contracts with customers	**1,712,642**	**1,640,442**	**9,372,095**	**11,281,388**	**739,111**	**723,604**	**97,523**	**43,020**	**5,355**	**-**	**177,350**	**206,714**	**665,333**	**820,979**	**12,769,409**	**14,716,147**
Segment results	**593,244**	**630,592**	**559,874**	**810,766**	**58,766**	**30,784**	**(57,283)**	**(13,719)**	**(13,019)**	**-**	**13,563**	**23,026**	**50,213**	**82,738**	**1,205,358**	**1,564,187**
Unallocated income															152,883	182,693
Unallocated expenses															(604,727)	(669,533)
Profit from operations before finance cost															753,514	1,077,347
Net finance cost															(330,046)	(348,501)
Profit from operations															423,468	728,846
Share of profit of equity accounted investee (net of income tax)															-	137,612
Profit before income tax expense															423,468	866,458
Income tax expenses															12,455	(197,558)
Profit from ordinary activities															**435,923**	**668,900**
Employee benefit plan actuarial gains/(losses)															3,703	(11,645)
Gain from revaluation of land															-	1,633,673
Deferred tax on actuarial gains/(losses) on defined benefit obligation															(1,470)	3,008
Equity accounted investee - share of OCI															-	(2,157)
Net change in fair value of available for sale financial assets															-	19,131
Net change in the fair value of equity investments at fair value through other comprehensive income															(107,825)	-
Total comprehensive income attributable to equity holders of the parent															**330,331**	**2,310,910**
Segment assets	2,224,545	1,771,719	10,023,327	10,946,665	622,984	524,939	113,293	94,251	30,206	-	293,584	220,078	839,646	861,866	14,147,585	14,419,518
Unallocated assets															3,804,906	2,470,982
Total assets	**2,224,545**	**1,771,719**	**10,023,327**	**10,946,665**	**622,984**	**524,939**	**113,293**	**94,251**	**30,206**	**-**	**293,584**	**220,078**	**839,646**	**861,866**	**17,952,491**	**16,890,500**
Segment liabilities	56,007	43,267	394,312	372,287	4,347	5,885	19,471	8,131	537	-	9,395	6,267	40,581	7,676	524,650	443,513
Unallocated liabilities															4,548,734	3,746,860
Total liabilities	**56,007**	**43,267**	**394,312**	**372,287**	**4,347**	**5,885**	**19,471**	**8,131**	**537**	**-**	**9,395**	**6,267**	**40,581**	**7,676**	**5,073,384**	**4,190,373**
Segment capital expenditure - allocated	30,604	45,881	132,280	315,524	77,528	20,238	29,682	1,203	30,455	-	1,832	5,781	7,256	22,962	309,637	411,589
- Unallocated (solar system)															226,443	-
															536,080	411,589
Depreciation & amortisation - allocated	16,617	18,936	96,601	130,225	47,184	8,353	13,907	497	3,219	-	3,077	2,386	13,627	9,477	194,232	169,874
Non cash expenses/(income)	22,736	27,804	39,749	53,232	5,328	2,118	-	-	-	-	228	2,214	11,169	7,926	79,210	93,294

Notes: All amounts are in Rs.'000s, unless otherwise stated.
Figures in brackets indicate deductions.

Company

In Rs.'000	Spare parts 2019	Spare parts 2018	Vehicles 2019	Vehicles 2018	Repairs & services 2019	Repairs & services 2018	3D Printers & services 2019	3D Printers & services 2018	Lubricant & Other services 2019	Lubricant & Other services 2018	Total 2019	Total 2018
Revenue from contracts with customers												
External - Goods transferred at a point in time	1,702,687	1,627,269	4,460,688	5,614,521	-	-	6,250	-	668,327	822,728	6,837,952	8,064,518
- Services rendered	-	-	304,287	175,073	823,932	794,898	-		1,757	1,485	1,129,976	971,456
Total revenue from contracts with customers	1,702,687	1,627,269	4,764,975	5,789,594	823,932	794,898	6,250	-	670,084	824,213	7,967,928	9,035,974
Segment results	593,606	627,621	550,436	615,595	143,588	102,081	(13,019)	-	55,223	91,967	1,329,834	1,437,264
Unallocated income											159,991	909,445
Unallocated expenses											(713,947)	(738,831)
Profit from operations before finance cost											775,878	1,607,878
Net finance income											122,990	60,334
Change in fair value of investment property											27,130	-
Profit before income tax expense											925,998	1,668,212
Income tax expenses											(197,373)	(211,515)
Profit from ordinary activities											728,625	1,456,697
Employee benefit plan actuarial gains / (losses)											4,039	(10,260)
Gain from revaluation of land											-	1,320,533
Deferred tax on actuarial gains / (losses) on defined benefit obligation											(1,623)	2,623
Net change in fair value of available for sale financial assets											-	11,424
Net change in the fair value of equity investments at fair value through other comprehensive income											(86,157)	-
Total comprehensive income attributable to equity holders of the parent											644,884	2,781,017
Segment assets	2,105,999	2,031,728	6,092,098	7,042,724	882,322	525,954	30,206	-	1,078,466	1,097,992	10,189,091	10,698,398
Unallocated assets					-						3,203,475	2,346,058
Total assets	2,105,999	2,031,728	6,092,098	7,042,724	882,322	525,954	30,206	-	1,078,466	1,097,992	13,392,566	13,044,456
Segment liabilities	50,489	42,205	243,157	299,807	4,347	5,885	537	-	40,580	7,676	339,109	355,573
Unallocated liabilities											864,344	993,303
Total liabilities	50,489	42,205	243,157	299,807	4,347	5,885	537	-	40,580	7,676	1,203,453	1,348,876
Segment capital expenditure - allocated	38,873	60,673	99,507	215,865	82,382	29,638	30,494	-	10,551	30,730	261,807	336,906
- Unallocated (solar system)											226,443	-
											488,250	-
Depreciation & amortisation - allocated	21,819	24,727	67,515	87,974	50,778	12,079	3,248	-	12,176	12,524	155,536	137,304
Non cash expenses / (income)	22,432	27,999	(8,095)	13,119	5,328	2,118	-	-	61,170	7,362	80,835	50,598

Notes: All amounts are in Rs.'000s, unless otherwise stated.
Figures in brackets indicate deductions.

10. Revenue from contract with customers

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Brand new vehicles	9,067,547	11,107,286	4,460,688	5,614,521
Spare parts, repairs & services	2,451,753	2,364,046	2,526,619	2,422,167
Lubricants & car care products	665,333	820,979	668,327	822,728
Local charges	304,548	164,428	304,287	165,399
Facilitation fee	-	9,674	-	9,674
Equipment & machinery	97,523	43,020	-	-
Hiring	-	-	1,757	1,485
3D printers & services	5,355	-	6,250	-
Tyres	177,350	206,714	-	-
	12,769,409	14,716,147	7,967,928	9,035,974

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 unbundle and 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 result 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/Group 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.

Extended warranty issued by the company only provides assurance that a product will function as expected in accordance with the specifications set out in the manufacturer's warranty. Further, the warranty is intended to only safeguard the customer against existing defects and does not provide any incremental service to the customer. Therefore, extended warranty is not accounted for as a separate performance obligation.

10.4 Liabilities related to contracts with customers

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Contract liabilities				
Advances received from customers	158,247	68,027	44,182	58,371
	158,247	68,027	44,182	58,371

10.4 Accounting policies and significant judgements

Sale of goods and services

The group sells a range of brand new motor vehicles , spare parts, lubricants, tyres, heavy machinery & equipment, 3D printers and provides after sales services to customers. Vehicle sales are recognised when control or the legal title of the vehicle is transferred to customer. Revenue of all other products has been recognised when the products are delivered to the customer/dealer and there is no unfulfilled obligation that could affect the customer's/dealer's acceptance of the products. Revenue from services are recognised upon completion of job/service obligation.

Revenue from these sales is recognised based on the price specified in the contract, net of volume discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made on cash basis or with a credit term of 30-90 days, which is consistent with market practices.

11. Other expenses

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Write-down of inventory to lower of cost or NRV (Net Realisable Value)	78,094	64,094	31,280	32,384
Impairment of investment in subsidiary (note 21)	-	-	50,000	-
Impairment (reversal)/losses and write offs on loans and receivables	1,117	12,715	(446)	9,768
	79,211	76,809	80,834	42,152

12. Other income

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rent income	1,514	1,840	28,811	31,848
Profit on disposal of property, plant & equipment	26,604	71,206	8,137	23,699
Profit on disposal of investment in equity accounted investee (note 12.1)	-	82,078	-	826,455
Award received from principal	19,083	9,911	19,083	9,911
Incentives received from principal	55,709	3,161	55,709	3,161
Facilitation fee	32,904	-	32,904	-
Staff loan interest	1,117	1,008	1,117	1,008
Commission on insurance	2,944	4,582	2,944	4,582
Income on legal services	80	419	80	419
Valuation fee	64	102	64	102
Sundry income (note 12.2)	12,864	8,386	11,142	8,260
	152,883	**182,693**	**159,991**	**909,445**

12.1 Profit on disposal of equity accounted investee

	31.03.2019		28.03.2018	
	Group	Company	Group	Company
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total consideration received	-	-	1,000,000	1,000,000
Investment in equity accounted investee	-	-	-	(173,545)
Group's share of net assets recognised upto the date of divestment	-	-	(918,032)	-
Remaining unrealised profit on purchase of goods from equity accounted investee		-	110	-
Profit on disposal of equity accounted investee	**-**	**-**	**82,078**	**826,455**

12.2 Sundry income

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Scrap sales	7,319	5,784	7,319	5,784
Miscellaneous	5,545	2,602	3,823	2,476
	12,864	**8,386**	**11,142**	**8,260**

13. Profit from operations

13.1 Profit from operations is stated after charging all expenses including the following:

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' emoluments	95,002	113,554	73,012	91,036
Auditors' remuneration (note 13.1.1)	3,898	4,553	2,727	3,316
Tax compliance/consultancy charges	1,121	1,133	704	704
Depreciation on property, plant & equipment (note 18)	191,920	167,891	153,640	135,730
Amortization of intangible assets (note 20.2)	2,312	1,983	1,896	1,574
Employee benefit expense (note 13.1.2)	1,010,159	964,184	810,261	830,553
Donations	393	478	393	478
Legal fees	3,129	1,805	2,922	1,239
Impairment of investment in subsidiary (note 21)	-	-	50,000	-
Operating lease rentals	108,375	104,600	171,317	156,628

13.1.1 Auditor's remuneration

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Audit services and related services	3,898	3,994	2,727	2,757
Non audit services	-	559	-	559
	3,898	**4,553**	**2,727**	**3,316**

13.1.2 Employee benefit expense

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Salaries and bonus	820,582	798,168	659,026	692,154
Contributions to defined contribution plan	100,734	90,550	79,123	74,036
Retirement benefit obligation	34,637	29,540	29,928	25,493
Others	54,206	45,926	42,184	38,870
	1,010,159	**964,184**	**810,261**	**830,553**
Number of employees at the end of the year (full time)	1,021	985	810	788

14. Finance income and finance cost

14.1 Recognised in profit or loss

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Finance income				
Income from unimpaired financial assets:				
Interest on call deposits	12,290	4,789	10,312	2,869
Interest on amounts due from related parties	-	-	90,747	24,448
Income from unit trust investments	6,252	7,738	6,252	6,943
Foreign exchange gains	17,162	9,762	11,180	2,679
Net gains on disposal of				
Financial assets at fair value through profit or loss	-	1,917	-	1,917
Available for sale financial assets	-	13,038	-	10,777
Dividend income on				
Financial assets at the fair value through profit or loss	2,164	2,853	2,164	3,932
Available for sale financial assets	-	15,299	-	10,153
Financial assets at fair value through other comprehensive income	6,435	-	4,781	-
Dividend income from investments in subsidiaries	-	-	76,350	76,789
Dividend income from equity accounted investee	-	-	-	15,750
Net change in fair value of financial assets at				
Fair value through profit or loss - equity investments	-	3,303	-	3,303
Fair value through profit or loss - unit trust	187	-	187	-
Total finance income	**44,490**	**58,699**	**201,973**	**159,560**
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(353,686)	(406,240)	(59,676)	(98,583)
Interest on overdrafts	(1,263)	(367)	(484)	(50)
Net change in fair value of financial assets at				
Fair value through profit or loss	(17,920)	-	(17,920)	-
Foreign exchange losses	(1,667)	(593)	(903)	(593)
Total finance cost	**(374,536)**	**(407,200)**	**(78,983)**	**(99,226)**
Net finance (cost)/income recognised in profit or loss	**(330,046)**	**(348,501)**	**122,990**	**60,334**

14.2 Recognised in other comprehensive income

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Net change in fair value of available for sale financial assets	-	19,131	-	11,424
Net change in the fair value of equity investments at				
fair value through other comprehensive income	(107,825)	-	(86,157)	-
	(107,825)	**19,131**	**(86,157)**	**11,424**

15. Income tax expenses

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Current tax expense				
Current tax on profit for the year (note 15.1)	189,143	205,799	187,142	199,625
Adjustments in respect of prior years	(21,969)	(18,568)	(19,317)	(15,025)
Total current tax expense	167,174	187,231	167,825	184,600
Deferred tax expense				
Deferred tax asset (recognised)/reversed during the year (note 33.1)	(206,340)	(2,943)	-	-
Deferred tax liability charged during the year (note 33.2)	26,711	13,270	29,548	26,915
Total deferred tax charge/(reversal)	(179,629)	10,327	29,548	26,915
Income tax/(credit) expenses	**(12,455)**	**197,558**	**197,373**	**211,515**

The Department of Inland Revenue 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 was appealed against with Tax Appeals Commission.

On 12 June 2018 the Tax Appeal Commission issued their determination in favour of the company dismissing the assessment issued by CGIR. However CGIR has since filled action in the Court of Appeal against the said determination of the Tax Appeal Commission. However, as the latest independent judgement received is in favour of the Company the provision made was reversed.

15.1 Reconciliation of the accounting profit to income tax expense:

The tax on the results of the Group's operations and the Company's profits before tax differs from the theoretical amounts that would arise using the basic tax rates as follows.

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Profit before income tax expense	423,468	866,458	925,998	1,668,212
Share of profit of equity accounted investee	-	(137,612)	-	-
Profit on disposal of equity accounted investee	-	(82,078)	-	(826,455)
Exempt dividend and other non business income	(131,391)	(114,605)	(225,216)	(182,781)
	292,077	532,163	700,782	658,976
Add : Disallowable expenses	478,061	364,536	332,635	231,680
Deduct : Allowable expenses	(543,332)	(224,987)	(474,574)	(208,922)
Profit from trade or business	226,806	671,712	558,843	681,734
Interest income/tax profit or loss on disposal of property plant & equipment	129,906	38,131	109,520	31,212
Total statutory income/assessable income	356,712	709,843	668,363	712,946
Tax losses set off against income tax (note 15.2b)	(529)	(8,326)	-	-
Taxable income net of tax losses	356,183	701,517	668,363	712,946
Tax losses	412,225	117,930	-	-
Taxable income	768,408	819,447	668,363	712,946
Taxable income liable at standard rate	668,364	728,499	668,363	712,946
Taxable income liable at concessionary rate	100,044	90,948	-	-
	768,408	**819,447**	**668,363**	**712,946**
Income tax using the corporate tax rate				
At 28%	187,142	203,980	187,142	199,625
At 2%	2,001	1,819	-	-
Current tax	**189,143**	**205,799**	**187,142**	**199,625**
Effective tax rate	45%	24%	20%	12%

15.2 Income tax provisions

(a) Current tax has been computed in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and amendments thereto. The taxable profit of the Company & subsidiaries are liable for income tax at 28% (2018-28%) except for the 'taxable profit' of UML Property Development Ltd (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 and will be liable at the said rate till the year 2022.

(b) As per the Inland Revenue Act No. 24 of 2017, tax losses can be deducted in full and the remaining losses can be carried forward only up to six years.

The tax losses carried forward by the Group entities as at 31 March 2019 amounts to Rs.723,576,119 (Rs.310,342,743 in 2018)

	Group	
	2019 Rs.'000	2018 Rs.'000
Tax losses at the beginning of the year	310,343	200,467
Tax losses for the year	412,755	118,220
Adjustment in respect of previous year	1,007	(18)
Tax losses set off during the year	(529)	(8,326)
Tax losses at the end of the year	723,576	310,343

(c) Deferred tax has been computed using the current tax rate of 28% (2018-28%) for the Company & the Group . Further information about deferred tax is presented in note 33 Deferred tax assets/liabilities.

16. Earnings per share - Basic and Diluted

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	
	2019	2018	2019	2018
Amount used as numerator				
Profit attributable to equity holders of the parent company (Rs.'000)	435,923	668,900	728,625	1,456,697
Amount used as denominator				
Weighted average number of ordinary shares ('000s)	100,901	100,901	100,901	100,901
Earnings per share (Rs.)	**4.32**	**6.63**	**7.22**	**14.44**

There were no potentially diluted ordinary shares outstanding at any time during the year/previous year, hence diluted earnings per share is equal to the basic earnings per share.

17. Dividend per share

	Company			
	2019		2018	
	Dividend Per share Rs.	Dividend Rs.'000	Dividend Per share Rs.	Dividend Rs.'000
First interim dividend paid 2017/18	-	-	3.50	353,152
Final dividend paid 2017/18	1.50	151,351	-	-
	1.50	**151,351**	**3.50**	**353,152**

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 dividend and has obtained a certificate from the auditors, prior to distribution.

18. Property, plant & equipment

18.1 Group

	Freehold 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 Rs.'000	Solar PV system Rs.'000	Reference books Rs.'000	Computers Rs.'000	Capital work in progress Rs.'000	Total 2019 Rs.'000	Total 2018 Rs.'000
Cost or revalued amount													
At the beginning of the year	5,657,623	942,020	65,006	47,805	133,844	313,523	438,238	-	107	139,850	24,012	7,762,028	5,954,328
Additions	-	24,838	3,345	25,124	2,029	17,030	133,838	18,185	-	19,254	230,667	474,310	286,186
Gain from revaluation of land [note 18.3 (vi)]	-	-	-	-	-	-	-	-	-	-	-	-	1,633,673
Disposals	-	-	(69)	(46)	-	-	(32,962)	-	-	(252)	-	(33,329)	(105,177)
Reclassifications/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(6,982)
Transfer from capital work-in-progress	-	43,916	-	-	1,515	-	-	208,259	-	-	(253,690)	-	-
At the end of the year	5,657,623	1,010,774	68,282	72,883	137,388	330,553	539,114	226,444	107	158,852	989	8,203,009	7,762,028
Accumulated depreciation													
At the beginning of the year	-	199,293	45,999	36,707	69,631	145,776	237,936	-	107	118,851	-	854,300	782,312
Charge for the year	-	45,800	5,865	5,397	10,601	26,445	86,954	-	-	10,776	-	191,838	167,891
Disposals	-	-	(69)	(22)	-	-	(27,503)	-	-	(248)	-	(27,842)	(95,903)
Reclassifications/adjustments	-	-	-	-	82	-	-	-	-	-	-	82	-
At the end of the year	-	245,093	51,795	42,082	80,314	172,221	297,387	-	107	129,379	-	1,018,378	854,300
Carrying amount as at 31 March 2019	5,657,623	765,681	16,487	30,801	57,074	158,332	241,727	226,444	-	29,473	989	7,184,631	-
Carrying amount as at 31 March 2018	5,657,623	742,727	19,007	11,098	64,213	167,747	200,302	-	-	20,999	24,012	-	6,907,728

Details of land and building 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	3,308,109	3,384,900
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	927,234	995,570
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	380,559	577,875
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	9,630	84,711
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	143,574	586,714
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	15,230	27,853
Total	68	311,232	20	2	37.08	873,287	4,784,336	5,657,623

18.2 Company

	Freehold 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 Rs.'000	Solar PV system Rs.'000	Reference books Rs.'000	Computers Rs.'000	Capital work in progress Rs.'000	Total 2019 Rs.'000	Total 2018 Rs.'000
Cost or revalued amount													
At the beginning of the year	5,197,123	846,637	54,979	32,018	137,648	271,313	288,211	-	107	128,083	500	6,956,619	5,473,811
Additions	-	18,950	1,031	21,840	2,029	15,624	111,866	18,185	-	18,122	218,833	426,480	211,573
Gain from revaluation of land [note 18.3 (vi)]	-	-	-	-	-	-	-	-	-	-	-	-	1,320,533
Disposals	-	-	-	-	-	-	(8,570)	-	-	(251)	-	(8,821)	(42,315)
Reclassifications/adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(6,983)
Transfer from capital work-in-progress	-	9,433	-	-	1,515	-	-	208,259	-	-	(219,207)	-	-
At the end of the year	5,197,123	875,020	56,010	53,858	141,192	286,937	391,507	226,444	107	145,954	126	7,374,278	6,956,619
Accumulated depreciation													
At the beginning of the year	-	155,214	38,554	24,465	72,219	116,814	146,358	-	107	108,666	-	662,397	559,708
Charge for the year	-	34,330	5,302	3,882	10,601	23,902	65,876	-	-	9,665	-	153,558	135,730
Disposals	-	-	-	-	-	-	(6,669)	-	-	(245)	-	(6,914)	(33,041)
Reclassifications/adjustments	-	-	-	-	82	-	-	-	-	-	-	82	-
At the end of the year	-	189,544	43,856	28,347	82,902	140,716	205,565	-	107	118,086	-	809,123	662,397
Carrying amount as at 31 March 2019	5,197,123	685,476	12,154	25,511	58,290	146,221	185,942	226,444	-	27,868	126	6,565,155	-
Carrying amount as at 31 March 2018	5,197,123	691,423	16,425	7,553	65,429	154,499	141,853	-	-	19,417	500	-	6,294,222

Details of land & building 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, Hyde Park Corner, Colombo 02	9	71,524	1	2	3.70	25,000	2,899,400	2,924,400
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	927,234	995,570
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	380,559	577,875
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	9,630	84,711
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	143,574	586,714
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	15,230	27,853
Total	67	300,962	20	2	0.24	821,496	4,375,627	5,197,123

18.3 Revaluation

Company:

(i) In March 1993, the Company's land amounting to 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 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 March 2010, a 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 March 2015, a 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.

(vi) Although the land was previously revalued every five years, considering the significant increase in the fair value of land the Company revalued its land as at 8 November 2017. The revaluation was carried out by J M S Bandara, a qualified independent valuer. The resultant surplus of Rs. 1,320,532,901 has been credited to the capital reserve on revaluation of land in Company financials and the surplus of Rs. 1,633,672,901 in Group financials.

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 is higher/(lower)

18.5 Fully depreciated assets

Cost of fully depreciated assets which are still in use as at reporting date is as follows:

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Building	42,977	42,977	42,977	42,977
Furniture and fittings	38,212	25,072	34,377	20,313
Office equipment	28,463	25,535	21,876	19,877
Electrical fixture & fittings	40,920	39,961	40,920	39,961
Machinery & tools	52,425	50,208	42,995	40,778
Motor vehicles	265,248	239,978	122,046	37,070
Computers	110,248	80,527	100,448	72,976
Reference books	107	107	107	107
Total	**578,600**	**504,365**	**405,746**	**274,059**

18.6 No restrictions existed on the title of the property, plant and equipment of the Group as at the reporting date, and there were no temporarily idle property, plant & equipment as at the reporting date. There was no permanent fall in value of property, plant and equipment which requires a provision for impairment as at reporting date.

18.7 There were no items of property, plant and equipment pledged as security for liabilities.

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 There were no capitalized borrowing costs related to the acquisition of property plant and equipment during the year. (2018–Nil)

19. Investment property

	Company	
	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	468,500	468,500
Net gain from fair value adjustment	27,130	-
At the end of the year	**495,630**	**468,500**

According to the valuation done by J. M. S Bandara, qualified independent valuer, the fair value of this property as at 31 March 2019 is Rs.495.6 Mn (March 2018 - Rs.468.5 Mn).

Details of investment property are as follows:

Location / address	Building			Land				Fair value of the property
	No. of buildings	Sq. / Ft	Fair value	Extent			Fair value	
			Rs.'000	Acre	Rood	Perch	Rs.'000	Rs.'000
100A ,Hyde Park Corner, Colombo 02	1	10,270	7,500	-	-	36.84	488,130	495,630

The Company classified part of the land and building as investment property. UML has rented this property to its subsidiary, Unimo Enterprises Ltd and former affiliated company TVS Automotives (Pvt) Ltd up to September 2018.

The buildings owned by UML Property Developments Limited are rented to the parent company, United Motors Lanka PLC. Hence it does not qualify as an investment property in the consolidated financial statements.

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 has been considered.

Rental income earned from investment property by the Company amounts to Rs. 15,321,613 (2018 – Rs.6,838,102) and the direct operating expenses incurred by the Company to generate rental income amounted to Rs.2,500 (2018 – Nil). No operating expense was incurred for investment property that did not generate rental income.

There is no restriction on the realisability of investment property or the remittance of rental income and proceeds on disposals.

Measurement of fair value

Measurement of fair value of investment property 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 investment property 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 investigated prices in order to determine the market value of the land and building such as price ranges at which nearby land are transacted, access to main roads, size of the land, physical state of the building and replacement cost per square feet.	The estimated fair value would increase/(decrease) if: Market value per perch is higher/(lower)

20. Intangible assets

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Goodwill (note 20.1)	2,890	2,890	-	-
Computer software (note 20.2)	188,315	134,506	187,282	133,057
	191,205	**137,396**	**187,282**	**133,057**

20.1 Goodwill

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	2,890	2,890	-	-
At the end of the year	**2,890**	**2,890**	**-**	**-**

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 (formerly known as Associated United Motors Limited) which was acquired on 3 October 2002.

No condition has arisen that results in an impairment of intangibles that requires a provision.

20.2 Computer software

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cost				
At the beginning of the year	27,071	26,339	23,145	22,413
Additions	2,143	732	2,143	732
At the end of the year	29,214	27,071	25,288	23,145
Accumulated amortisation				
At the beginning of the year	19,232	17,249	16,755	15,181
Amortisation during the year	2,312	1,983	1,896	1,574
At the end of the year	21,544	19,232	18,651	16,755
Computer software - capital work in progress (note 20.3)	180,645	126,667	180,645	126,667
Carrying amount at the end of the year	**188,315**	**134,506**	**187,282**	**133,057**

20.3 Computer software - capital work in progress

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
At the beginning of the year	126,667	2,066	126,667	2,066
Additions	59,627	124,601	59,627	124,601
Adjustments	(5,649)	-	(5,649)	-
At the end of the year	**180,645**	**126,667**	**180,645**	**126,667**

20.4 Capital work-in progress as at the balance sheet date included expenses incurred on ERP system (SAP) and the implementation was completed in May 2019.

20.5 Cost of fully amortized computer software of the Group and the Company amounts to Rs. 16.7 million (2018-Rs. 16.7 million) and Rs. 14.8 million (2018-Rs. 14.8 million) respectively.

20.6 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.

20.7 There were no significant intangible assets controlled by the entity but not recognized as assets because they did not meet recognition criteria or because they were acquired or generated before SLFRS 3–Business Combinations was effective.

21. Investments in subsidiaries

		Group		Company	
	%	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Holding	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Orient Motor Company Ltd	100	-	-	50,000	50,000
UML Property Developments Ltd	100	-	-	75,000	75,000
Unimo Enterprises Ltd	100	-	-	47,400	47,400
UML Heavy Equipment Ltd	100	-	-	100,000	75,000
Impairment of investment in Orient Motor Company Ltd		-	-	(50,000)	-
		-	-	222,400	247,400

Impairment of investment

The Company identified the investment in Orient Motor Company Ltd as impaired and accordingly, a provision has been made in the financial statements for the unrecoverable investment.

22. Financial assets and financial liabilities

The Group holds the following financial instruments;

		Group		Company	
		31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets					
Financial assets at amortised cost					
Trade & other receivables excluding prepayments	26	2,809,723	1,393,624	2,333,539	871,564
Amounts due from related parties	27	-	-	51,688	40,430
Cash & cash equivalents	28	512,766	1,156,160	380,714	1,045,707
Financial assets measured at fair value through other comprehensive income (FVOCI)	23.2	256,411	-	197,755	-
Available for sale financial assets	23.3	-	356,309	-	274,163
Financial assets at fair value through profit or loss (FVPL)					
Equity shares	24	69,282	87,203	69,282	87,203
Investments in unit trusts	24	180,187	-	180,187	
		3,828,369	2,993,296	3,213,165	2,319,067
Financial liabilities					
Liabilities at amortised cost					
Interest bearing borrowings	31	3,611,428	2,718,432	-	-
Trade and other payables	34	942,182	1,016,933	680,748	862,150
Bank overdrafts	28	141,611	114,433	102,117	110,458
		4,695,221	3,849,798	782,865	972,608

22.1 Fair values vs. carrying amounts

The following notes show the carrying amounts and fair values of financial assets and financial liabilities, 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.

Trade receivable includes the contractual amounts for settlement of trade and other obligations due to the Company. Trade and other payables and borrowings represent contract amounts and obligations due by the Company.

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

		Group					
		31.03.2019			31.03.2018		
		Carrying amount	Fair value		Carrying amount	Fair value	
	Note		Level 1	Level 2		Level 1	Level 2
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24	69,282	69,282	-	87,203	87,203	-
Investments in unit trusts	24	180,187	-	180,187	-	-	-
Financial assets at amortised cost							
Trade & other receivables excluding prepayments	26	2,809,723			1,393,624		
Amounts due from related parties	27	-			-		
Cash & cash equivalents	28	512,766			1,156,160		
Financial assets measured at fair value through other comprehensive income (FVOCI)	23.2	256,411	256,411	-	-		
Available for sale financial assets	23.3	-	-	-	356,309	356,309	
		3,828,369	**325,693**	**180,187**	**2,993,296**	**443,512**	**-**
Financial liabilities at amortised cost							
Interest bearing borrowings	31	3,611,428			2,718,432		
Bank overdrafts	28	141,611			114,433		
		3,753,039			**2,832,865**		

		Company					
		31.03.2019			31.03.2018		
		Carrying amount	Fair value		Carrying amount	Fair value	
	Note		Level 1	Level 2		Level 1	Level 2
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24	69,282	69,282		87,203	87,203	
Investments in unit trusts	24	180,187		180,187	-	-	-
Financial assets at amortised cost							
Trade & other receivables excluding prepayments	26	2,333,539			871,564		
Amounts due from related parties	27	51,688			40,430		
Cash & cash equivalents	28	380,714			1,045,707		
Financial assets measured at fair value through other comprehensive income (FVOCI)	23.2	197,755	197,755	-			
Available for sale financial assets	23.3		-		274,163	274,163	-
		3,213,165	**267,037**	**180,187**	**2,319,067**	**361,366**	**-**
Financial liabilities at amortised cost							
Bank overdrafts	28	102,117			110,458		
		102,117	**-**	**-**	**110,458**		

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 will increase (decrease) if: The published unit prices are higher (lower)

22.2 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 than active; or valuation techniques in which whole significant inputs are directly or indirectly observable from market data.

Level 3

The input that are unobservable. This category includes all the instruments for which valuation techniques includes input 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 instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

22.3 Overview of financial risk management

The Group has exposure to the following risks arising from 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 respective Board of Directors of each company has overall responsibility for the establishment and oversight of the respective company's risk management framework.

Each company's risk management policies are established to identify and analyse the risks faced by the Company, 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 company's activities.

The Audit Committee oversees how management monitors compliance with their risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by each company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc 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 115 to 120.

22.4 Credit risk

Credit risk is the risk that a customer or counterparty will not meet its contractual 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 transaction and other financial instruments.

Risk management

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 where necessary.

Sales to retail customers are required to be settled in cash, cheques or credit cards. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Security

For some trade receivables the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Impairment of financial assets

Trade receivables are subject to the expected credit loss model while cash and cash equivalents are also subject to the impairment requirements of SLFRS 9.

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 given in note 22.

Impairment of trade receivables

a. 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 within 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	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Public Sector	182,456	277,206	134,032	235,909
Private Sector				
Individual customers	178,794	-	177,320	-
Corporate customers	133,062	101,387	133,062	101,387
Dealers & distributors	160,902	162,284	122,202	123,831
Leasing companies	177,336	350,477	81,183	144,793
	832,550	**891,354**	**647,799**	**605,920**

The Group applies the SLFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months ended 31 March 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance as at 31 March 2019 was determined as follows for trade receivables.

Group

31 March 2019	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
Expected loss rate	0.54%	2.30%	7.17%	12.81%	23.14%	41.13%	100%	-	-	-
Gross carrying amount - trade receivables	255,680	41,940	20,971	7,223	3,225	3,154	16,531	348,724	-	348,724
Loss allowance - collective model	(1,390)	(963)	(1,503)	(925)	(746)	(1,298)	(16,531)	(23,356)	-	(23,356)
Gross carrying amount - trade receivables	232,978	42,999	176,492	27,410	14,110	1,673	39,453	-	535,115	535,115
Loss allowance - specific	-	-	-	-	-	-	(27,933)	-	(27,933)	(27,933)
Total loss allowance	(1,390)	(963)	(1,503)	(925)	(746)	(1,298)	(44,464)	325,368	507,182	832,550

Company

31 March 2019	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
Expected loss rate	0.56%	2.48%	10.29%	19.64%	28.64%	42.75%	100.00%	-	-	-
Gross carrying amount - trade receivables	234,862	36,947	12,278	3,628	2,154	2,832	11,004	303,705	-	303,705
Loss allowance - collective model	(1,317)	(916)	(1,263)	(713)	(617)	(1,210)	(11,004)	(17,040)	-	(17,040)
Gross carrying amount - trade receivables	126,490	36,125	158,550	19,705	12,170	-	36,027	-	389,067	389,067
Loss allowance - specific	-	-	-	-	-	-	(27,933)	-	(27,933)	(27,933)
Total loss allowance	(1,317)	(916)	(1,263)	(713)	(617)	(1,210)	(38,937)	286,665	361,134	647,799

b. The movement in the allowance for impairment in respect of trade receivables during the year is given in note 26.2
c. Impairment loss of Rs 51.2 million 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 their financial situation.
   Hence the receivable balances are identified as impaired as at 31 March 2019.
d. When the Group ascertains that no recovery of the amount due is possible, at that point the amounts are considered irrecoverable and are written off against the financial asset directly.
e. 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).

22.5 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.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31 March 2019-Group Non- derivative financial liabilities	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
Interest bearing borrowings	3,611,428	3,611,428	3,611,428	-	-	-	-
Trade and other payables	942,182	942,182	942,182	-	-	-	-
Bank overdrafts	141,611	141,611	141,611	-	-	-	-
	4,695,221	4,695,221	4,695,221	-	-	-	-

31 March 2018-Group Non- derivative financial liabilities	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
Interest bearing borrowings	2,718,432	2,718,432	2,718,432	-	-	-	-
Trade & other payables	1,016,933	1,016,933	1,016,933	-	-	-	-
Bank overdrafts	114,433	114,433	114,433	-	-	-	
	3,849,798	3,849,798	3,849,798	-	-	-	-

31 March 2019-Company Non- derivative financial liabilities	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
Trade and other payables	680,748	680,748	680,748	-	-	-	-
Amounts due to related parties	59,084	59,084	59,084	-	-	-	-
Bank overdrafts	102,117	102,117	102,117	-	-	-	-
	841,949	841,949	841,949	-	-	-	-

31 March 2018-Company Non- derivative financial liabilities	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
Trade & other payables	862,150	862,150	862,150	-	-	-	-
Amounts due to related parties	49,796	49,796	49,796	-	-	-	-
Bank overdrafts	110,458	110,458	110,458	-	-	-	-
	1,022,404	1,022,404	1,022,404	-	-	-	

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

22.6 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 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 receivables as at 31 March 2019	34,454	35,969	193	35,969
Trade payables as at 31 March 2019	718	97,507	605	97,507

Sensitivity analysis

The following table demonstrates the sensitivity of Group/Company 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 2019 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 %	293,648	(3,705)
	- 5%	(293,648)	3,705
JPY	+ 5 %	(5,091)	(5,091)
	- 5%	5,091	5,091

(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 Company 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/Company's interest bearing financial instruments was as follows:

	Group 2019 Rs'000	Group 2018 Rs'000	Company 2019 Rs'000	Company 2018 Rs'000
Variable rate instruments				
Financial assets	180,187	-	180,187	-
Financial liabilities	3,611,428	2,718,432	-	-
	3,791,615	**2,718,432**	**180,187**	**-**

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 2019 variable rate instruments	+5%	8,987	-
	-5%	(8,987)	-

(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

	Group				Company			
Sector	31.03.2019		31.03.2018		31.03.2019		31.03.2018	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Banks, finance and insurance	164,033	64.0	218,919	61.4	128,510	65.0	169,410	61.8
Construction & engineering	1,336	0.5	1,851	0.5	-	0.0	-	-
Diversified holdings	23,028	9.0	18,299	5.1	21,468	10.9	16,374	6.0
Motor	33,481	13.1	51,085	14.3	33,481	16.9	51,085	18.6
Beverage, food & tobacco	11,661	4.5	13,979	4.0	-	0.0	-	0.0
Power & energy	2,403	0.9	5,078	1.4	-	0.0	-	0.0
Health care	393	0.2	540	0.2	-	-	-	-
Manufacturing	20,076	7.8	46,558	13.1	14,296	7.2	37,294	13.6
Total	256,411	100.0	356,309	100.0	197,755	100.0	274,163	100.0

Trading shares

	Group / Company			
Sector	31.03.2019		31.03.2018	
	Rs.'000	%	Rs.'000	%
Banks, finance and insurance	33,953	49.0	39,441	45.2
Diversified holdings	4,433	6.4	7,006	8.0
Beverage, food & tobacco	18,806	27.2	22,270	25.6
Construction & engineering	1,036	1.5	1,435	1.7
Power & energy	2,231	3.2	4,021	4.6
Manufacturing	8,823	12.7	13,030	14.9
Total	69,282	100	87,203	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 demonstrates the sensitivity of the Group and Company's equity to a reasonably possible change in the market prices of the listed equity securities, with all other variables held constant.

	Change in share price of all companies in which the Group/ Company has invested	Group		Company	
		Effect on Profit before tax as a result of gains/losses on equity securities classified as at FVPL Rs.'000	Effect on other component of equity as a result of gains/losses on equity securities classified as FVOCI Rs.'000	Effect on Profit before tax as a result of gains/losses on equity securities classified as FVPL Rs.'000	Effect on other component of equity as a result of gains/losses on equity securities classified as at FVOCI Rs.'000
31 March 2019 - Investments in equity shares	+ 5%	3,464	16,285	3,464	13,352
	- 5%	(3,464)	(16,285)	(3,464)	(13,352)

22.7 Operational risk

Operational risk is the risk of direct or indirect losses 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 applicable.

Compliance with set procedures is supported by 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.

22.8 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.

Further, a strong capital base is maintained for investor, creditor and market confidence and sustain future development of the business. Capital consist of ordinary shares and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

No changes were made in objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2019.The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt includes interest bearing borrowings, trade and other payables, less cash and cash equivalents.

	Note	Group		Company	
		31.03.2019	31.03.2018	31.03.2019	31.03.2018
		Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Interest bearing borrowings	31	3,611,428	2,718,432	-	-
Bank overdraft	28	141,611	114,433	102,117	110,458
Trade and other payables	34	942,182	1,016,933	680,748	862,150
Less: Cash and short term deposits	28	(512,766)	(1,156,160)	(380,714)	(1,045,707)
Net debt		4,182,455	2,693,638	402,151	(73,099)
Equity		12,879,107	12,700,127	12,189,113	11,695,580
Capital and net debt		17,061,562	15,393,765	12,591,264	11,622,481
Gearing ratio		**0.25**	**0.17**	**0.03**	**-**

23. Financial assets at fair value through Other Comprehensive Income

23.1 Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

23.2 Equity investments at fair value through Other Comprehensive Income

	Group		Company	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity investments (note 23.7)	509,177	-	402,422	-
Decrease in market value	(252,766)	-	(204,667)	-
	256,411	-	197,755	-

23.3 In the previous financial year, the Group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

Available for sale financial assets

	Group		Company	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity investment (note 23.7)	-	501,143	-	392,672
Decrease in market value	-	(144,834)	-	(118,509)
	-	356,309	-	274,163

23.4 Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Fair value gains/(losses) recognised in other comprehensive income (note 14.2)	(107,825)	-	(86,157)	-
Fair value gains/(losses) recognised in other comprehensive income relating to available-for-sale financial assets (note 14.2)	-	19,131	-	11,424
Dividends from equity investments held at FVOCI recognised in profit or loss in other income (note 14.1)	6,435	15,299	4,781	10,153
	(101,390)	**34,430**	**(81,376)**	**21,577**

23.5 Disposal of equity investments

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

23.6 Note 8 explains the change of accounting policy and the reclassification of equity investments from available-for sale to fair value through profit or loss.

23.7 Equity investments designated as Fair value through other comprehensive income

	Group					
	31.03.2019			31.03.2018		
	No. of Shares	Cost Rs.'000	Market Value Rs.'000	No. of Shares	Cost Rs.'000	Market Value Rs.'000
Aitken Spence PLC	561,648	51,346	23,028	361,647	41,596	18,299
Bairaha Farms PLC	52,251	10,587	5,998	52,251	10,587	7,033
Central Industries PLC	21,000	1,140	592	21,000	1,140	825
Ceylon Grain Elevators PLC	5,000	471	261	5,000	471	358
Citizens Development Business Finance PLC	-	-	-	18,600	1,467	1,579
Citizens Development Business Finance PLC (X)	10	1	1	10	1	1
Commercial Bank of Ceylon PLC-Non voting	289,505	35,623	24,318	284,671	35,623	29,606
Commercial Bank of Ceylon PLC-Voting	263,646	40,302	26,022	260,300	40,302	35,349
DFCC Bank PLC	477,092	92,716	33,396	477,092	92,716	55,724
Diesel & Motor Engineering PLC	109,883	90,211	33,481	109,883	90,211	51,085
Lanka Walltiles PLC	82,116	9,760	4,927	82,116	9,760	8,080
Laugfs Gas PLC	143,049	5,912	2,403	143,049	5,912	5,078
MTD Walkers PLC	90,259	5,521	1,336	90,259	5,521	1,851
National Development Bank PLC	464,602	54,298	43,766	440,550	54,298	58,637
Nations Trust Bank PLC	254,874	24,689	22,913	249,463	24,689	20,132
People's Leasing & Finance PLC	179,704	4,066	2,408	179,704	4,066	2,839
Renuka Foods PLC	388,211	9,210	5,086	388,211	9,210	6,289
Seylan Bank PLC-Voting	42,908	4,130	2,695	41,862	4,130	3,634
Singer Finance (Lanka) PLC	521,885	11,917	6,576	521,885	11,917	8,037
Softlogic Finance PLC	89,709	5,171	1,938	89,709	5,171	3,140
Softlogic Life Insurance PLC	-	-	-	10,700	249	242
The Lanka Hospital Corporation PLC	9,000	652	393	9,000	652	540
Three Acre Farms PLC	5,870	846	577	5,870	846	657
Tokyo Cement (Lanka) PLC	690,634	50,608	14,296	690,634	50,608	37,294
		509,177	**256,411**		**501,143**	**356,309**

	Company					
	31.03.2019			31.03.2018		
	No. of Shares	Cost Rs.'000	Market Value Rs.'000	No. of Shares	Cost Rs.'000	Market Value Rs.'000
Aitken Spence PLC	523,597	47,570	21,468	323,596	37,820	16,374
Commercial Bank of Ceylon PLC-Non voting	289,505	35,623	24,318	284,671	35,623	29,606
DFCC Bank PLC	477,092	92,716	33,396	477,092	92,716	55,724
Diesel & Motor Engineering PLC	109,883	90,211	33,481	109,883	90,211	51,085
National Development Bank PLC	464,602	54,298	43,766	440,550	54,298	58,637
Nations Trust Bank PLC	254,874	24,689	22,913	249,463	24,689	20,132
People's Leasing & Finance PLC	106,154	2,577	1,422	106,154	2,577	1,677
Seylan Bank PLC-Voting	42,908	4,130	2,695	41,862	4,130	3,634
Tokyo Cement (Lanka) PLC	690,634	50,608	14,296	690,634	50,608	37,294
		402,422	**197,755**		**392,672**	**274,163**

24 Financial assets at fair value through profit or loss

24.1 Financial assets mandatorily measured at FVPL include following:

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Investment in equity shares (note 24.3)	121,250	121,250	121,250	121,250
Decrease in market value	(51,968)	(34,047)	(51,968)	(34,047)
	69,282	87,203	69,282	87,203
Investments in unit trust (note 24.4)	180,187	-	180,187	-
	249,469	**87,203**	**249,469**	**87,203**

24.2 Amounts recognised in profit or loss

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Fair value gains/(losses) on equity investment at FVPL (note 14.1)	(17,920)	3,303	(17,920)	3,303
Dividends from equity investments held at FVPL recognised in profit or loss (note 14.1)	2,164	2,853	2,164	3,932
	(15,756)	**6,156**	**(15,756)**	**7,235**

24.3 Equity securities designated as fair value through profit or loss

	Group/Company					
	31.03.2019			31.03.2018		
	No. of Shares	Cost Rs.'000	Market Value Rs.'000	No. of Shares	Cost Rs.'000	Market Value Rs.'000
Bairaha Farms PLC	68,849	13,137	7,904	68,849	13,137	9,267
Central Industries PLC	11,796	638	333	11,796	638	464
Ceylon Grain Elevators PLC	55,470	5,303	2,890	55,470	5,303	3,966
Citizens Development Business Finance PLC - Non voting	52,437	5,269	3,204	52,437	5,269	3,880
Citizens Development Business Finance PLC - Voting	73,224	8,447	5,646	73,224	8,447	6,217
Kelani Cables PLC	30,000	4,247	2,022	30,000	4,247	2,790
Kelani Tyres PLC	40,095	3,215	1,239	40,095	3,215	1,973
Lanka IOC PLC	104,100	4,002	1,811	104,100	4,002	3,133
Lanka Walltiles PLC	38,989	4,466	2,339	38,989	4,466	3,837
Laugfs Gas PLC	25,000	885	420	25,000	885	888
MTD Walkers PLC	70,000	4,204	1,036	70,000	4,204	1,435
Nations Trust Bank PLC	87,415	8,249	7,859	85,559	8,249	6,905
People's Leasing PLC	395,694	8,779	5,302	395,694	8,779	6,252
Renuka Foods PLC	457,001	11,398	5,987	457,001	11,398	7,403
Sanasa Development Bank PLC	32,669	4,326	1,960	31,771	4,326	3,419
Singer Finance (Lanka) PLC	679,224	15,683	8,558	679,224	15,683	10,460
Softlogic Finance PLC	65,944	3,768	1,424	65,944	3,768	2,308
Three Acre Farms PLC	50,000	7,584	4,915	50,000	7,584	5,600
Vallibel One PLC	310,002	7,650	4,433	310,002	7,650	7,006
		121,250	**69,282**		**121,250**	**87,203**

24.4 Other investments designated as fair value through profit or loss

	Group/Company					
	31.03.2019			31.03.2018		
	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	9,130	180,000	180,187	-	-	-
	9,130	**180,000**	**180,187**	-	-	-

25. Inventories

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Spare parts	1,296,721	872,087	724,877	675,471
Vehicles	3,766,727	4,187,343	1,117,188	1,577,229
Lubricants	262,075	335,084	262,075	335,084
Tyres	112,060	41,407	-	-
Equipment & machinery	92,997	63,430	-	-
3D Printers and materials	2,967	-	2,967	-
Others	61,353	41,864	61,353	41,864
Stock-in-trade	5,594,900	5,541,215	2,168,460	2,629,648
Work-in-progress	93,276	72,890	34,870	38,103
Goods in transit (note 25.1)	499,579	871,824	363,665	788,286
	6,187,755	**6,485,929**	**2,566,995**	**3,456,037**

The stock-in-trade of each category has been shown after netting off the write down of the inventory to lower of cost and NRV.

25.1 Goods in transit

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Vehicles	313,722	759,025	179,897	675,880
Spare parts and lubricants	185,857	112,799	183,768	112,406
	499,579	871,824	363,665	788,286

25.2 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	Commercial Bank of Ceylon PLC	Overdraft,Short term loans,Letter of credit	115,000	115,000
	Standard Chartered Bank	Overdraft,Short term loans,Letter of credit	100,000	100,000
Unimo Enterprises Ltd	Sampath Bank PLC	Overdraft,Short term loans,Letter of credit	365,000	142,630
	National Development Bank PLC	Overdraft,Short term loans,Letter of credit	105,000	105,000
	Commercial Bank of Ceylon PLC	Overdraft,Short term loans,Letter of credit	525,000	525,000
	Standard Chartered Bank	Overdraft,Short term loans,Letter of credit	500,000	500,000
UML Heavy Equipment Ltd	Commercial Bank of Ceylon PLC	Overdraft,Short term loans,Letter of credit	160,000	152,536

26. Trade and other receivables

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Trade receivables	883,839	945,581	692,772	651,415
Loss allowance (note 26.2)	(51,289)	(54,227)	(44,973)	(45,495)
	832,550	891,354	647,799	605,920
Other receivables	330,891	346,415	76,718	115,316
LC margin	1,030,340	-	1,007,397	-
Loans to employees	15,034	12,162	14,988	12,162
Economic Service Charge	50,631	45,928	40,675	45,928
Pre-payments	259,240	264,159	72,993	45,651
Facilitation fee receivable	28,005	-	28,005	-
Advances paid	522,272	97,765	517,957	92,238
Total trade and other receivables	3,068,963	1,657,783	2,406,532	917,215

26.1 Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-90 days and therefore all are classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

Information on the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk are given in note 22.

26.2 Impairment allowance for trade receivables

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
31 March – calculated under LKAS 39	54,227	43,903	45,495	36,341
Increase in loss allowance recognised in profit or loss during the year	1,118	12,714	(446)	9,768
Receivables written off during the year as uncollectible	(4,056)	(2,390)	(76)	(614)
At the end of the year	**51,289**	**54,227**	**44,973**	**45,495**

26.3 Loans to employees

Total loans disbursed to employees amounts to Rs.12 million, out of which the movement of loans disbursed to employees which has exceeded Rs. 20,000 are disclosed as follows:

	Group/Company		Group/Company	
	2019	2019	2018	2018
	No. of employees	Rs.'000	No. of employees	Rs.'000
At the beginning of the year - non executive employees	195	11,066	185	9,607
Loans disbursed during the year		12,008		10,911
Recovered during the year		(9,769)		(9,452)
At the end of the year - non executive employees	**195**	**13,305**	**195**	**11,066**

No loans have been granted to the Directors of the Company.

26.4 Trade receivables pledged as security for liabilities are given in note 25.2.

27. Amounts due from related parties

		Group		Company	
		31.03.2019	31.03.2018	31.03.2019	31.03.2018
Relationship		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Orient Motor Company Ltd	Subsidiary	-	-	6,859	11,284
Unimo Enterprises Ltd	Subsidiary	-	-	33,687	27,118
UML Heavy Equipment Ltd	Subsidiary	-	-	11,142	2,028
		-	-	51,688	40,430

28. Cash & cash equivalents

Reconciliation to cash flow statements

The below figures reconcile to the amount of cash & cash equivalents shown in the statement of cash flows at the end of the financial year as follows:

	Group		Company	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Favourable balances				
Money market deposits	2,311	680,200	2,311	680,200
Call deposits	326	94	326	94
Cash at bank	346,751	342,685	231,875	244,469
Cash in hand	163,378	133,181	146,202	120,944
	512,766	1,156,160	380,714	1,045,707
Unfavourable balances				
Bank overdrafts used for cash management purposes	(141,611)	(114,433)	(102,117)	(110,458)
Net cash and cash equivalent for the purpose of cash flow statements	371,155	1,041,727	278,597	935,249

In September 2015 the Department of Inland Revenue issued seizure notice 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 (CGIR). Orient Motor Company Ltd has filed a fundamental rights case in the Supreme Court against the Department of Inland Revenue on the basis that these outstanding taxes are not payable as they have been set off against refunds approved by CGIR.The case is currently being heard in the Supreme Court and there are no developments that have arisen which require a provision in the accounts. Therefore no provision has been made in these financial statements for the year ended 31 March 2019, as OMCL has strong reasons to believe that they will not have to settle any assessments issued by the Department of Inland Revenue.

Overdraft facilities of the Company are unsecured. See note 39.2 for details of corporate guarantees given to related companies.

The Group's/Company's exposure to interest rate risk is disclosed in note 22.6.b.

29. Stated capital

	No of Shares		Group		Company	
	2019	2018	2019	2018	2019	2018
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	100,900,626	100,900,626	336,335	336,335	336,335	336,335
At the end of the year	100,900,626	100,900,626	336,335	336,335	336,335	336,335

None of the shares held by neither, the Company on its own nor its subsidiaries. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share per individual present at meeting of the shareholders or one vote per share in the case of a poll.

30. Capital reserves

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	4,556,009	2,956,382	4,242,869	2,922,336
Transfer	-	(34,046)	-	-
Revaluation of land	-	1,633,673	-	1,320,533
At the end of the year	**4,556,009**	**4,556,009**	**4,242,869**	**4,242,869**

31. Interest bearing borrowings

	Group		Company	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	2,713,485	3,955,967	-	1,357,858
Obtained during the year	36,554,486	48,077,602	12,094,024	19,276,195
	39,267,971	52,033,569	12,094,024	20,634,053
Payments made during the year	(35,671,731)	(49,320,084)	(12,094,024)	(20,634,053)
Loans outstanding as at 31 March	3,596,240	2,713,485	-	-
Accrued loan interest	15,188	4,947	-	-
At the end of the year	**3,611,428**	**2,718,432**	**-**	**-**
Current	3,611,428	2,718,432	-	-
Total	**3,611,428**	**2,718,432**	**-**	**-**

31.1 Details of Company and Group's interest bearing borrowings, which are measured at amortised cost are given below.

	Group		Company	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current liabilities				
Short term loans	3,611,428	2,718,432	-	-

31.2 Borrowings which are guaranteed through corporate guarantees given by the parent company, United Motors Lanka PLC, in favour of its subsidiaries are described in note 39.2 to these consolidated financial statements.

31.3 Terms & debt repayment schedule

Terms & conditions of the outstanding loans are as follows:

		Group					
		31.03.2019			31.03.2018		
	Effective interest rate	Year of Maturity	Face value Rs.'000	Carrying value Rs.'000	Year of Maturity	Face value Rs.'000	Carrying value Rs.'000
Short term loans - secured	Market rate	2019	3,611,428	3,611,428	2018	2,718,432	2,718,432
			3,611,428	**3,611,428**		**2,718,432**	**2,718,432**

32. Employee benefits

32.1 Retirement benefit obligations

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Present value of unfunded obligations	1,990	1,818	-	-
Present value of funded obligations	220,557	201,895	201,157	186,845
Retirement benefit obligation (note 32.5)	**222,547**	**203,713**	**201,157**	**186,845**

The retirement benefit obligation is based on the actuarial valuation performed by 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	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Employees joined before 1992/93				
Mutual fund (note 32.3)	437	620	437	620
Employees joined after 1992/93				
Defined benefit plan (note 32.4)	72,486	83,461	68,509	79,902
	72,923	**84,081**	**68,946**	**80,522**

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 2019 is Rs.436,297 (2018 - Rs. 619,897). 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 810 employees of the Company as at 31 March 2019.

32.4 Movement in fair value of defined benefit plan assets

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	83,461	93,774	79,902	90,477
Expected return on plan (note 32.6)	9,194	11,269	8,789	10,857
Benefits paid by the plan	(17,222)	(17,378)	(17,222)	(17,241)
Benefits payable by the plan	(1,201)	(3,298)	(1,201)	(3,298)
Dividend adjustment to the plan asset (note 32.6)	-	138	-	-
Actuarial gains/(losses) in other comprehensive income (note 32.6)	(1,746)	(1,044)	(1,759)	(893)
Fair value of the defined benefit plan at the end of the year	**72,486**	**83,461**	**68,509**	**79,902**

32.5 Movement in the present value of the defined benefit obligations

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	203,713	174,435	186,845	161,671
Expenses recognised in profit & loss (note 32.6)	43,973	40,920	38,665	36,462
Actuarial (gains)/losses in other comprehensive income (note 32.6)	(5,449)	10,739	(5,798)	9,367
Benefits paid during the year	(19,690)	(22,381)	(18,555)	(20,655)
Defined benefit obligation at the end of the year	**222,547**	**203,713**	**201,157**	**186,845**

32.6 Expenses recognised in statement of profit or loss and comprehensive income

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Recognised in profit & loss				
Defined benefit obligations				
Current service costs	21,564	19,989	18,113	17,061
Interest on obligation	22,409	20,931	20,552	19,401
	43,973	40,920	38,665	36,462
Defined benefit plan				
Expected return on plan asset	9,194	11,269	8,789	10,857
	9,194	11,269	8,789	10,857
Recognised in other comprehensive income				
Defined benefit obligations				
Actuarial gains/(losses) recognised during the year	5,449	(10,739)	5,798	(9,367)
	5,449	(10,739)	5,798	(9,367)
Defined benefit plan				
Actuarial gains/(losses) recognised during the year	(1,746)	(1,044)	(1,759)	(893)
Dividend adjustment to the plan asset	-	138	-	-
	(1,746)	(906)	(1,759)	(893)
	3,703	(11,645)	4,039	(10,260)

32.7 Actuarial assumptions

Principal actuarial assumptions are as follows:

	Group		Company	
	2019	2018	2019	2018
Rate of discount as at 31 March	11%	11%	11%	11%
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% - 9%	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 are 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)	(15,235)	17,247	(13,844)	15,694
A percentage point change in the salary escalation rate				
Effect on the present value of defined benefit obligation (Rs.'000)	18,196	(16,321)	16,563	(14,835)

33. Deferred tax assets/liabilities

33.1 Deferred tax assets

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	12,057	8,729	-	-
Reversal of timing differences–recognised in profit or loss	206,340	2,943	-	-
Reversal of timing differences–recognised in other comprehensive income	153	385	-	-
At the end of the year	**218,550**	**12,057**	**-**	**-**
Composition of deferred tax assets				
Property, plant & equipment	(2,474)	(4,091)	-	-
Retirement benefit obligation	6,017	4,722	-	-
Provisions	13,042	11,426	-	-
Tax losses	201,965	-	-	-
Net deferred tax assets	**218,550**	**12,057**	**-**	**-**

33.2 Deferred tax liabilities

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	49,077	38,430	51,103	26,811
Recognition/(reversal) of timing differences	26,711	13,270	29,548	26,915
Origination of timing differences				
–recognised in other comprehensive income	1,623	(2,623)	1,623	(2,623)
At the end of the year	**77,411**	**49,077**	**82,274**	**51,103**
Composition of deferred tax liability				
Property plant & equipment	133,086	100,831	133,150	100,697
Retirement benefit obligation	(56,324)	(52,317)	(56,324)	(52,317)
Investment property - building	-	-	2,036	2,160
Investment property - land	-	-	2,763	-
Intangible assets	649	563	649	563
Net deferred tax liability	**77,411**	**49,077**	**82,274**	**51,103**

As per the Inland Revenue Act No 24 of 2017, which came into effect from 1 April 2018, capital gains on realization of investment assets are taxed at the rate of 10%. The Company identified land portfolio of the Company as an asset held as part of an investment. According to the transitional provisions, assets acquired prior to 30 September 2017, the cost of the asset is deemed to be the market value of such asset as at 30 September 2017.

In current financial year the Company has recognized fair value increase of Rs 27.1 Mn related to the land of investment property and accordingly deferred tax of 10% has been provided in the financial statements for the year ended 31 March 2019.

33.3 Expenses recognised in statement of other comprehensive income

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Origination/(reversal) of timing differences				
–recognised in other comprehensive income (note 33.1)	153	385	-	-
Reversal/(Origination) of timing differences				
–recognised in other comprehensive income (note 33.2)	(1,623)	2,623	(1,623)	2,623
	(1,470)	**3,008**	**(1,623)**	**2,623**

34. Trade & other payables

	Group		Company	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade payables	349,352	350,458	318,455	305,350
Taxes payable	40,597	52,050	29,622	44,115
Dividend payable	80,589	223,809	80,589	223,809
Contract liabilities (Advances received from customers)	158,247	68,027	44,182	58,371
Accrued charges	152,935	198,269	144,843	189,337
Other payable	160,462	124,320	63,057	41,168
	942,182	1,016,933	680,748	862,150

Trade payables are unsecured and are usually paid within 30-60 days.
The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

35. Amounts due to related parties

		Group		Company	
		31.03.2019	31.03.2018	31.03.2019	31.03.2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Orient Motor Company Ltd	Subsidiary	-	-	6,185	-
Unimo Enterprises Ltd	Subsidiary	-	-	80	-
UML Property Developments Ltd	Subsidiary	-	-	52,819	49,796
		-	-	59,084	49,796

36. Current taxation

	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	81,931	185,583	88,524	110,000
Income tax on current year profits (note 15)	189,143	205,799	187,142	199,625
	271,074	391,382	275,666	309,625
Over provision in respect of prior periods (note 15)	(21,969)	(18,568)	(19,317)	(15,025)
Income tax paid	(180,718)	(290,883)	(178,276)	(206,076)
At the end of the year	68,387	81,931	78,073	88,524

	Group		Company	
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current taxation comprise of:				
36.1 Current tax liabilities	78,205	87,785	78,073	88,524
36.2 Current tax receivable	(9,818)	(5,854)	-	-
	68,387	81,931	78,073	88,524

37. Cash flow information

37.1 Reconciliation of profit before tax to cash (used in)/generated from operations.

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Profit before income tax expense	423,468	866,458	925,998	1,668,212
Adjustments for;				
Provision for depreciation/amortisation	194,232	169,874	155,536	137,304
Profit on disposal of property, plant & equipment	(26,604)	(71,206)	(8,137)	(23,699)
Net gain on disposal of available for sale financial assets	-	(13,038)	-	(10,777)
Net gain on disposal of financial assets at the fair value through profit or loss	-	(1,917)	-	(1,917)
Net change in fair value - financial asset at fair value through profit or loss	17,920	(3,303)	17,920	(3,303)
Change in fair value of investment property	-	-	(27,130)	-
Interest expense	354,949	406,607	60,160	98,633
Interest income	(19,659)	(13,535)	(108,428)	(35,268)
Dividend income	(8,599)	(18,152)	(6,945)	(14,085)
Dividend received from subsidiary	-	-	(76,350)	(76,789)
Dividend received from equity accounted investee	-	-	-	(15,750)
Impairment of trade receivables and losses on warranty claims	1,117	29,200	(446)	18,214
Impairment of investment in subsidiary	-	-	50,000	-
Provision for employee benefit obligations	44,155	40,924	38,849	36,466
Expected return on plan asset	(9,195)	(11,269)	(8,789)	(10,857)
Share of profits of equity accounted investee	-	(137,612)	-	-
Unrealised profit adjusted in profit on disposal of equity accounted investee	-	110	-	-
Withholding tax on dividend received from equity accounted investee	-	1,750	-	-
Write-down of inventory to lower of cost or NRV (Net Realisable Value)	78,094	64,094	31,280	32,384
Profit on disposal of equity accounted investee	-	(82,078)	-	(826,455)
Fair value adjustment on unit trust	(187)	-	(187)	-
Unrealised profit on sale of goods to equity accounted investee	-	424	-	-
Operating profit before working capital changes	1,049,691	1,227,331	1,043,331	972,313
Decrease in inventories	220,080	925,681	857,761	722,056
(Increase)/decrease in trade and other receivables	(1,412,297)	303,207	(1,488,871)	79,715
Decrease/(increase) in amounts due from related parties	-	3,687	(11,258)	(8,862)
Increase in amounts due to related parties	-	-	9,288	7,155
Decrease in trade and other payables	(69,102)	(669,558)	(175,754)	(284,764)
Cash (used in)/generated from operations	(211,628)	1,790,348	234,497	1,487,613

37.2 Reconciliation of borrowings arising from financing activities

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Bank borrowings				
At the beginning of the year	2,713,485	3,955,967	-	1,357,858
Proceeds from borrowings	36,554,486	48,077,602	12,094,024	19,276,195
Repayments of borrowings	(35,671,731)	(49,320,084)	(12,094,024)	(20,634,053)
At the end of the year	3,596,240	2,713,485	-	-

38. Capital commitments

38.1 The Group/Company has capital commitments amounting to Rs.111,379,639 in relation to ERP system implementation (SAP) as at 31 March 2019.

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
ERP System (SAP) - balance payable	111,380	156,835	111,380	156,835
	111,380	156,835	111,380	156,835

38.2 Operating leases

Operating lease commitments

	Group		Company	
	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Less than one year	184,620	179,242	158,357	153,848
Between one to five years	348,880	485,525	299,340	440,364
Over five years	89,980	105,165	80,737	93,538
Total	623,480	769,932	538,434	687,750

39. Contingent liabilities

39.1 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.

39.2 Corporate guarantees issued to subsidiaries and equity accounted investee are given below.

Corporate guarantees issued to subsidiaries

Name of Company	Name of Bank	Facility	Amount pledged as security Rs.'000	Outstanding as at 31.03.2019 Rs.'000	Outstanding as at 31.03.2018 Rs.'000
Orient Motor Company Ltd.	Standard Chartered Bank	Letter of credit, overdraft and term loans	750,000	440,927	427,000
	Bank of Ceylon	Letter of credit, overdraft and term loans	1,000,000	-	-
	Sampath Bank PLC	Letter of credit, overdraft and term loans	330,000	-	-
Unimo Enterprises Ltd	Sampath Bank PLC	Letter of credit, overdraft and term loans	325,000	-	147,353
	Standard Chartered Bank	Letter of credit, overdraft and term loans	500,000	307,988	835,682
	Bank of Ceylon	Letter of credit, overdraft and term loans	1,000,000	814,374	845,597
UML Heavy Equipment Ltd	Commercial Bank of Ceylon PLC	Letter of credit, overdraft and term loans	100,000	70,000	-

39.3 Unimo Enterprises Ltd has given bank guarantees to Sri Lanka Customs amounting to Rs. 404.1 Mn for excise duty concession in respect of vehicles assembled but to be approved by the Cabinet appointed committee.

39.4 The Company has given bid bond/performance guarantees amounting to Rs.44.7 Mn as at the reporting date.

39.5 Details relating to certain tax assessment pertaining to the Company and its subsidiary Orient Motor Company Ltd are reflected in notes 15 and 28 respectively.

40. 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.

40.1 Parent and ultimate controlling party

RIL Property PLC which holds 51% of shares of UML is considered as the parent and ultimate controlling party.

40.2 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 have been classified as KMP of the Company. The Directors of subsidiaries along with the Company have been identify as KMP of the Group.

40.2.1 Compensation to KMP

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Short term employment benefits	95,002	113,554	73,012	91,036

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.

40.3 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of business on an arm's length basis. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from unrelated companies. Outstanding current account balances at year end are unsecured, interest free and are to be settled in cash. The Company does not have any material commitments to related parties.

40. Related party disclosures contd.

40.4 Recurrent related party disclosures contd.

Transactions with subsidiaries and related entities.

a. Transaction with subsidiaries

Company	UEL Rs.'000	OMCL Rs.'000	UMPDL Rs.'000	UML Heavy Rs.'000	Total 2018/19 Rs.'000	Total 2017/18 Rs.'000
Sale of spare parts	3,258	-	-	-	3,258	1,518
Sale of 3D printed customised products	963	-	-	-	963	-
Sale of vehicles	-	22,600	-	10,655	33,255	25,767
Purchase of tyres	1,328	-	-	-	1,328	2,347
Purchase of spare parts	262	-	-	-	262	77
Sale of lubricants	2,590	14	-	803	3,407	1,749
Repairs & services provided	100,261	10,809	-	489	111,559	113,734
Purchase of vehicles	23,462	-	-	-	23,462	14,778
Interest received	84,629	686	-	5,433	90,748	24,448
Expenses incurred	50,688	4,740	-	1,960	57,388	51,742
Reimbursement of expenses	259	4,595	-	-	4,854	2,825
Hiring income received	153	-	-	1,639	1,792	1,514
Hiring rentals paid for vehicles	-	23,990	-	-	23,990	34,679
Rentals received for premises occupied	23,858	3,996	-	-	27,854	30,620
Rentals paid for premises occupied	-	-	100,044	-	100,044	90,949
Investment in subsidiaries	-	-	-	25,000	25,000	-
Dividend received	-	-	76,350	-	76,350	76,789
Loans granted	9,768,000	440,300	-	162,635	10,370,935	7,036,000
Loans settlements	9,768,000	440,300	-	137,635	10,345,935	7,036,000

b. Transactions between subsidiaries

Unimo Enterprises Ltd

Company	OMCL Rs.'000	UML Heavy Rs.'000	Total 2018/19 Rs.'000	Total 2017/18 Rs.'000
Sale of tyres	-	-	-	130
Expenses incurred	2,635	-	2,635	2,422
Reimbursement of expenses	4,952	18	4,970	3,799
Hiring rentals paid for vehicles	2,143	-	2,143	5,274
Repairs & services obtained	-	-	-	97

c. Orient Motor Company Ltd

Company	UMPDL Rs.'000	UML Heavy Rs.'000	Total 2018/19 Rs.'000	Total 2017/18 Rs.'000
Expenses incurred	360	-	360	92
Reimbursement of expenses	125	9,024	9,149	-
Purchase of vehicles	-	2,906	2,906	-

d. Transactions with the parent company

Company	RIL Property PLC Rs.'000	Total 2018/19 Rs.'000	Total 2017/18 Rs.'000
Services obtained	82	82	-
Rent paid in advance	1,298	1,298	-
Rentals paid for premises occupied	3,200	3,200	-
Refundable rent deposit	1,045	1,045	-
Reimbursement of expenses	313	313	-
Sale of spare parts	-	-	52
Repairs & services provided	1,017	1,017	1,285

e. Transactions with other related entities of parent company

Company	Foodbuzz (Pvt) Ltd Rs.'000	Total 2018/19 Rs.'000	Total 2017/18 Rs.'000
Repairs & services provided	338	338	440
Sale of spare parts	6	6	-
Sale of motor vehicles	-	-	3,800

f. The receivables from related companies and payables to related companies on sale/purchase of goods/services are set out in note 27 and 35 respectively. These receivables and payables are unsecured, interest free and have no fixed repayment terms.

g. The subsidiary companies utilise certain facilities of the Company free of charge and part of the accounting, IT and administrative functions of the subsidiary companies are also performed by the Company for which no charges are made.

41. Consolidation

The consolidated financial statements of the Company's shareholding as at 31 March 2019 are in the proportions indicated below.

Subsidiary	Ownership interest 2019	Ownership interest 2018
Unimo Enterprises Ltd	100%	100%
UML Property Developments Ltd.	100%	100%
Orient Motor Company Ltd.	100%	100%
UML Heavy Equipment Ltd	100%	100%
Equity accounted investee		
TVS Lanka (Pvt) Ltd (Upto the date of divestment)	-	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	
	2019	2018
	Rs.'000	Rs.'000
Parent company	728,625	1,456,697
Subsidiaries	(201,996)	(74,151)
Equity accounted investee	-	137,612
	526,629	1,520,158
Inter-company elimination	(90,706)	(851,258)
Consolidated profit after tax expenses	435,923	668,900

42. Events occurring after the reporting period and other matters

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.4 per share for the year ended 31 March 2019 amounting to Rs. 403,602,504 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 2019.

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 31 March 2019 and the audited statement of financial position as at March 31, 2019 will be submitted to the Colombo Stock Exchange (CSE) within four 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 2017/18).

The Company duly submitted the unaudited interim financial statements for the year 2018/19 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 2017/18)

1. Stock Exchange Listing

The issued ordinary shares of United Motors Lanka PLC were listed with the CSE on 05 December 1989.

Information required as per Section 7.6 of the Listing Rules of the Colombo Stock Exchange

2. Analysis of Shareholders

a) Resident /Non Resident as at 31 March 2019

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 holdings	No. of share holders	No. of shares	% of total holding
Up to 1,000	2,342	842,667	0.84	31	17,408	0.02	2,373	860,075	0.85
1,0001 - 10,000	1,120	3,901,267	3.87	21	74,538	0.07	1,141	3,975,805	3.94
10,001 - 100,000	119	2,762,515	2.74	09	253,220	0.25	128	3,015,735	2.99
100,001 - 1,000,000	12	3,042,533	3.02	01	621,402	0.61	13	3,663,935	3.63
Over 1,000,000	08	84,447,934	83.69	01	4,937,142	4.89	09	89,385,076	88.59
Total	3,601	94,996,916	94.16	63	5,903,710	5.84	3,664	100,900,626	100.00

b) Individuals/Institutions

	31-Mar 2019			31-Mar 2018		
	No of Shareholders	Total Holdings	% of Total Holdings	No of Shareholders	Total Holdings	% of Total Holdings
Individual	3,517	26,506, 004	26.27	3,734	26,799,521	26.56
Institutions	147	74,394,622	73.73	173	74,101,105	73.44
Total	3,664	100,900,626	100.00	3,907	100,900,626	100.00

c) Public Shareholding

	31.03.2019	31.03.2018	31.03.2017	31.03.2016	31.03.2015
Public Shareholding	26,047,278	26,848,965	27,095,541	27,063,322	27,083,420
Percentage	25.81	26.61	26.85	26.82	26.84

3. Share Trading

	2018/19	2017/18	2016/17	2015/16	2014/15
Market					
Number of transactions	810,331	1,089,473	984,412	1,362,544	2,015,482
Number of shares traded	4,925,186,283	8,721,432,695	6,846,805,469	8,954,401,301	16,609,902,380
Value of shares traded (Rs. Mn)	167,420	245,435	177,641	231,840	354,544
Market days	240	237	244	241	239
Company					
Number of transactions	1,240	2707	2,471	4,543	6,492
Number of shares traded	1,850,189	35,696,069	2,343,611	8,348,316	8,792,300
Value of shares traded (Rs. Mn)	154	2,788	211	826	992
Market days	189	217	227	239	235

4. Market Capitalization and Market Prices

a) Market capitalization

Year	Shareholders funds	Ordinary share in issue	UML market capitalization	CSE market capitalization	As a % of CSE's market capitalization	Market capitalization rank
	Rs.(Mn)	(Mn)	Rs.(Mn)	Rs.(Bn)		
2018/2019	12,879	100.90	6,740.16	2,605.89	0.26	66
2017/2018	12,700	100.90	7,668.45	3032.70	0.29	65
2016/2017	10,742	100.90	7,870.25	2662.86	0.29	59
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

b) Market prices

	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Highest (Rs.)	87.40	90.00	99.80	118.00	154.00
	(23.07.2018)	(13.07.2017)	(02.08.2016)	(12.08.2015)	(07.08.2014)
Lowest (Rs.)	66.00	70.30	76.10	75.30	88.00
	(29.03.2019)	(14.11.2017)	(28.03.2017)	(10.03.2016)	(31.03.2015)
Year End (Rs.)	66.80	76.00	78.0	83.00	88.10

5. Dividends

	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Dividend (Rs.'000)	151,351	353,152	706,303	1,109,908	605,404
Profit(Rs.'000)	728,625	1,456,697	1,066,811	1,662,210	1,236,867
Dividend payout ratio	20.77	24.24	66.23	66.77	48.95
Dividend per share	1.50	3.50	7.00	11.00	8.00

6. Value Creation for Shareholders

	2018/19	2017/2018	Change %
Net asset value per share	127.64	125.87	1.41
Earning per share (Rs.)	4.32	6.63	(34.83)
Market price per share	66.80	76.00	(12.1)
Return on equity (%)-After Tax	3.38	5.27	(35.74)

7. Twenty Largest Shareholders

	Shareholder	No. of Shares	%	No. of Shares	%
1	R I L Property PLC	51,459 ,320	51.00	51,459,320	51.00
2	Mr. M.A. Yaseen	10,521,402	10.43	10,521,402	10.43
3	Ms. R.R. Yaseen	11,581,821	11.48	10,767,210	10.67
4	Mrs. S.M. Chrysostom	6,945,471	6.88	6,945,471	6.88
5	Mitsubishi Motors Corporation	4,937,142	4.89	4,937,142	4.89
6	Sterling Holdings (Private) Limited	3,284,637	3.26	2,690,441	2.67
7	Mr. Chanaka Yatawara	1,276,685	1.27	1,275,885	1.26
8	Capital Development and Investment Company PLC-A/C No; 02	604,209	0.60	604,209	0.60
9	Hatton National Bank PLC- Candor Opportunities Fund	550,000	0.55	-	-
10	Bank of Ceylon Account No. 1	404,478	0.40	404,478	0.40
11	Mr. A.M. Weerasinghe	301,880	0.30	301,880	0.30
12	Mr. S.D. Yaseen	243,300	0.24	243,300	0.24
13	Mr. J.A. Yaseen	156,177	0.15	156,177	0.15
14	Mr. P. Rathnayaka	156,000	0.15	156,000	0.15
15	Mercantile Investments and Finance PLC	150,000	0.15	150,000	0.15
16	Akbar Brothers Pvt Ltd A/C No 1	136,648	0.14	136,648	0.14
17	Mr. M. Anndreino Yaseen	119,430	0.12	119,430	0.12
18	Mr. V. A. Yaseen	119,427	0.12	119,427	0.12
19	Mr. M.H.M. Nazeer	100,984	0.10	-	-
20	Perera & Sons (Bakers) Limited	100,000	0.10	-	-
*Others (shareholders under 20 largest shareholders as at 31 March 2018)				578,751	0.57
TOTAL		**93,149,011**	**92..32**	**91,567,171**	**90.74**

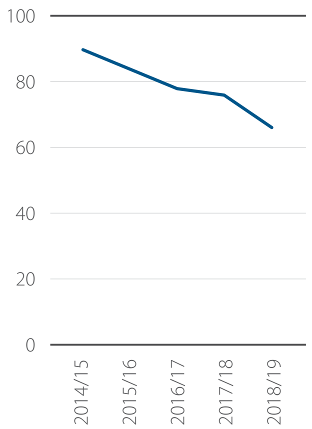
Shareholders included in the twenty largest shareholdings as at 31 March 2018

Shareholdings as at March 2018	No. of Shares	% of Total Holding
Deutsche Bank AG as Trustee to Candor Opportunities Fund	250,000	0.25
Seylan Bank PLC/Lasantha Chandika Ranaweera Pathirana	203,751	0.20
Andaradeniya Estate (Pvt) Limited	125,000	0.12
Total	**578,751**	**0.57**

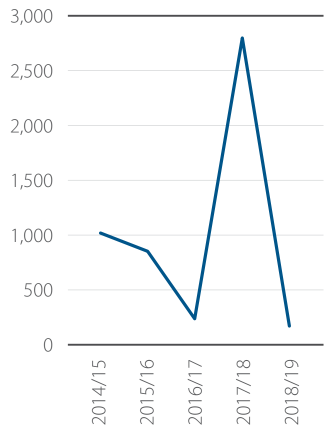
8. Directors' Shareholding

Name of Director	No of shares as at 31 March 2018	% of total holding	Movement during the year	No. of shares as at 31 march 2019	% of total holding
Mr. Sunil G. Wijesinha	-	-	-	-	-
Mr. Chanaka Yatawara	1,275,885	1.264	-	1,276,685	1.265
Mr. Ananda Atukorala	3,000	0.003	-	3000	0.003
Mr. Ramesh Yaseen	10,620	0.011	-	10,620	0.011
Mrs. Hiroshini Fernando	-	-	-	-	-
Prof. Malik Ranasinghe	-	-	-	-	-
Mr. Stuart Chapman	-	-	-	-	-
Mr. Hiroyasu Inoue	-	-	-	-	-

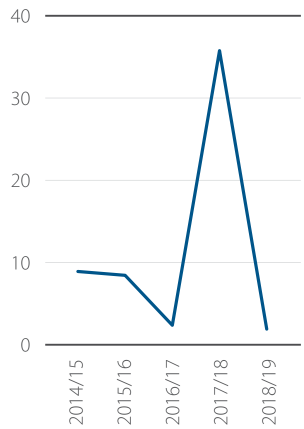
Market price - year end (Rs.)



Value of shares traded (Rs. Mn)



Number of shares traded (Mn)



Ten year **summary - group**

(in Rs.'000)

Reported as per	SLFRS/LKAS								SLAS	
For the year ended 31 March	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Turnover	12,769,409	14,716,147	17,925,373	15,303,852	10,538,194	11,040,794	14,941,189	20,816,341	10,935,116	5,829,410
Profit before taxation	423,468	866,458	1,438,602	2,353,603	1,625,881	2,174,345	2,702,651	3,193,694	1,374,720	134,041
Income tax	12,455	(197,558)	(312,495)	(651,380)	(363,549)	(566,624)	(689,737)	(911,162)	(473,178)	12,249
Profit for the year	435,923	668,900	1,126,107	1,702,223	1,262,332	1,607,721	2,012,914	2,282,532	901,542	146,290
Shareholders' funds										
Stated capital	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335
Capital Reserve	4,556,009	4,556,009	2,956,382	2,956,382	2,956,382	1,223,276	1,223,276	1,218,974	1,218,974	1,244,755
Other reserves	7,986,763	7,807,783	7,449,652	7,019,398	7,142,854	6,537,566	5,811,016	4,261,260	2,422,654	1,588,827
Shareholders' funds	12,879,107	12,700,127	10,742,369	10,312,115	10,435,571	8,097,177	7,370,627	5,816,569	3,977,963	3,169,917
Non controlling interests	-	-	-	-	-	-	-	10,900	9,615	8,325
Total equity	**12,879,107**	**12,700,127**	**10,742,369**	**10,312,115**	**10,435,571**	**8,097,177**	**7,370,627**	**5,827,469**	**3,987,578**	**3,178,242**
Assets employed										
Current assets	10,028,771	9,392,929	10,160,553	8,735,328	7,281,121	5,685,356	5,143,081	7,818,347	4,034,184	3,820,047
Non current assets	7,923,720	7,497,571	6,762,193	6,356,068	5,868,063	4,391,515	4,072,588	2,662,050	2,176,473	2,467,206
Total assets	17,952,491	16,890,500	16,922,746	15,091,396	13,149,184	10,076,871	9,215,669	10,480,397	6,210,657	6,287,253
Current liabilities	(4,773,426)	(3,937,583)	(5,967,512)	(4,598,093)	(2,532,239)	(1,805,828)	(1,696,197)	(4,497,424)	(2,105,844)	(2,674,371)
Non current liabilities	(299,958)	(252,790)	(212,865)	(181,188)	(181,374)	(173,866)	(148,845)	(155,504)	(117,235)	(434,640)
Total liabilities	**(5,073,384)**	**(4,190,373)**	**(6,180,377)**	**(4,779,281)**	**(2,713,613)**	**(1,979,694)**	**(1,845,042)**	**(4,652,928)**	**(2,223,079)**	**(3,109,011)**
Net assets	**12,879,107**	**12,700,127**	**10,742,369**	**10,312,115**	**10,435,571**	**8,097,177**	**7,370,627**	**5,827,469**	**3,987,578**	**3,178,242**
Profitability										
Earnings per share (Rs.)	4.32	6.63	11.16	16.87	12.51	15.93	19.95	22.62	8.93	1.45
Net assets per share **										
At the year end (Rs.)	127.64	125.87	106.46	102.20	103.42	80.25	73.05	57.65	39.42	31.42
Return on capital										
employed (%)	3.38	5.27	10.48	16.51	12.10	19.86	27.31	39.16	22.61	4.60
Others										
Market price per share (Rs.)	66.80	76.00	78.00	83.00	88.10	123.00	96.00	108.00	152.20	90.00
Price earnings ratio	15.46	11.46	6.99	4.92	7.04	7.72	4.81	3.18	11.41	41.66
Annual sales growth (%)	(13.23)	(17.90)	17.13	45.22	(4.55)	(26.10)	(28.22)	90.36	87.59	(19.93)
Current ratio (times)	2.10	2.39	1.70	1.90	2.88	3.15	3.03	1.74	1.92	1.43

** 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 2019

Year		Shares at the beginning	Issued during the year	Stated Capital	Market Value Per Share
				(Rs)	(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 ex-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 ex-Employ ees	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	88.00
2015/2016		100,900,626		336,335,420	83.00
2016/2017		100,900,626		336,335,420	78.00
2017/2018		100,900,626		336,335,420	76.00
2018/2019		100,900,626		336,335,420	66.80

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.

Amortized 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 which 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 effects 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 year's 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 market price of the share.

Earnings per 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 recognized 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.

Expected Credit Losses (ECLs)
ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted outcome of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

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.

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.

Financial asset
Any asset that is cash, equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial assets measured at amortised cost
A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Glossary of Financial Terms

Financial assets measured at Fair Value through Profit or Loss (FVPL)
All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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
Financial assets acquired by the entity with positive intention and ability to hold 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 charge 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 and 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.

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.

Shareholders' funds
Shareholders' funds consist of stated capital, statutory reserves, capital and revenue reserves.

SPPI Test
Solely Payments of Principal and Interest Test (SPPI) is carried out as the second step of the classification process. "Principal" is defined as the fair value of the financial asset at initial recognition and may change due to repayments of principal or amortisation of the premium or discount. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. If a financial asset passes the SPPI test, then it will either be classified at amortised cost if the "hold to collect" business model test is met, or at Fair Value Through Other Comprehensive Income (FVOCI) if the "hold to collect and sell" business model test is met. If a financial asset fails the SPPI test it must be classified at Fair Value through Profit or Loss (FVPL) in its entirety.

Specific impairment provisions
Impairment is measured individually for receivables that are individually significant.

Notice of **Meeting**

Notice is hereby given that the Thirtieth Annual General Meeting of United Motors Lanka PLC will be held at 10.00 a.m on Thursday, 25 July 2019, at Renuka City Hotel, No. 328, Galle Road, Colombo 03 for the following purposes;

01. To receive and consider the Annual Report of the Board of Directors, the Audited Balance Sheet and Accounts for the year ended 31 March 2019 and Report of the Auditors thereon.

02. (i) To re-elect, Mrs. Hiroshini Fernando who retires by rotation in terms of Articles 83 of the Articles of Association of the Company.

    (ii) To re-appoint Mr. Sunil G. Wijesinha, who has reached the age of 70 and accordingly vacates his office, in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act) and to propose the following Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment:

    "RESOLVED THAT Mr. Sunil G. Wijesinha, who retires in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act), upon reaching the age of 70, be and is hereby re-appointed as a Director of the Company and that the age limit of 70 years referred to in the Act shall not apply to the said Director, Mr. Sunil G. Wijesinha"

    (iii) To re-appoint Mr. Ananda Atukorala, who has reached the age of 70 and accordingly vacates his office, in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act) and to propose the following Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment:

    "RESOLVED THAT Mr. Ananda Atukorala, who retires in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act), upon reaching the age of 70, be and is hereby re-appointed as a Director of the Company and that the age limit of 70 years referred to in the Act shall not apply to the said Director, Mr. Ananda Atukorala"

03. To declare first and final dividend of LKR 4.00 per share for the year ended 31 March 2019 as recommended by the Directors.

04. To appoint Messrs. PricewaterhouseCoopers (PwC), Chartered Accountants, as the Auditors for the ensuing year and to authorize the Directors to fix their remuneration.

05. To authorize the Board of Directors to determine and make donations for 2019/2020.

06. To consider any other business of which due notice has been given.

By Order of the Board

RLHisham

Mrs. Rinoza Hisham
Company Secretary

Colombo
27 May 2019

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

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) Ramesh Hiran Yaseen	of Colombo or failing him
5) Ladduwa Kovisge Anne Hiroshini Fernando	of Colombo or failing her
6) Kulatilleke Arthanayake Malik Kumar Ranasinghe	of Colombo or failing him
7) Stuart Anthony Chapman	of Colombo

as my/our proxy to represent me/us and* .... to vote on my/ our behalf at the Thirtieth Annual General Meeting of the Company to be held at 10.00 a.m on Thursday, 25 July 2019, at Renuka City Hotel, No. 328, Galle Road Colombo 03 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 Financial Statements for the year ended 31 March 2019 and Report of the Auditors thereon		
2. To re-elect Mrs. Hiroshini Fernando as a Director of the Company.		
3. To re-appoint Mr. Sunil G. Wijesinha as a Director of the Company.		
4. To re-appoint Mr. Ananda Atukorala as a Director of the Company.		
5. To declare a First & Final Dividend of LKR 4.00 per share for the year ended 31 March 2019.		
6. To appoint Messrs. PricewaterhouseCoopers (PwC), Chartered Accountants, as the Auditors for the ensuing year and to authorize the Directors to fix their remuneration .		
7. To authorize the Board of Directors to determine donations for 2019/2020.		

Signed on this ....day of .... Two Thousand and Nineteen.

....

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 Proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder 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 authorised to do so 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

Accounting Year End
March 31

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
www.unitedmotors.lk

VAT Registration Number
294000038 - 7000

Tax Payer Identification Number
294000038

Auditors
PricewaterhouseCoopers
No.100, Braybrooke Place,
Colombo-02

Lawyers
Messrs Julius & Creasy
41, Janadipathi Mawatha,
Colombo-01

Registrars
P. W. Corporate Secretarial (Pvt) Ltd,
3/17, Kynsey Road, Colombo 08.
Tel: 4640360/3
Fax: 4740588

Subsidiary Companies
Unimo Enterprises Ltd
Orient Motor Company Ltd
UML Property Developments Ltd
UML Heavy Equipment Ltd

Bankers (in alphabetical order)
Bank of Ceylon
Commercial Bank PLC
DFCC Bank PLC
Hatton National Bank PLC
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. Chanaka Yatawara

Directors
Mr. Ananda Atukorala
Mr. Ramesh Yaseen
Mrs. Hiroshini Fernando
Prof. Malik Ranasinghe
Mr. Stuart Chapman
Mr. Hiroyasu Inoue

Company Secretary
Mrs. Rinoza Hisham

Audit Committee
Chairman
Prof. Malik Ranasinghe

Mr. Sunil G. Wijesinha
Mr. Ananda Atukorala
Mrs. Hiroshini Fernando
Mr. Stuart Chapman

Remuneration Committee
Chairman
Prof. Malik Ranasinghe

Mr. Sunil G. Wijesinha
Mr. Ananda Atukorala
Mrs. Hiroshini Fernando
Mr. Stuart Chapman

Nomination Committee
Chairman
Mr. Stuart Chapman

Mr. Sunil G. Wijesinha
Mr. Chanaka Yatawara
Mr. Ananda Atukorala
Mrs. Hiroshini Fernando
Prof. Malik Ranasinghe

Related Party Transactions Review Committee
Chairman
Mr. Ananda Atukorala

Mrs. Hiroshini Fernando
Prof. Malik Ranasinghe
Mr. Stuart Chapman

INVESTOR RELATIONS
For investor relations and clarifications on the report,
Please contact:
Company Secretary,
United Motors Lanka PLC,
No. 100, Hyde Park Corner,
Colombo 02, Sri Lanka
Email: rinozah@unitedmotors.lk
Tel: +94(011)4696019/6015

Concept & Designed by
Copyline a great equation

United Motors