United Motors Lanka PLC

ANNUAL REPORT 2019 / 2020

TABLE OF CONTENTS

ABOUT US

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.

United Motors Lanka PLC is one of the oldest automobile companies in Sri Lanka having been established in 1945. United Motors has been featured amongst the Top 100 Most Respected Entities by LMD several times and Business Today has listed the Company amongst the Top 25 Companies. United Motors Annual Report has also been honored by the Institute of Chartered Accountants of Sri Lanka as the best Annual Report in the automotive sector. The brands marketed by the Group through sole distributorships include Mitsubishi passenger and Fuso commercial vehicles from Japan, LiuGong concrete mixing equipment from China, Greaves power generators from India, Perodua compact cars from Malaysia, JMC commercial vehicles, DFSK Mini trucks, Brilliance vans and Zotye cars from China, DFSK SUV's from Indonesia, Yokohama tyres from Japan, Valvoline lubricants and Simoniz car care products from USA and JCB earth moving equipment and power generators from India. The United Motors branch network is located in Anuradapura, Kandy, Kurunegala, Matara, Nugegoda, Nuwara Eliya, Ratnapura and Jaffna. The U M L Group has over 2,000 dealers island-wide for the distribution of tyres, genuine parts, lubricants, with representation in both urban and rural areas.

OUR VISION

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

OUR 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.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Group			Company		
	2019/2020	2018/2019	Change %	2019/20	2018/2019 Restated	Change %
PROFITABILITY (LKR '000)						
Turnover	9,845,621	12,769,409	(22.90)	5,752,104	8,105,736	(29.04)
(Loss)/profit before tax	(547,882)	423,468	(229.38)	120,969	862,314	(85.97)
(Loss)/profit attributable to owners of United Motors Lanka PLC	(409,675)	435,923	(193.98)	117,327	730,365	(83.94)
FINANCIAL POSITION (LKR '000)						
Investment in PPE and intangible assets	258,194	536,080	(51.84)	224,674	488,292	(53.99)
Non-current assets	9,182,450	7,984,026	15.01	8,941,460	7,861,938	13.73
Current assets	10,957,323	10,028,771	9.26	7,218,794	6,025,582	19.80
Current liabilities	6,746,403	4,773,425	41.33	2,963,664	1,385,824	113.86
Non-current liabilities	671,926	360,265	86.51	691,189	341,744	102.25
Shareholders' funds	12,721,444	12,879,107	(1.22)	12,505,401	12,159,952	2.84
RATIO						
Interest cover (times)	-	2.13	(100)	1.35	7.74	(82.55)
Profit before tax to revenue (%)	(5.56)	3.32	(267.80)	2.10	10.64	(80.23)
Return on capital employed (%)	(3.22)	3.38	(195.14)	0.94	6.01	(84.38)
Dividend cover (times)	-	-	-	0.29	4.83	(93.98)
Borrowings to equity (%)	46.06	29.14	58.07	18.11	4.47	304.95
Current ratio	1.62	2.10	(22.69)	2.44	4.35	(43.98)
Quick asset ratio	0.57	0.80	(29.04)	1.10	2.30	(52.40)
SHARE PERFORMANCE						
Number of shares ('000)	100,901	100,901	-	100,901	100,901	-
Earnings per share (LKR)*	(4.06)	4.32	(193.98)	1.16	7.24	(83.94)
Dividend per share (LKR)**	-	-	-	4.00	1.50	166.67
Dividend yield (%)	-	-	-	8.81	2.25	292.36
Dividend payout (%)	-	-	-	344.00	20.72	1,560.01
Net assets per share (LKR)*	126.08	127.64	(1.22)	123.94	120.51	2.84
Market value per share as at 31 March (LKR)	-	-	-	45.40	66.80	(32.04)
Price earning ratio	-	-	-	39.04	9.23	323.08
Market capitalization as at 31 March (LKR '000)	-	-	-	4,580,888	6,740,162	(32.04)
Highest recorded share price (LKR)	-	-	-	80.00	87.40	(8.47)

*Net assets per share and Earnings per share have been calculated for all periods based on the number of shares in issue as at 31 March 2020

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

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 *(Resigned w.e.f. 01 April 2020)* Mr. Yoshisuke Ishii *(Appointed w.e.f. 07 July 2020)*
Subsidiaries	Unimo Enterprises Limited	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
	U M L Property Developments Limited	08 October 1993	PB 253	Mr. Sunil G. Wijesinha	Mr. Chanaka Yatawara
	U M L Heavy Equipment Limited	07 July 2017	PB 5403	Mr. Sunil G. Wijesinha	Mr. Chanaka Yatawara Mrs. Hiroshini Fernando Prof. Malik Ranasinghe *(Resigned w.e.f. 08 October 2019)*

In terms of Section 242 of the Companies Act No. 07 of 2007, Orient Motor Company Limited, a fully owned subsidiary of United Motors Lanka PLC was amalgamated with United Motors Lanka PLC on 30 November 2019.

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. The Company operates 2MW roof mounted solar power projects in Ratmalana and Orugodawatte.
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. During the year, the Company commenced the import of Greaves power generators.
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 earthmoving equipment and power generators.

CHAIRMAN'S MESSAGE

"The diversification strategy we embarked on a few years ago will be pursued with even more vigour in order to mitigate the risk of being overly dependent on the passenger and commercial vehicle sector"

Dear Shareholders,

I am pleased to apprise you with the performance of your Company for the year under review and discuss the current and future operational aspects of your Company.

FINANCIALS

United Motors Lanka PLC made a profit of LKR 117 million for the year, compared to LKR 730 million in the previous year, but the overall Group recorded a loss of LKR 410 million compared with a Group profit of LKR 436 million in the previous year. The year under review was one of the most challenging year which saw a decline in turnover, a lack of demand arising from poor economic sentiments particularly after the Easter Sunday terrorist attacks, building up of stocks, and finally the restrictions in free movement since mid-March 2020.

THE EXTERNAL ENVIRONMENT

You are well aware of the volatile, uncertain, complex and ambiguous external environment we have experienced over the past year. The volatility of the external environment is certain. Sri Lanka was severely impacted by the Easter Sunday attacks in April 2019 when it was least expected, and the entire world is today grappling with a hitherto unknown virus, a situation which we have never experienced before in our lifetime. Volatility is a factor we all have to live with and respond to. Uncertainty arises from Government tax policies which are unfavourable to the motor trade industry, and the more recent import restrictions on passenger and commercial vehicles which have impacted the core of the business model of your Company. We hope that with the assumption of the new Government in August 2020, the economic policies will be enunciated with more certainty so that we could plan and budget rather than fight fires.

The operating system for business is indeed far more complex today than what it used to be. This is a new normal that we must quickly adjust ourselves to. Your Board of Directors are mindful of this and hope to take further steps in the near future to respond to these factors. We hope that the ambiguity with which we operate now will be adequately addressed soon. Your Board of Directors and the management team are doing their utmost to remain resilient and face the challenges as they come.

The reduction in the multiplicity of taxes is welcome and we hope that the reduction of VAT and other taxes will spur demand for durable goods. Your Company is mindful that the country is facing a critical economic situation and some of the initiatives the Government has taken are in the best interests of the country, but hopefully your Company will be able to chart a path that could still deliver your expectations.

MANAGING DURING THE LOCKDOWN

Although the impact of COVID-19 pandemic was felt mostly in March 2020 and after, the Company prioritised the safety of employees to be on top. All safety precautions were taken even when the workshops opened for limited operations and continue until now. We believe that the pandemic risk is far from over and that the full impact is yet to be felt. The Company also undertook many initiatives to keep the employees staying at home occupied and motivated in these difficult times. The Company also decided to reciprocate the loyalty shown by employees by not introducing pay cuts during these difficult times.

FUTURE

Currently your Board of Directors is evaluating the business model and current operating structure with a view to determine whether a change is needed. This is a long term exercise but an essential one in responding to the changing operating environment we are experiencing today.

Our newly formed subsidiary U M L Heavy Equipment Ltd, aimed at servicing the earth moving heavy vehicle demand is gradually moving forward and is expected to break even this year. With many large infrastructure projects in the pipeline, this operation is expected to perform well in the future.

The roof top solar project we embarked on is already generating and performing as expected. Our subsidiary, Unimo Enterprises Limited (UNIMO) which is engaged in trading in Chinese and Malaysian vehicles is still operating at a loss. It will be severely hampered without a new stock of the very popular Perodua brand which will be sold out in July 2020. Until the import restrictions are removed there is no prospects of new stocks arriving.

The assembly operation we launched many years ago will hopefully be a useful revenue stream in these times of import restrictions. There is likely to be more demand for such assembled vehicles in the absence of imports.

The amalgamation of the subsidiary Orient Motor Company Limited (OMCL) with United Motors Lanka PLC was completed on 30 November 2019. Consequently, OMCL no longer exists.

The diversification strategy we embarked on a few years ago will be pursued with even more vigour in order to mitigate the risk of being overly dependent on the passenger and commercial vehicle sector.

MANAGEMENT

The management team led by Mr. Chanaka Yatawara has had a most difficult time managing in these challenging environment. Their continuous innovations and new initiatives have given hope for a better future. On behalf of the Board of Directors I thank the Management Team and all employees for their loyalty, hard work during difficult times, and continuing to be resilient.

Sunil G. Wijesinha
Chairman
27 July 2020

GROUP CEO'S REVIEW

Our market share increased from 16% to 24% in the Car segment, 12% to 19% in the SUV segment and 9% to 29% in the Double Cab segment. This becomes very important for us once the market opens out again.

SITUATION ANALYSIS

The year under review was one of the most challenging years in over a decade for the whole automobile industry. A GDP that grew at just 2.3%, the 21st April bombing & the COVID-19 implications all resulted in the Government implementing strict policies to limit imports that in turn drastically impacted the performance of your Company. The profit for the Company reduced to LKR 117 million while the Group made a loss of LKR 410 million.

PRODUCT	2015/16	2016/17	2017/18	2018/19	2019/20
CARS	51,206	19,580	10,400	8,286	3,408
SUVS	2,660	1,410	1,422	3,662	2,657
D/CABS	1,167	1,247	758	752	541
S/CABS	4,112	3,325	910	909	632
VANS	794	595	424	349	96
AMBULANCES	21	106	23	539	53
TRUCKS	24,745	22,537	12,660	10,635	6,383
BUSES	2,175	1,610	2,323	1,547	1,029
TOTAL	86,880	50,410	28,920	26,679	14,799

The above table illustrates the performance of the brand new vehicle industry over the last 5 years. I draw your attention to how the industry has performed from 2015/16 to 2019/20. Even the generally resilient truck segment started dropping drastically since 2017/18 reflecting the economy's poor performance.

In previous years, even when vehicles sales dropped we rarely experienced a drop in after sales revenue, however in the year under review, customers postponed repairs and services due to the economic situation and as a result the performance of the after sales businesses too declined significantly.

STRATEGY & POSITIVE DEVELOPMENTS

Market Share

In this back drop, our strategy was to acquire as much market share as possible. I am glad to mention that, we were very successful in achieving this objective. Our share increased from 16% to 24% in the Car segment, 12% to 19% in the SUV segment and 9% to 29% in the Double Cab segment. This becomes very important for us once the market opens out again, as our absolute volumes will be higher in that situation and so will the resulting profit generated.

We experienced the same performance in our construction equipment business JCB. While the industry volumes dropped, we sold more than double the volumes of the previous year. Considering this is a new business for us, it is encouraging that we were able to acquire many new customers through the hard work of our teams. We are confident that these customers will continuously purchase from us in the future as we have extended a high level of customer service to them to meet the specific needs of the constructions sector.

New Businesses

We are satisfied with the performance of the 2MW solar system we put up in March 2019 as it has been performing well and as hoped for. We believe we are in line to make a 5 year return on our investment. We will explore expanding this area of business in the next financial year as well.

The decision to assemble an upmarket SUV that we import from Indonesia too seems to be working well for us. The price point is well in line with affordability of larger group of consumers. We have supported the sale of the product by opening a new show area at the 4 way junction where Horton Place meets Castle Street. We find that there is significantly more visibility in this location as over 60,000 vehicles pass this spot on a daily basis.

We have also ventured in to the domestic & industrial power generator business, which we find extremely promising. While our sales continue to be encouraging locally, we have also ventured in to the Maldives market successfully.

Cost Related

While we have always been cautious in hiring of new staff, we became even more stringent in our hiring policies. We have stopped recruitment unless it is only for critical replacement of key positions.

We have also taken steps to rationalize all cost and have done away with and reduced many expenses that we find are not critical for the operation. This saving is significant and could be observed immediately in the next financial year. Our most significant expense for the year was the LKR 442 million cost on bank borrowings incurred for working capital. With the significant reduction in inventories, we expect this cost to come down by around 50% by September 2020.

Our branch network had been a strategy that worked very well for us in the past and we strategically located ourselves in key cities, however in the current circumstances we find that some of our branches are now under performing since the demand in those areas have reduced. We have decided to withdraw from any area that we are losing money and where we find that we are unable to turnaround the branch performance in the next 12 months.

GROUP CEO'S REVIEW

WHAT TO EXPECT

With the year ending with the COVID-19 pandemic on the rise the coming year too will have a new set of challenges for the world, country and the industry. We understand the circumstances could be even harder than the year that ended specially as we are not certain on when the imposed import ban will be lifted. We will however prioritize selling off our inventory at healthy margins. We believe that we could effectively do this with the increased market shares that we have secured during the year.

With the Government supporting local industry we were able to get the loan to value ratio for assembled vehicles revised in our favour in April 2020. Due to this, we believe that the demand for assembled vehicles including the SUV we assemble will improve substantially. We will also explore assembling new products based on what we feel the customer will demand in the future.

We also believe that after the election a more stable Government will promote construction and infrastructure development and we are well placed to cater to this segment with a range of products we have in concrete mixing and earth moving equipment. Even though the Maldives economy is slowing down, we feel that they will continue to invest in their development projects and as a result we can benefit by selling our construction equipment and generators to these projects. We have already won several such contracts and the demand to work with us is increasing.

We will focus on increasing our market share in the lubricant business as we have agreed on a growth strategy with our Principals. They are keen to increase their brand presence in Sri Lanka and as a result they will participate with more investment on their end to support our plan to explore other profitable segments. Considering that aftersales revenue has reduced, we will now open out more of our workshop facilities to all brands in addition to the brands we import. I think our trained staff and sophisticated equipment make us well placed to cater to these wider segments by winning their confidence.

We also believe that after the election, we will experience a better performing stock market. Our investment in the market lost much value in the year under review, which we believe can be regained in the New Year.

Our business is now fully operated on the integrated SAP software. We now have access to better on time information that we did not have before. We believe that by maximizing the attributes of the system, we will be able to be more efficient and effective in making more informed decisions faster and have a competitive edge over the other players in the market as a result.

Our teams had a tough time as most of their variable income diminished during the year. The senior management has increased their level of communication and engagement with the broader staff and keep them informed of the situation in the country, industry and our own business. We believe that by a better relationship we will still keep them motivated as everyone shares the same understanding and are focused on driving the business forward under any circumstances faced.

We will do all this with continuous improvement in our business from a cost and process point of view. We believe, no matter what the circumstances are, the team will work even harder to deliver results to the shareholders.

Chanaka Yatawara
Group Chief Executive Officer/
Executive Director
27 July 2020

BOARD OF DIRECTORS

MR. SUNIL G. WIJESINHA

Chairman - Non-Executive Director (Independent)

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

Mr. Sunil 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, SC Securities (Pvt) Limited, Unimo Enterprises Limited, U M L Property Developments Limited and U M L Heavy Equipment Limited.

He also serves as Non-Executive Director at Sampath Centre Limited and BizEx Consulting (Pvt) Limited.

He was the former Chairman of NDB Bank PLC, Merchant Credit of Sri Lanka Limited, TVS Automotives (Pvt) Limited, Employees' Trust Fund Board and Orient Motor Company Limited. 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 a former Director of Siyapatha Finance PLC, TVS Lanka (Pvt) Limited and National Institute of Business Management. 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 the Past President of the National Chamber of Commerce of Sri Lanka.

Memberships in Board Sub-Committees	
Member	Audit Committee
Member	Nomination Committee
Member	Remuneration Committee
% of Company shares held	Nil
Number of Directorships in other companies	09

MR. CHANAKA YATAWARA

Group Chief Executive Officer/Executive Director

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

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

He is also a Director of Unimo Enterprises Limited, U M L Property Developments Limited, U M L Heavy Equipment Limited, Wall Art (Pvt) Limited and House of Plating (Pvt) Limited.

He was a former Director of Orient Finance PLC, TVS Lanka (Pvt) Limited, TVS Automotives (Pvt) Limited and Orient Motor Company Limited.

Memberships in Board Sub-Committees	
Member	Nomination Committee
% of Company shares held	1.41
Number of Directorships in other companies	05

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 a MBA.

Mr. Atukorala serves as an Independent Non-Executive Director of Colombo City Holdings PLC, NDB Capital Holdings (Pvt) Limited, Unawatuna Boutique Resort (Pvt) Limited, Unimo Enterprises Limited, NDB Zephyr Partners Limited (Mauritius), NDB Securities (Pvt) Limited, Imperial Health Care (Pvt) Limited, Arni Holdings and Investments (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.

He was also a former Chairman of NDB Bank PLC & Development Holdings (Pvt) Limited and a Director of Union Bank PLC, DFCC Bank PLC, DFCC Vardhana Bank, Orient Finance PLC, UB Finance (Pvt) Limited and TVS Lanka (Pvt) Limited.

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

BOARD OF DIRECTORS

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.

Memberships in Board Sub-Committees	
Chairman	Related Party Transactions Review Committee
Member	Nomination Committee
Member	Remuneration Committee
Member	Audit Committee
% of Company shares held	0.003
Number of Directorships in other companies	08

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.

Memberships in Board Sub-Committees	
Memberships in Board Sub-Committees	Nil
% of shares held	0.011
Number of Directorships in other Companies	01

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 years' experience in the field of auditing, management consultancy, finance and administration.

Mrs. Fernando is the Chief Executive Officer/Executive Director of R I L Property PLC.

She is also a Non-Executive Director of DFCC Bank PLC, Foodbuzz (Pvt) Limited, Unimo Enterprises Limited and U M L Heavy Equipment Limited.

Mrs. Fernando was a former Director of Readywear Industries Limited, TVS Lanka (Pvt) Limited and Orient Motor Company Limited.

Memberships in Board Sub-Committees	
Member	Audit Committee
Member	Nomination Committee
Member	Remuneration Committee
Member	Related Party Transactions Review Committee
% of Company shares held	Nil
Number of Directorships in other companies	05

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, 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 of Access Engineering PLC, Teejay Lanka PLC, Resus Energy PLC.

He is a past Vice-Chancellor of the University of Moratuwa, former member of the University Grants Commission and National Research Council, 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 Lanka IOC PLC and U M L Heavy Equipment Limited.

Memberships in Board Sub Committees	
Chairman	Audit Committee
Chairman	Remuneration Committee
Member	Nomination Committee
Member	Related Party Transactions Review Committee
% of Company shares held	Nil
Number of Directorships in other companies	04

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 forty years include Sales, Marketing and General Management functions. His Industrial exposure spans Healthcare, FMCG, Insurance, Banking and Telecommunications.

Mr. Chapman is 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) Limited. 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 Branch, 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.

Memberships in Board Sub-Committees	
Chairman	Nomination Committee
Member	Audit Committee
Member	Remuneration Committee
Member	Related Party Transactions Review Committee
% of Company shares held	Nil
Number of Directorships in other companies	02

MR.YOSHISUKE ISHII

Non-Executive Director (Independent)

Mr. Yoshisuke Ishii was appointed to the Board in July 2020.

Mr. Ishii graduated from Sophia University, Tokyo, Japan. Currently, he is the General Manager-in-charge of Africa and South Asia Division of Mitsubishi Motors Corporation, Japan. Mr. Ishii has several years of working experience as General Manager-in-charge of China, Middle East and Africa Division of Mitsubishi Motors Corporation, Japan.

Memberships in Board Sub-Committees	Nil
% of shares held	Nil
Number of Directorships in other Companies	Nil

MRS. RINOZA HISHAM

Company Secretary

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

Mrs. Hisham is an Associate Member of the Chartered Governance Institute (ICSA-UK). She holds a Diploma in HR from the Institute of Chartered Personnel Management (CIPM), Sri Lanka and an MBA from the Post Graduate Institute of Management of the University of Sri Jayewardenepura.

HOW WE GOVERN

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. Corporate governance is of utmost importance in driving the Company towards sustainable success. This report aims to provide an overview of the corporate governance framework including the structure, principles, policies and practices of corporate governance at UML.

GOVERNANCE STRUCTURE

The Board of Directors (the Board) along with the Chairman is the apex body responsible and accountable for the stewardship function of the Company. The Directors are collectively responsible for upholding and ensuring the highest standards of corporate governance is maintained inculcating ethics and integrity across the Company. The Board has delegated some of its functions to Board Sub Committees while retaining final decision rights pertaining to matters under the purview of these Committees. Accordingly, certain functions of the Board are delegated through the board committees, enabling the Committee members to focus on their delegated areas of responsibility and impart knowledge and experience in areas where they have greater expertise.

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 definition 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 Services) 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.

THE ROLE OF THE BOARD

The Board comprises of senior professionals from their respective fields and they use 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.

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 recognises 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.

The Board members are permitted to obtain independent professional advice from third parties whenever deemed necessary, at Company's expense. Independent professional advices were sought on matters in accordance with above provision.

BOARD BALANCE AND INDEPENDENCE

The Board comprises of eight Directors of whom six including the Chairman hold office in a Non-Executive capacity. All Non-Executive Directors are independent except for Mrs. Hiroshini Fernando.

The Board determines the independence or non-independence of all Non-Executive Directors based on their declaration and their information available to the Board annually. Having taken into account all relevant aspects, the Board determined that Mr. A. W. Atukorala who has served the Board continuously for 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.

Resignations and new appointments to the Board subsequent to the year-end are given below;

Mr. Hiroyasu Inoue who was the Nominee Director of Mitsubishi Motors Corporation as of 31 March 2020, resigned w.e.f. 1 April 2020.

Mr. Yoshisuke Ishii was appointed as the Nominee Director of Mitsubishi Motors Corporation w.e.f. 7 July 2020.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR

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 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 Key Management Personnel, acting as a sound Board on strategic and operational matters. 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.

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.

BOARD EFFECTIVENESS

The Company's performance and the business strategies are reviewed and monitored at the monthly board meetings. Further, the parent company Board reviews the financial performance and business strategies of all the Group companies at monthly board meetings and after the end of each quarter heads of those companies make presentations to the Board on company performance and strategies against the annual plan. A formal agenda is prepared for all board meetings by the Company Secretary in consultation with the Chief Executive Officer/Executive Director and the Chairman.

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.

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 summarised on page 21.

APPOINTMENTS OF DIRECTORS

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.

RE-ELECTION OF DIRECTORS

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. Accordingly, the directors who shall seek re-election at this year's AGM have been indicated in the notice of the meeting.

PERFORMANCE EVALUATION AND REMUNERATION OF DIRECTORS

There is a formal process for appraisal of Board performance. The appraisals are carried out through a structured questionnaire which is in four separate parts addressing the following;

- Overall collective performance of the Board.
- Evaluation of the performance of the Chairman.
- Self-evaluation by each Director.
- Evaluation of Non-Executive Directors.

An annual evaluation of the performance of the CEO is carried out by Remuneration Committee against pre-agreed targets.

Remuneration Committee decides on the Executive Directors' Remuneration. All members of the Remuneration Committee are independent Non-Executive Directors except for Mrs. Hiroshini Fernando as of the year end. Details of the Remuneration Committee are given in the Remuneration Committee report.

The remuneration scheme for Executive Directors is structured to align rewards to their individual and Corporate

HOW WE GOVERN

performance. Executive Directors terms of employment are governed by the contract of service.

Non-Executive Directors' fee are based on the time commitment and responsibilities of their role taking into consideration prevailing market rates.

CODE OF CONDUCT

An internally developed Code of Business Conduct & Ethics and the policies which are 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 U M L 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, policies specifically address share trading policy, whistle blowing policy, conflict of interest and confidentiality policy.

The Code of Conduct and the policies in place 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.

ENGAGEMENT WITH SHAREHOLDERS

The AGM provides a forum for all shareholders to participate in decision making matters reserved for the shareholders which include adoption of Annual Report and Financial Statements, re-appointment of Directors and Auditors and other matters requiring special resolutions as defined 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 Financial Statements 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.

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 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.

Due to COVID-19 pandemic certain changes have been made this year for the circulation of the Annual Report and holding of the AGM. Accordingly, Annual Report has been uploaded on CSE website and Company website. Further it was decided to conduct a virtual meeting.

ACCOUNTABILITY & AUDIT

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 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 of its duties with regard to risk management and internal controls as given in Audit Committee Report and Directors' Statement on Internal controls. A comprehensive report on how the Company manages risk is included in the risk management report.

The Audit Committee comprise of four independent Non-Executive Directors and one 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.

ASSURANCE

The "Assurance" element is the supervisory role of the Corporate Governance framework. A range of assurance mechanisms such as Internal Audit Division, 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.

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.

The internal regulations comprises of following;

» Articles of Association
» Terms of Reference of Board and Board Sub Committees
» Code of Business Conduct & Ethics and Employee Handbook
» 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 Act and Wages Board Ordinance, EPF & ETF Act, Gratuity Act and Termination of Employment of Workmen Act and other Acts and Ordinance which addresses the rights of employees and responsibilities of employers.

The below tables depict the compliance with Listing Regulations 7.10 of the Colombo Stock Exchange and the compliance with the Companies Act.

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 Company 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 were Non-Executive Directors as at 31 March 2020.
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 are independent.
B	Each Non-Executive Directors to submit a signed and dated declaration of his/her independence/non –independence.	Complied	Non-Executive Directors have submitted declarations as to their independence.
7.10.3 Disclosures relating to Directors			
A	Disclosure of names of Directors determined to be independent.	Complied	Refer page 21 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.
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 11 to 13.

HOW WE GOVERN

CSE Rule		Compliance Status	Details of Compliance
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 with the required details.
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.
7.10.5 Remuneration Committee			
a	**Composition** Remuneration Committee shall comprise of Non-Executive Directors and majority should be independent.	Complied	Remuneration Committee at the year-end consists of four independent Non-Executive Directors and one Non-Independent Non-Executive Director.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.		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	Complied	Refer Remuneration Committee report for the names of the Committee members.
	Statement of remuneration policy	Complied	Refer Remuneration Committee report for the remuneration policy.
	Aggregate remuneration paid to Executive Directors and Non-Executive Directors	Complied	Aggregate remuneration paid to Executive and Non-Executive Directors are disclosed in note 13 to the financial statements.
7.10.6 Audit Committee			
a	**Composition** Audit Committee shall comprise of Non-Executive Directors, a majority of who should be independent.	Complied	Audit Committee consists of four Independent Non-Executive Directors and one Non-Independent Non-Executive Director.
	A Non-Executive Director shall be the Chairman of the Committee.	Complied	Chairman of the Audit Committee is an Independent Non-Executive Director.
	Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Complied	Group Chief Executive Officer/Executive Director, Group Chief Financial Officer and DGM Internal Audit and Monitoring attended meetings by invitation.
	The Chairman of the Audit Committee or one member should be a member of professional accounting body.	Complied	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.

CSE Rule		Compliance Status	Details of Compliance
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.
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. Details are given in Audit Committee Report.
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 and terms of engagement of the external auditors in line with professional standards.
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.
	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 for functions carried out.

HOW WE GOVERN

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)	34
ii. Signed financial statements of the Group and the Company for the accounting period completed	Section 168 (1) (b)	51
iii. Auditor's report on financial statements of the Group and the Company	Section 168 (1) (c)	43 to 49
iv. Accounting policies and any changes therein	Section 168 (1) (d)	55 to 69
v. Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	38
vi. Remuneration and other benefits paid to directors of the Company and its subsidiaries during the accounting period	Section 168 (1) (f)	80
vii. Amount of donations made by the Company and its subsidiaries during the accounting period	Section 168 (1) (g)	80
viii. Information on directorate of the Company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	04 and 05
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)	80
x. Auditor's relationship or any interest with the Company and its subsidiaries – audit fee/non-audit fee	Section 168 (1) (j)	23 and 80
xi. Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	39

COMPLIANCE

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, 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		Remuneration Committee meetings		Nomination 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	17	17	7	7	1	1	2	2	-	-
Mr. Chanaka Yatawara	GCEO/ Executive Director	Non-Independent	17	17	7	*7	1	*1	2	2	-	-
Mr. Ananda Atukorala	Non-Executive Director	Independent	17	17	7	7	1	1	2	2	5	5

Name of Director	Capacity	Status of independence	Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination 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. Ramesh Yaseen	Executive Director	Non-Independent	17	5	-	-	-	-	-	-	-	-
Mrs. Hiroshini Fernando	Non-Executive Director	Non-Independent	17	15	7	6	1	1	2	2	5	5
Prof. Malik Ranasinghe	Non-Executive Director	Independent	17	17	7	7	1	1	2	2	5	5
Mr. Stuart Chapman	Non-Executive Director	Independent	17	17	7	7	1	1	2	2	5	5
Mr. Hiroyasu Inoue (Resigned w.e.f. 1 April 2020)	Non-Executive Director	Independent	17	-	-	-	-	-	-	-	-	-
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	-	2	-	7
Mr. Chanaka Yatawara	-	-	2	3
Mr. Ananda Atukorala	-	1	-	7
Mr. Ramesh Yaseen	-	-	-	1
Ms. Hiroshini Fernando	1	1	-	3
Prof. Malik Ranasinghe	-	4	-	-
Mr. Stuart Chapman	-	1	-	1
Mr. Hiroyasu Inoue (Resigned w.e.f. 1 April 2020)	-	-	-	-
Mr Yoshisuke Ishii (Appointed w.e.f. 7 July 2020)	-	-	-	-

AUDIT COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

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

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.

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.

KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

Key responsibilities include;

» 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 judgements 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 effectiveness of both internal and external audit functions.

COMPOSITION OF THE COMMITTEE

The Audit Committee appointed by and responsible to the Board of Directors comprises four Independent Non-Executive Directors (IND/NED) and one Non-Independent Non-Executive Director (NIND/NED).

The Committee consisted of following members as at 31 March 2020, whose profiles are given on pages 11 to 13.

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 7 meetings during the financial year ended 31 March 2020.

Name	Attendance
Prof. Malik Ranasinghe	7/7
Mr. Sunil G. Wijesinha	7/7
Mr. Ananda Atukorala	7/7
Mrs. Hiroshini Fernando	6/7
Mr. Stuart Chapman	7/7

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 invites members of the Senior Management to participate in the meetings as and when required.

Proceedings of the Audit Committee meetings are regularly reported to the Board.

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 judgements 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.

As part of reviewing the impact of adopting new accounting standards, the Committee reviewed the application of SLFRS 16 – Leases which became applicable for the financial reporting periods beginning on or after 1 January 2019.

New ERP system was implemented during the year under review and the Committee closely monitored the changeover and implementation of the new system.

The prevailing internal controls, systems and procedures were assessed by the Committee and were of the view that adequate controls are in place over financial reporting and procedures were in place to provide reasonable assurance that the financial reporting system is effective and well managed to provide accurate, reliable and timely information.

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 being adopted to identify the effectiveness of the internal control procedures in place and 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 pages 32 and 33.

Statutory and regulatory compliance

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

As a monitoring measure, the Internal Audit Division has been mandated to conduct independent test checks covering all statutory and regulatory compliance requirements.

Internal audit

During the year, the Committee continued to fulfil its mandate to monitor and review the scope, independence and objectivity, extent and effectiveness of the activities of the Internal Audit Division. The annual internal 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 Division 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 being subjected to more frequent audits. The Committee reviewed the management's responses to the issues raised and the implementation of recommendations to overcome those issues.

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 auditors. 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 to ensure recommendations are implemented.

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 2021 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

AUDIT COMMITTEE REPORT

Whistle blowing

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 Audit Committee or the Head of Internal Audit. Concerns raised are investigated and the identity of the person raising the concern is kept confidential and anonymous complaints are also investigated under the said policy. This procedure continues to be strictly monitored by the Committee.

POTENTIAL FINANCIAL IMPLICATIONS ARISING FROM COVID-19 PANDEMIC

The Audit Committee reviewed the risks and potential financial implications from COVID-19 pandemic. Estimated cash flows, availability of funding arrangements and profit forecasts were reviewed under different scenarios. The Committee is satisfied that the Company and its subsidiaries are able to continue as a going concern for foreseeable future. The Committee also reviewed the disclosures made in the Annual Report in this regard.

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 July 2020

REMUNERATION COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Committee was established for the purpose of recommending to the Board of Directors the remuneration of the Executive Directors and the Chief Executive Officers. The Committee also approves the remuneration of the Corporate Management team on the recommendation of the Group Chief Executive Officer/Executive Director.

TERMS OF REFERENCE (TOR)

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

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.

SCOPE AND RESPONSIBILITY

The scope and the responsibility of the Remuneration Committee include:

- To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the Company recognizes and addresses the short and long term needs of the organization in relation to performance, talent retention and rewards.
- To formulate on behalf of the Board, formal and transparent procedures for developing policy on remuneration for Executive Directors, Group CEO, Subsidiary Company CEOs and the Corporate Management Team.
- To recommend to the Board a competitive remuneration and rewards structure that is linked to performance.
- To evaluate the performance of 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 comprises of four Independent Non-Executive Directors (IND/NED) and one Non-Independent Non-Executive Director (NIND/NED), as at 31 March 2020.

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 11 to 13.

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

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

The Committee's composition met the requirements of the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange.

MEETINGS

The Committee met once during the year which was attended by all members of the Committee.

REMUNERATION PACKAGE

Remuneration is one of the key tools that help the Company to motivate the employees to achieve corporate goals. The Committee remains committed to link remuneration to the achievement of United Motors Lanka PLC's strategic objectives.

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 other non-qualitative measures and the progress against such pre-agreed targets.

The Company's variable pay plans are determined according to the overall achievement of the Company and pre-agreed individual targets, which are based on various performance parameters. Key Performance measures are structured so that the target levels of achievement are challenging but achievable.

The level of variable pay is set to ensure that individual rewards reflect the overall Company performance and individual performance. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against predetermined targets.

Surveys are conducted in every three to four years in order to assess the prevailing salary and benefits structure within the Company and the market position, enabling the Committee to make informed decisions when reviewing the remuneration.

REMUNERATION COMMITTEE REPORT

EMPLOYEES

Overall remuneration of employees including the members of the Group Corporate Management team is based on several factors such as skills, experience, responsibility, performance and industry average.

Employees are informed of the key performance indicators in advance and are evaluated against such pre-agreed targets.

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

DIRECTORS' REMUNERATION

The remuneration packages awarded to Executive Directors are intended to be competitive and comprise a mix of fixed and variable component. The variable remuneration is linked to the achievement of Key Performance Indicators and profitability.

The remuneration for Non-Executive Directors reflects the time, commitment and responsibilities of their role and is based on industry and market surveys. All Non-Executive Directors receive a fee for serving on the Board and Board Sub Committees.

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 option scheme for members of the Board. The Articles of Association does not contain a shareholding guideline for key management personnel.

PERSONAL LOANS TO DIRECTORS

None of the Directors have taken loans from the Company.

Prof. Malik Ranasinghe
Chairman – Remuneration Committee
27 July 2020

NOMINATION COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Nomination Committee was established for the purpose of advising the Board in relation to new appointment, retirement, re-election, succession and training needs of the Board members. The Committee ensures that the Board possesses the correct mix of experience for its effective functioning and assesses the Board composition, combined knowledge skills and experience.

TERMS OF REFERENCE (TOR)

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

ROLES AND RESPONSIBILITIES

The Committee focuses on the following in discharging their responsibilities:

» To regularly review the structure, size, composition and competencies (including the skills, knowledge and 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 appointments.

» To look into and make recommendations on any other matters referred to it by the Board of Directors.

COMPOSITION

The Nomination Committee comprises four Independent Non-Executive Directors (IND/NED), one Non-Independent Non-Executive Directors (NIND/NED) and the Group Chief Executive Officer/Executive Director (GCEO/ED). Members of the Committee as at 31 March 2020 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 11 to 13.

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

MEETINGS

The Committee held two meetings during the year, all members of the Committee attended such meetings.

The proceedings of the meetings are regularly reported to the Board of Directors. A member of the Nomination Committee does not participate in decisions relating to his/her own re-appointment/re-election.

PROFESSIONAL ADVICE

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

PERFORMANCE

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

Stuart Chapman
Chairman-Nomination Committee
27 July 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Related Party Transactions Review Committee (RPTRC) was formed to advise the Board of Directors on related party transactions and to exercise oversight function in complying with 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") and the best practices recommended by the Institute of Chartered Accountants of Sri Lanka.

TERMS OF REFERENCE

The Committee is governed by the written terms of reference which is designed to discharge the Committee's purpose, duties and responsibilities. The Committee's duties and responsibilities are set out in accordance with requirements stipulated by the Code, the Rules and LKAS 24 on "Related Party Disclosures."

ROLES AND RESPONSIBILITIES

The responsibilities of the Committee include the following:

» To ensure that the Company complies with the Rules.

» To review in advance all proposed related party transactions 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 related party transactions that are recurrent and non-recurrent.

» To make immediate market disclosures on applicable related party transactions as required by the Rules.

» To include appropriate disclosures on related party transactions 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.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee (RPTRC) comprised of three Independent Non-Executive Directors (IND/NED) and one Non-Independent Non-Executive Director (NIND/ED).

The members of the Committee as at 31 March 2020 were;

Mr. Ananda Atukorala
(IND/NED) - Chairman

Mrs. Hiroshini Fernando
(NIND/NED)

Prof. Malik Ranasinghe
(IND/NED)

Mr. Stuart Chapman
(IND/NED)

The profiles of the members are given on pages 11 to 13.

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	05/05
Mrs. Hiroshini Fernando	05/05
Prof. Malik Ranasinghe	05/05
Mr. Stuart Chapman	05/05

REVIEW OF FUNCTION OF THE COMMITTEE

Review of the related party transactions by the Committee takes place quarterly and as and when required.

PROFESSIONAL ADVICE

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

ACTIVITIES DURING THE YEAR

» All recurrent and non-recurrent related party transactions that had taken place during the year ended 31 March 2020 were reviewed by the Committee and communicated to the Board where necessary.

» In addition, the Board of Directors was updated on the related party transactions of the Group on a quarterly basis.

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

The 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 2020 which required additional disclosure in this Annual Report are given in note 40.4 to the financial statements.

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 Mach 2020 which required additional disclosure in this Annual Report.

DECLARATION BY THE BOARD

A declaration by the Board of Directors as per Section 9.3.2 (d) of the Rules is included on page 38 of this Annual Report.

Ananda Atukorala
Chairman – Related Party Transactions Review Committee
27 July 2020

ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT STRUCTURE & PROCESS

Enterprise risk management is an ongoing process that has been adopted across the entire organisation in strategy setting, which is designed to identify potential events that affect the entity and to manage risks within the Company's risk appetite.

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. 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. 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.

Likelihood \ Potential Impact	1	2	3	4	5
1	1	2	3	4	5
2	2	4	6	8	10
3	3	6	9	12	15
4	4	8	12	16	20
5	5	10	15	20	25

Low Risk
Risk Rating 1-5

Moderate Risk
Risk Rating 6-15

High Risk
Risk Rating 16-25

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.

RISK LANDSCAPE

Risk management has taken on a new dimension given the uncertainties brought in by COVID-19 pandemic. COVID-19 has taken risk management to new heights and importance of risk management is felt as never before. The pandemic has brought in new risks and in some cases has changed the risk profile. The year under review was extremely challenging with two black swans namely the Easter Sunday attack at the beginning of the financial year and the COVID-19 pandemic at the end of the financial year. Easter Sunday attack led to weakening of the economic growth in the country. COVID-19 pandemic resulted uncertainties across global economies as countries were forced to close down boarders, enforce lockdowns and ensure social distancing in order to minimise the spread. While all risks associated with the COVID-19 pandemic and its resultant effects will need to be assessed as the situation evolves, the Group has ensured business continue while ensuring that all health and safety guidelines have been adhered to.

Although there will be impacts due to import restrictions by the Government, it is difficult to quantify the future business impact at this moment in time. We could have a medium term negative impact on our revenue from vehicle sales once the current stocks are exhausted. Financial implications of the pandemic for the Group include declining profitability and tightening liquidity. We have implemented a variety of other measures including limiting all capital expenditure, seize new recruitments and curtailing discretionary expenses to reduce cash outflows. In order to evaluate the financial position over the next 12 months, projections were prepared under multiple operating scenarios to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place. While the forecasted liquidity position is comfortable, the Group is of the view that undertaking proactive steps will assist the businesses to sustain.

ENTERPRISE RISK MANAGEMENT

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

Risk	Risk management actions	Change in risk profile	
		2019/2020	2018/2019
Business environment Majority of the Group's revenue is generated by the vehicle sales segment. This makes the Group's revenue highly vulnerable due to uncertain import regulations and tariff policies by the Government, which negatively affects our business. COVID-19 has resulted in Government implementing number of measures to address macro economic issues faced due to the pandemic. Government decision to stop import of vehicles has become a major concern. Further, uncertainty in demand arising due to current situation in the country and supply side of vehicles can have an impact due to interruptions to the global supply chain due to COVID-19 pandemic.	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. We have already put in place a 2MW roof top solar system. Looking for opportunities to diversify into non related business segments.	High	High
Risk of employee safety With the spread of COVID-19, the risk of our employees coming into contact with the virus is high, especially when using public transport and during field visits by our sales staff. Such contact can interrupt our business operations as well.	Health and safety guidelines issued by the health authorities are adhered and guidelines are given to employees. Required disinfectants are made available to employees and other visitors to the premises.	High	Low
Credit risk Adverse economic conditions as a result of COVID-19 Pandemic and due to lockdowns can result in drop in credit worthiness of the customers.	Re-evaluate the credit worthiness of the customers and re-look at the credit limits based on current situation. Wherever applicable, prior to approving credit, a thorough process of evaluation is carried out to ensure the credit worthiness of the customer. 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
Exchange rate risk Due to depreciation of Rupee against the other currencies purchasing costs becomes higher.	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

Risk	Risk management actions	Change in risk profile	
		2019/2020	2018/2019
Liquidity risk Unavailability of sufficient funds as a result of closing business due to lockdowns and curtailed business operations. Excess borrowings may impact the smooth functioning of the Company's day-to-day operations due-to-inability to service loans.	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 at least for a period of twelve months.	Moderate	Moderate
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. While carrying out periodic review of inventory age analysis, strategies are implemented 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 them.	Moderate	Moderate
Cyber risk Risk of losing operational and confidential data due to security breaches/system breakdowns in the IT systems and disruption to operations due to breakdown in the IT systems. Due to COVID-19 pandemic, the country was in a lockdown for almost two months. As a result, work from home and carrying out transactions electronically increased substantially. This has increased cyber threats to a great extent.	Extensive controls and reviews to maintain efficiency of IT infrastructure and data including periodic technical assessments on security. Availability of offsite mirror server. Provide staff with secure infrastructure such as office laptops.	High	Moderate

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

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 maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. 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 Controls" 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.

The Board has implemented the following measures to obtain reasonable assurance that proper systems of internal controls are in place;

» Sub Committees of the Board are established to assist the Board in ensuring the effectiveness of operations of 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 companies in the Group. The findings of internal audits are submitted to the Audit Committee for review at its periodic meetings.
» The Audit Committee reviews internal control issues identified by the Internal Audit Division, the external auditors, management and evaluates the adequacy and effectiveness of the risk management and internal control systems in those areas. They also review 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.
» In assessing the overall internal control system of the Company, the divisional heads assess all procedures and controls with in their scope. These in turn were monitored 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.
» The Board took necessary steps to implement the requirement of the Sri Lanka Accounting Standard – SLFRS 16 (Leases) which became effective from 1 January 2019.
» The Board closely monitored the implementation of the new ERP system.
» The Board is closely monitoring the impact of COVID-19 on the business operations and specially the impact it could have on the controls of the Company.

CONFIRMATION

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements of loss.

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 and 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 July 2020

ANNUAL REPORT OF BOARD OF DIRECTORS

1. OVERVIEW

The Directors have pleasure in presenting the Thirty First Annual Report of your Company together with the Audited Financial Statements of the Group and the Company for the year ended 31 March 2020 and the independent 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 best practices recommended by the Institute of Chartered Accountants of Sri Lanka.

The Annual Report of the Company including the Annual Report of the Board of Directors was approved by the Board of Directors on 27 July 2020. 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 20 forms 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 02 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 spare parts 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 the UK.

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

The Company import and distribute 3D printing equipment and customize 3D prototyping and conduct 3D certificate courses for beginners.

The Company operate 2MW roof mounted solar power project in Ratmalana and Orugodawatte.

Subsidiary Companies	
Unimo Enterprises Ltd	The Company is engaged in the import and distribution of Perodua vehicles from Malaysia, JMC commercial vehicles and DFSK Trucks, from China, Yokohama Tyres from Japan. The Company is also engaged in the assembly and marketing of DFSK 580 SUV from Indonesia, Glory multipurpose vehicles (MPV) & Z100 vehicles from China. During the year the Company commenced the import of Greaves power generators from India.
U M L Property Developments Ltd	Development of Company owned properties. The Company has constructed a warehouse and has leased it to United Motors Lanka PLC.
U M L Heavy Equipment Ltd	The Company is engaged in the import and distribution of JCB earthmoving equipment and power generators from India.

In terms of Section 242 of the Companies Act No. 07 of 2007, Orient Motor Company Limited, a fully owned subsidiary company of United Motors Lanka PLC was amalgamated with United Motors Lanka PLC on 30 November 2019.

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 the operation of the Company and the Group

The "Chairman's Message" and the "Group Chief Executive Officer's Review" 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.

2.4. Directors' responsibility for financial reporting

The Directors are responsible for the preparation of the financial statements of the Company and the Group 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 41 and 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 14 to 21.

3. FUTURE DEVELOPMENTS

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

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 51 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 2020. The Auditors' Report on the financial statements is given on page 43 to 49 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 55 to 69 of the Annual Report.

New accounting standards adopted during the year is given in note 07 to the financial statements.

There were no changes in accounting policies during the year under review.

7. GOING CONCERN

Due to COVID-19 the business was adversely affected by the restrictions in free movement since mid-March 2020. The Government's decision to restrict imports of all vehicles and the financial institutions' decisions to go slow on new lending further impacted the automobile industry in which we are predominantly involved in.

The Board of Directors evaluated several scenarios of profitability and cash flows with different assumptions considering the current and expected effects of COVID-19 on the Group companies. A special committee of the members of Board was formed to review the operation closely and report to the Board. Several cost optimizing initiatives were introduced throughout the Group. The Board, having looked at the different scenarios is satisfied that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis.

8. REVENUE

The Company achieved revenue of LKR 5.8 billion during the year ended 31 March 2020. The details of the revenue by segment are given in note 09 to the 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	2020 LKR'000	2019 LKR'000 Restated
Profit for the year before taxation	120,969	862,314
Income tax expenses	(3,642)	(131,949)
Profit for the year after taxation	117,327	730,365
Other comprehensive income	14,008	2,604
Un-appropriated profit brought forward from previous year	6,224,863	5,643,245
Profit available for appropriation	6,356,198	6,376,214
Appropriations		
Dividend paid		
18/19 – LKR 4.00 per share (First & Final)	403,603	-
17/18 – LKR 1.50 per share (Final)	-	(151,351)
Un-appropriated profit to be carried forward	**5,952,596**	**6,224,863**

Dividends

The Company did not declare dividends for the financial year 2019/20. The first and final dividend of LKR 4.0 per share for 2018/19 financial year was paid on 05 August 2019.

Reserves

The total revenue reserves of the Company as at 31 March 2020 amounted to LKR 6,419 million and the capital reserves of the Company as at 31 March 2020 amounted to LKR 4,904 million. Details of reserves are shown in the statement of changes in equity on page 53.

ANNUAL REPORT OF BOARD OF DIRECTORS

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 LKR 412,150 (LKR 392,800 in 2018/19) to charities. Out of the aforementioned sum, the donations made by the Company/Group to Government approved charities amounted to LKR 120,000 (LKR 110,000 in 2018/19).

12. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTIES

Details of property, plant and equipment are given on note 18 to the financial statements.

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

Market value of property, plant, equipment and investment property

All freehold land of the Group are revalued by professionally independent valuers and brought into financial statements. The investment properties are accounted for using the 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. EVENT OCCURRING AFTER THE REPORTING PERIOD

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 2020 was LKR 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 3,753 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 122 to 125.

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

Information relating to dividends, earnings, ratios, net assets, market price information and the trading of the shares are given on pages 122 to 125.

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 127.

Substantial shareholdings

The details of top twenty shareholders and the percentage holding of the public are given under "Share Information" on pages 122 to 125.

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 complied with the Code of Best Practice on Corporate Governance 2017, issued by Institute of Chartered 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 14 to 21.

The Company maintains and practices high principles of good corporate governance. A separate report on "How we govern" is given on pages 14 to 21 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 04 and 05.

New appointments and resignations of Directors

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

Mr. Hiroyasu Inoue, Nominee Director of Mitsubishi Motors Corporation, resigned from the Board with effect from 01 April 2020 and Mr. Yoshisuke Ishii was appointed to the Board as the Nominee Director of Mitsubishi Motors Corporation with effect from 07 July 2020.

Re-election and re-appointment of Directors

(i) In terms of the Article 83 of the Articles of Association of the Company, Mr. Stuart Chapman, retires by rotation and being eligible offer himself for re-election on the unanimous recommendation of the Board Nomination Committee and the Board of Directors.

(ii) In terms of the Article 89 of the Articles of Association of the Company, Mr. Yoshisuke Ishii retires and being eligible offer himself for re-election on the unanimous recommendation of the Board Nomination Committee and the Board of Directors.

(iii) Mr. Sunil G. Wijesinha, who is over the age of 70 years 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.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Sunil G. Wijesinha who is 71 years of age and that he be re-appointed a Director of the Company"

iv) Mr. Ananda Atukorala, who is over the age of 70 years 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.

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Ananda Atukorala who is 71 years of age and that he be re-appointed a Director of the Company."

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.

ANNUAL REPORT OF BOARD OF DIRECTORS

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 21 of the Annual Report.

Directors' dealings in shares of the Company

Directors' shareholding as at 1 April 2019, disclosure in respect of Directors' dealings in shares of the Company during the year and their shareholding as at 31 March 2020 have been disclosed in "share information" on page 125.

Directors' Remuneration & other benefits

Details of Directors emoluments and other benefits paid in respect of 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 Disclosure", and are given in note 40 to the financial statements.

The recurrent related party transactions which exceed 10% of the gross revenue which require specific disclosures in the Annual Report as required by section 9.3.2 of the Listing Rules of the Colombo Stock Exchange on related party transactions, is given in note 40 to the financial statements.

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 Mach 2020.

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 the Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee.

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 2020 and the details of the attendance by Directors at meetings are given on page 21 while the reports of these Sub Committees are given on pages 22 to 28.

Review of performance

The Board appraised its performance during the year.

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 29 to 31 of the Annual Report.

The Board of Directors, through the involvement of Internal Audit 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 32.

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 BEHAVIOR

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 environmental 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.

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, as at the year-end was 801 (2018/2019 - 833).

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.

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 13.1.1 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 31 August 2020.

30. ANNUAL GENERAL MEETING

Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors has decided to hold the Thirty First Annual General Meeting (AGM) via audio-visual means on 31 August 2020 at 10.00 a.m. in line with the guidelines issued by Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

The Notice of Meeting relating to the Annual General Meeting is given on page 130.

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

Ms. Rinoza Hisham
Company Secretary

27 July 2020.

FINANCIAL INFORMATION

FINANCIAL CALENDAR

Financial Statements 2019/2020	
First quarter released on	06 August 2019
Second quarter released on	07 November 2019
Third quarter released on	07 February 2020
Fourth quarter released on	28 July 2020
Annual Report and Accounts	
2018/2019	02 July 2019
Meetings	
Thirtieth Annual General Meeting	25 July 2019
Thirty First Annual General Meeting	31 August 2020
Dividends	
First and Final dividend 2018/2019	05 August 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Section D.1.5 of the "Code of Best Practice on Corporate Governance 2017" (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Responsibility Statement on preparation and presentation of financial statements in the Annual Report together with a statement by the auditors about their reporting responsibilities. The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the "Independent Auditors' Report".

As per the provision of sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors are responsible to prepare and present financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Company and the Group for the financial year.

The Financial Statements comprise of;

» Statement of Profit or Loss and Other Comprehensive Income of the Group and the Company
» Statement of Financial Position of the Group and the Company
» Statement of Changes in Equity of the Group and the Company
» Statement of Cash Flows of the Group and the Company
» Notes to the Financial Statements

The Directors are also required to place these financial statements before the general meeting of shareholders.

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
» the financial statements of the Group and the Company are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs).

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 2020 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 accounts 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 budget 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 43 to 49.

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 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.

STATEMENTS OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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 July 2020

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 2020, 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 2020;
- 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.

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

Partners **D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, N.R. Gunasekera FCA, T.U. Jayasinghe FCA, H.P.V. Lakdeva FCA, M.D.B. Boyagoda ACA**

INDEPENDENT AUDITOR'S REPORT

The Company:

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property (Refer note 19.1 and 19.2 in the financial statements) The Company engaged an independent valuer to determine the fair value of its investment property comprising land and buildings located at Colombo 2. At 31 March 2020, the asset was carried at a fair value of LKR 513 million and a gain on revaluation of LKR 17.4 million had been recorded. The valuation of investment property was based on significant judgements made using a number of assumptions, including prices at which comparable properties in close proximity are transacted adjusted for differences in key attributes such as, property size, the physical state of buildings and replacement cost per square foot. Due to the outbreak of COVID-19, the valuer experienced an unprecedented set of circumstances on which to base judgement at the reporting date. The valuation of investment property was considered a key audit matter due to the significant judgements made and the magnitude of the value of investment property in the financial statements.	Our audit approach mainly included substantive audit procedures as follows; • 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 the significant assumptions used in the valuation by applying our knowledge of the real estate market. For this purpose, we used publicly available information on real estate of similar nature and location; • we discussed and obtained information from the valuer to understand the extent to which the impact of COVID-19 had been reflected in the valuation. Based on our work performed, we found that the fair value of investment property for the year ended 31 March 2020 and the resulting gain on revaluation to be appropriate.

The Group:

Key audit matter	How our audit addressed the key audit matter
Valuation of land (Refer notes 18.1, 18.2, 18.3 and 18.4 in the financial statements) The Company engaged an independent valuer to determine the fair value of freehold land. As at 31 March 2020, the land portfolio is valued at LKR 6.44 billion and the gain on valuation in the year amounted to LKR 780 million. The valuation of freehold land was based on significant judgements made using a number of assumptions, including prices at which comparable properties in close proximity are transacted adjusted for differences in key attributes such as property size, shape and access to main roads. Due to the outbreak of COVID-19, the valuer experienced an unprecedented set of circumstances on which to base judgement at the reporting date. The valuation of land was considered a key audit matter due to the relative size of land value in the Statement of Financial Position, the use of significant judgements that included a number of assumptions.	Our audit approach mainly included substantive procedures which covered the following; • 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 by comparing with the methods used in general industry practices; • evaluated the relevance and reasonableness of the significant assumptions used in the valuation by applying our knowledge of the real estate market. For this purpose, we used publicly available information on real estate of similar nature and location; • we discussed and obtained information from the valuer to understand the extent to which the impact of COVID-19 had been reflected in the valuation. Based on our work performed, we found the surplus recorded from the revaluation of land for the year ended 31 March 2020 to be appropriate.

INDEPENDENT AUDITOR'S REPORT

The Group: (Contd.)

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 2020, the Group held LKR 7.1 billion of inventories comprising vehicles, spare parts, lubricants, tyres and other inventories. As disclosed in the accounting policy note 3.5.6, inventories are held 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 testing controls related to the inventory process and substantive audit procedures as follows; • For a sample of inventory items, the recorded cost was agreed to supporting documentation to check whether the purchase cost including taxes and other costs incurred to bring the inventories to their present location had been recorded accurately; • checked the accuracy of the inventory aging reports by agreeing a sample to goods received notes; • 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; • for spares, lubricants and tyres, evaluated the aging based write down applied with reference to recoveries on slow moving inventories ; • re- performed the calculation of the inventory write down to test accuracy and; • assessed whether the Group policies for determining net realisable value 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.

The Group:

Key audit matter	How our audit addressed the key audit matter
Management assessment of the impact of the COVID-19 related events on the business operations Notes 2.9.1, 2.10 and 42 in the financial statements describes the impact of COVID-19 outbreak to the current year financial statements and the possible effects on future performance and cash flows of the Company and Group. Managements' assessment of going concern was a key audit matter because the assessment involved the consideration of uncertain future events, and was based on cash flow projections and business plans, each of which was dependent on significant management judgment.	Our audit procedures included the following to assess the appropriateness of the going concern assumption used in preparing financial statements; • Checked the mathematical accuracy of management's cash flow forecasts and validated the opening cash position; • Obtained the Group profitability and cash flow projections covering a period of not less than twelve months from the reporting period end date and evaluated the reasonability of the business plans by agreeing the assumptions to external and internal sources as necessary, including recent sales volumes, comparing assumptions to historic actuals, assessing the realistic probability of achieving planned cost reductions and by challenging key assumptions used in preparing the projections. • Inspected the availability of credit facility arrangements for the Group to adequately manage their cash flow requirements arising in the 12 months from the statement of financial position date; and • Reviewed the adequacy and appropriateness of management disclosures in the financial statements relating to going concern including the potential impact on business as a result of the uncertainty due to COVID-19. After performing the procedures above, we are satisfied that the impact of COVID-19 on the Groups' operations has been considered satisfactorily, and disclosed adequately in the financial statements.

INDEPENDENT AUDITOR'S REPORT

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report – 2019/20 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 July 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group 2020 LKR '000	Group 2019 LKR '000	Company 2020 LKR '000	Company 2019 LKR '000 Restated
Revenue from contracts with customers	10	9,845,621	12,769,409	5,752,104	8,105,736
Cost of sales		(7,796,897)	(10,007,213)	(3,976,254)	(5,695,484)
Gross profit		2,048,724	2,762,196	1,775,850	2,410,252
Distribution expenses		(401,463)	(370,363)	(222,737)	(257,368)
Administrative expenses		(1,734,549)	(1,711,991)	(1,451,829)	(1,506,013)
Other expenses	11	(83,545)	(79,211)	(57,289)	(59,600)
Other income	12	94,025	152,883	106,079	173,976
(Loss)/profit from operations	13	(76,808)	753,514	150,074	761,247
Finance income	14.1	31,878	44,490	298,053	201,816
Finance cost	14.1	(502,952)	(374,536)	(344,578)	(127,879)
Net finance (cost)/income		(471,074)	(330,046)	(46,525)	73,937
Change in fair value of investment property	19.1	-	-	17,420	27,130
(Loss)/profit before income tax expenses		(547,882)	423,468	120,969	862,314
Income tax credit/(expense)	15	138,207	12,455	(3,642)	(131,949)
(Loss)/profit for the year		**(409,675)**	**435,923**	**117,327**	**730,365**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Changes in the fair value of equity investments at fair value through other comprehensive income	14.2	(62,557)	(107,825)	(43,673)	(86,157)
Re-measurements of post employment benefit obligations	32.6	17,828	3,703	15,986	4,298
Revaluation of land	18	780,927	-	734,877	-
Deferred tax on gains on revaluation of land	33.2	(78,093)	-	(73,488)	-
Deferred tax on re-measurements of post employment benefit obligations	33.3	(2,490)	(1,470)	(1,977)	(1,694)
Other comprehensive income for the year, net of tax		655,615	(105,592)	631,725	(83,553)
Total comprehensive income for the year		**245,940**	**330,331**	**749,052**	**646,812**
(Loss)/profit attributable to:					
Owners of United Motors Lanka PLC		(409,675)	435,923	117,327	730,365
		(409,675)	**435,923**	**117,327**	**730,365**
Total comprehensive income attributable to:					
Owners of United Motors Lanka PLC		245,940	330,331	749,052	646,812
		245,940	**330,331**	**749,052**	**646,812**
Earnings per share (LKR)	16	(4.06)	4.32	1.16	7.24
Dividend per share (LKR)	17	-	-	4.00	1.50

Note from pages 55 to 121 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2020 LKR '000	Group 2019 LKR '000	Company 2020 LKR '000	Company 2019 LKR '000 Restated
Assets					
Non-current assets					
Property, plant and equipment	18	7,942,818	7,184,631	7,279,449	6,566,593
Investment property	19	-	-	513,050	495,630
Intangible assets	20	236,492	191,205	233,037	187,422
Right-of-use assets	21	250,125	-	279,325	-
Investments in subsidiaries	23.1	-	-	222,400	222,400
Financial assets at fair value through other comprehensive income	23.3	208,256	256,411	168,485	197,755
Reimbursable right	32.2	67,210	72,923	62,788	68,946
Deferred tax assets	33.1	477,549	278,856	182,926	123,192
Total non-current assets		9,182,450	7,984,026	8,941,460	7,861,938
Current assets					
Inventories	25	7,105,025	6,187,755	3,969,655	2,833,840
Trade and other receivables	26	3,469,036	3,068,963	2,791,963	2,467,944
Amounts due from related parties	27	-	-	135,744	54,280
Current tax receivables	37.2	66,378	9,818	57,718	1,162
Financial assets at fair value through profit or loss	24.1	54,924	249,469	54,924	249,469
Cash and cash equivalents	28	261,960	512,766	208,790	418,887
Total current assets		10,957,323	10,028,771	7,218,794	6,025,582
Total assets		20,139,773	18,012,797	16,160,254	13,887,520
Equity and liabilities					
Equity					
Stated capital	29	336,335	336,335	336,335	336,335
Capital reserve	30	5,258,843	4,556,009	4,904,258	4,242,869
Other components of equity		1,245,227	1,307,784	1,312,212	1,355,885
Retained earnings		5,881,039	6,678,979	5,952,596	6,224,863
Total equity attributable to the equity holders of the parent		12,721,444	12,879,107	12,505,401	12,159,952
Non-current liabilities					
Employee benefit obligations	32.1	239,546	222,547	214,145	203,147
Lease liabilities	34	109,514	-	153,539	-
Deferred tax liabilities	33.2	322,866	137,718	323,505	138,597
Total non-current liabilities		671,926	360,265	691,189	341,744
Current liabilities					
Interest bearing borrowings	31	5,662,003	3,611,428	2,096,853	440,927
Trade and other payables	35	747,615	942,181	500,810	709,562
Lease liabilities	34	138,801	-	132,918	-
Amounts due to related parties	36	-	-	64,796	54,274
Current tax liabilities	37.1	-	78,205	-	78,073
Bank overdrafts	28	197,984	141,611	168,287	102,988
Total current liabilities		6,746,403	4,773,425	2,963,664	1,385,824
Total liabilities		7,418,329	5,133,690	3,654,853	1,727,568
Total equity and liabilities		20,139,773	18,012,797	16,160,254	13,887,520
Net assets per share (LKR)		126.08	127.64	123.94	120.51

Notes from pages 55 to 121 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 July 2020.

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

Sunil G. Wijesinha
Chairman

Chanaka Yatawara
Group CEO / Executive Director

Colombo
27 July 2020

STATEMENT OF CHANGES IN EQUITY

			Other Components of Equity					
	Stated Capital	Capital Reserve	Development Reserve	Property, Plant and Equipment Replacement Reserve	General Reserves	FVOCI Reserve	Retained Earnings	Total Equity
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Group								
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
Profit for the year	-	-	-	-	-	-	435,923	435,923
Other comprehensive income								
Re-measurements of post employment benefit obligations	-	-	-	-	-	-	3,703	3,703
Deferred tax on re-measurements of post employment benefit obligations	-	-	-	-	-	-	(1,470)	(1,470)
Net change in 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 in their capacity as owners :								
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**
Loss for the year	-	-	-	-	-	-	(409,675)	(409,675)
Other comprehensive income								
Re-measurements of post employment benefit obligations	-	-	-	-	-	-	17,828	17,828
Deferred tax on re-measurements of post employment benefit obligations	-	-	-	-	-	-	(2,490)	(2,490)
Net change in equity investments at fair value through other comprehensive income	-	-	-	-	-	(62,557)	-	(62,557)
Revaluation of land	-	780,927	-	-	-	-	-	780,927
Deferred tax on revaluation of land	-	(78,093)	-	-	-	-	-	(78,093)
Total comprehensive income for the year	-	702,834	-	-	-	(62,557)	(394,337)	245,940
Transactions with owners in their capacity as owners :								
Final dividend paid 2018/2019	-	-	-	-	-	-	(403,603)	(403,603)
Balance as at 31.03.2020	**336,335**	**5,258,843**	**785,400**	**308,900**	**466,250**	**(315,323)**	**5,881,039**	**12,721,444**

Notes from page 55 to 121 form an integral part of these financial statements.
Figures in the brackets indicate deductions.

	Stated Capital	Capital Reserve	Other Components of Equity				Retained Earnings	Total Equity
			Development Reserve	Property, Plant and Equipment Replacement Reserve	General Reserves	FVOCI Reserve		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Company								
Balance as at 01.04.2018 - Restated	336,335	4,242,869	785,400	308,900	466,250	(118,508)	5,643,245	11,664,491
Profit for the year - Restated	-	-	-	-	-	-	730,365	730,365
Other comprehensive income								
Re-measurements of post employment benefit obligations	-	-	-	-	-	-	4,298	4,298
Deferred tax on re-measurements of post employment benefit obligations	-	-	-	-	-	-	(1,694)	(1,694)
Revaluation of land	-	-	-	-	-	-	-	-
Net change in equity investments at fair value through other comprehensive income	-	-	-	-	-	(86,157)	-	(86,157)
Total comprehensive income for the year - Restated						(86,157)	732,969	646,812
Transactions with owners, recognised directly in equity								
Final dividend paid 2017/2018	-	-	-	-	-	-	(151,351)	(151,351)
Balance as at 31.03.2019 - Restated	**336,335**	**4,242,869**	**785,400**	**308,900**	**466,250**	**(204,665)**	**6,224,863**	**12,159,952**
Profit for the year	-	-	-	-	-	-	117,327	117,327
Other comprehensive income								
Re-measurements of post employment benefit obligations	-	-	-	-	-	-	15,986	15,986
Deferred tax on re-measurements of post employment benefit obligations	-	-	-	-	-	-	(1,977)	(1,977)
Net change in equity investments at fair value through other comprehensive income	-	-	-	-	-	(43,673)	-	(43,673)
Revaluation of land	-	734,877	-	-	-	-	-	734,877
Deferred tax on revaluation of land		(73,488)	-	-	-	-	-	(73,488)
Total comprehensive income for the year	-	661,389	-	-	-	(43,673)	131,336	749,052
Transactions with owners in their capacity as owners :								
Final dividend paid 2018/2019	-	-	-	-	-	-	(403,603)	(403,603)
Balance as at 31.03.2020	**336,335**	**4,904,258**	**785,400**	**308,900**	**466,250**	**(248,338)**	**5,952,596**	**12,505,401**

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

Development reserve represents profits that have been held in reserve to fund future development projects of the Company.

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.

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 page 55 to 121 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	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Cash flows from operating activities (note 38. 1)	(1,203,833)	(211,628)	(1,232,186)	250,262
Interest paid	(476,711)	(344,709)	(319,615)	(105,083)
Income tax paid	(90,685)	(180,718)	(88,563)	(178,425)
Contribution paid and received from investment plan (net)	(484)	(1,267)	(398)	(132)
Net cash outflow from operating activities	**(1,771,713)**	**(738,322)**	**(1,640,762)**	**(33,378)**
Cash flows from investing activities				
Investment in shares	(14,403)	(7,923)	(14,403)	(9,747)
Proceeds from disposal of /(investment in) unit trust	180,187	(180,000)	180,187	(180,000)
Acquisitions of property, plant & equipment and intangible assets	(258,194)	(536,080)	(224,674)	(488,292)
Proceeds from disposal of property, plant and equipment	2,640	32,091	2,640	27,936
Lease rentals paid in advance	(29,074)	-	(900)	-
Investment in subsidiary	-	-	-	(25,000)
Interest received	12,806	19,659	199,840	108,957
Dividend received	9,240	8,599	95,188	83,295
Net cash (out flow) / in flow from investing activities	**(96,798)**	**(663,654)**	**237,878**	**(482,851)**
Cash flows from financing activities				
Dividend paid	(403,603)	(151,351)	(403,603)	(151,351)
Principal element of lease payments	(81,502)	-	(121,975)	-
Loans obtained	57,928,165	36,554,486	36,841,759	14,614,381
Loans paid	(55,881,728)	(35,671,731)	(35,188,693)	(14,605,023)
Net cash in flow / (out flow) from financing activities	**1,561,332**	**731,404**	**1,127,488**	**(141,993)**
Net decrease in cash & cash equivalents	(307,179)	(670,572)	(275,396)	(658,222)
Cash & cash equivalents at the beginning of the year	371,155	1,041,727	315,899	974,121
Cash and cash equivalents at end of the year (note 28)	**63,976**	**371,155**	**40,503**	**315,899**

Notes from page 55 to 121 form an integral part of these financial statements.
Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

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 is 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.

The ordinary shares of the company are listed at the Colombo Stock Exchange.

1.2 Consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended 31 March 2020 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 business activities and nature of operations

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

Name of the Company	Principal activities
The company	
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 Limited (UEL)	Importation and sale of vehicles, accessories, power generators and tyres and assembling of vehicles.
UML Heavy Equipment Limited (UML Heavy)	Importation and sale of heavy equipment and power generators.
UML Property Developments Limited (UMPDL)	Renting of premises.

Orient Motor Company Ltd (OMCL) amalgamated with United Motors Lanka PLC with effect from 30 November 2019

More details of the Group is available in the Group structure on pages 04 and 05.

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 and presented 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 34 to 39, 41 to 42 and 51 respectively of this Annual Report.

2.3 Approval of financial statements

The financial statements for the year ended 31 March 2020 were approved and authorised for issue by the Board of Directors in accordance with the resolution of directors on 27 July 2020.

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).

» Reimbursable right 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 revaluation.

» Investment property measured at fair value.

» Defined benefit obligation is measured after actuarially valuing the present value of the defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS

2.5 Functional and presentation currency

The consolidated financial statements are measured in Sri Lankan Rupees (LKR) which is the currency of the primary economic environment in which the reporting entity operates.

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 treated immaterial as permitted by the LKAS 1 on Presentation of Financial Statements 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 a Sri Lanka Accounting Standards.

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 leases within the scope of Sri Lanka Accounting Standard – SLFRS 16 on "Leases". Therefore, the comparative information for 2018/19 is reported under Sri Lanka Accounting Standard – LKAS 17 on "Leases" and is not comparable to the information presented for 2019/20. Differences arising from adoption of SLFRS 16 have been recognised directly in equity as of 1 April 2019 and are disclosed in note 7 on pages 70 to 72.

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 nonfinancial 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
Provision for contingent liabilities	Estimate of ongoing legal disputes and litigations and any other commitments	3.6.7
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

2.9.1 Estimation uncertainty in preparation of financial statements due to the post-lockdown economic implications of COVID-19 pandemic

The post-lockdown implications have increased the uncertainty of estimates made in preparation of the financial statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the actions of stakeholders such as Government, businesses and customers
- the extent and duration of the expected economic downturn due to impact on GDP capital markets, credit risk of our customers, impact of unemployment and possible decline in consumer discretionary spending
- the effectiveness of Government and Central bank measures that have and will be put in place to support businesses through this disruption and economic downturn.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to expected credit losses and recoverable amount assessments of non-financial assets, recoverable value of property plant and equipment and net realisable value of inventory.

Collectively assessed allowance for expected credit losses

The post-lockdown economic implications on the country's economy and how businesses and consumers respond to same are uncertain. There could be a possible increase in credit risk due to the loss of income by some of the businesses and the individuals who are our customers, which would delay the settlements of customer dues whilst the possibility of default also exists. This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates. Judgements relevant to expected credit loss computations are further discussed in note 22.4 to these financial statements.

2.10 Going concern

Due to COVID-19, the business was adversely affected with the restrictions in free movement of customers, staff and key stakeholders since mid-March 2020. The Government's decision to restrict imports of most of the categories of vehicles and the financial institutions decisions to go slow on new lending further impacted the automobile industry in which we are predominantly involved in.

The Board of directors of the holding company evaluated the appropriateness of using going concern assumption across the Group of companies in preparing financial statements for the year ended 31 March 2020 based on available information. In this exercise, the Board evaluated number of scenarios prepared by the management under different assumptions which took in to account the existing and anticipated effects of COVID-19 on the Group companies. Under each scenario the profitability and cash flows were looked in to in detail with due consideration being given to prevailing import restrictions. Higher emphasis was placed on cost management, removal of non-value adding activities, freezing new recruitments, delaying non-essential capital expenditure and increasing after sales revenue in light of uncertain future demand for vehicles. Further, the Board evaluated the existing cash flow position and available and potential sources of financing facilities, to be used if required. In an uncertain market conditions, having looked at the different scenarios the Directors are satisfied that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and it is appropriate to adopt the going concern basis in preparing and presenting these financial statements.

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 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 consolidated financial statements of the Company and its subsidiaries prepared as per SLFRS 10 – Consolidated and Separate Financial Statements.

3.1.1 Business combination

Business combinations are accounted for using the acquisition method of accounting when 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 have been included from the date of acquisition, or incorporation while results of subsidiaries 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.

NOTES TO THE FINANCIAL STATEMENTS

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 when control ceases.

A list of the Group's subsidiaries is set out in note 23.1 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. Unrealised lossess are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.1.5 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any 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 functional currency at the exchange rate prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to functional currency 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 functional currency 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 functional currency at the exchange rate prevailing at the dates that the fair values were determined. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

3.3 Financial 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;

» Amortised cost.

» Measured subsequently at fair value (either through OCI (FVOCI) or through profit or loss (FVPL),

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 reclassify 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 Initial 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 Subsequent Measurement

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.

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.

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.

The Group/Company make impairment for receivables based on simplified approach to provide credit losses as per SLFRS 9, which permits lifetime expected losses to be recognised for all trade receivables, see note 22.4 for further details.

Expected credit losses (ECL)

Expected credit losses (ECLs) are a probability weighted estimate of credit losses. Credit losses are measures at the present value of all cash shortfalls (i.e the difference between the cash flow that the Company expected to receive). ECLs are discounted at the effective interest rate of the financial asset.

In assessing collective impairment the Company/Group uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred and make an adjustment if current and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

Trade receivables which are default or credit impaired or have individually significant balances are separately assessed for ECL measurement.

3.4 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.

NOTES TO THE FINANCIAL STATEMENTS

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 in accordance with the Sri Lanka Accounting Standard – LKAS 16 on Property, Plant and Equipment. 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, if only.

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 periodically unless carrying values 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 revaluation reserve 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 only 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
Solar system	20 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
Computers	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in note 18.

Leasehold improvements are 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. Capitalisation of borrowing cost ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. 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. Capital work-in-progress is stated in the statement of Financial Position at cost, including borrowing costs, less any accumulated impairment losses.

Capital work in progress would be transferred to the relevant asset, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e, available for use).

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

Sri Lanka Accounting Standard SLFRS 16 - Leases (SLFRS 16) became effective for annual periods beginning on or after 1 January 2019. SLFRS 16 supersedes LKAS 17 - Leases, IFRIC interpretation 4 - Determining whether an arrangement contains a lease, SIC 15 - Operating Leases - Incentives and SIC – 27 Evaluating the substance of transactions involve in the legal form of a lease.

SLFRS 16 Leases will affect primarily the accounting by lessees and will result in the recognition of almost all leases on 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.

NOTES TO THE FINANCIAL STATEMENTS

The statement of profit or loss 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.

The Group has adopted SLFRS 16 using the modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor. The effect of adoption SLFRS 16 as at 1 April 2019 are disclosed in note 7 of pages 70 to 72.

The Group's lease hold property includes land & buildings. Rental contract is typically made as per the initial rental or lease agreements. Rental contracts may contain both lease and non-lease components. It has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Right of use assets

Right of use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes :

» the amount of lease liabilities recognised,
» initial direct costs incurred, and
» lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The Group does not foresee any impairment of right to use assets due to the post-lockdown economic implications of COVID-19 pandemic and does not anticipate discontinuation of any asset for which the Group/Company possesses the right to use. Lease liabilities are not reassessed as there are no known moratoriums received for the lease payments so far.

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 recognized 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 in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible assets".

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 programs 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 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 2-10 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

Investment in subsidiaries are initially recognised at cost in the financial statement.

Following initial recognition investments in subsidiaries are recorded at cost less accumulated 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 stock - at weighted average cost

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 nonfinancial 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 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 ("cashgenerating 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.

The Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19 pandemic for the next 12 months from the date of this report. Therefore, currently, the Group/Company does not have an intention to discontinue any operation to which an asset belongs or plans to dispose of an asset before the previously expected date.

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.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less, they are classified as current asset. If not, they presented as non-current.

NOTES TO THE FINANCIAL STATEMENTS

Trade and other receivables are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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 if the Group 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 benefit 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 postemployment 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 liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date. 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 810 employees of the Company as at 31 March 2020.

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.

The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. The complexity of the valuation, the underlying assumptions and its term nature, the defined benefit obligation is highly sensitive to change in these assumptions. All assumptions are reviewed at each reporting date.

3.6.6 Lease liabilities

On adoption of SLFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured on a present value basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Since the interest rate implicit in the lease is not readily determinable. The Group uses incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of SLFRS 16 are only applied after that date.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3.6.7 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.

3.6.8 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.

Commencement of the Group's business operations

After a stringent lockdown period of two months, curfew was eased in the country including high risk districts. On 20 April 2020 Company resumed business activities at the branches and on 11 May 2020 at head office and Orugodawatta and there is no indication of community spread in the country at that moment. The Group has evaluated all guidelines issued by the Government as well as international best practices and each of the Group businesses have developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

Although the Group has seen a smooth transition with the resumption of business activities, Group will continue to monitor the impacts on its operations and proactively take measures to ensure the business continues as seamlessly as possible.

3.7 Statement of comprehensive income

3.7.1 Revenue recognition

The Group/Company recognised revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration that the Group is to be entitled in exchange of goods or services.

NOTES TO THE FINANCIAL STATEMENTS

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, Revenue from contracts with customers 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 determining 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.

The Ministry of Finance has instructed on 31 January 2020 and 5 March 2020, that the revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from 1 January 2020 pending formal amendments being made to the Inland Revenue Act.

The Group's management having applied significant judgment to the said proposed revision of income tax rates, have determined that it is probable that formal amendments to the Inland Revenue Act will be made. The management concluded that Circular No. PN/IT/2020-03 (Revised) is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the said Circular to be effective from 1 January 2020 have been used to calculate the last quarter income tax provision of the 2019/20 financial year of the Group. Accordingly, the Group has decided to apply the revised income tax rates with effective from 1 January 2020.

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 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.

The Group has computed deferred tax at the rates based on substantively enacted rate, which is the statutory rate specified in the Inland Revenue Act, as of the reporting date, since the Inland Revenue Department Circular No. PN/IT/2020-03 (Revised) has not been enacted as of the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

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 from subsidiaries have attracted a 14% deduction at source upto 31 December 2019. Effective from 1 January 2020, requirement to deduct WHT had been removed.

» 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.

As per notice dated 18 February 2020 published by the Department of Inland Revenue,requirement to deduct WHT on dividends has been removed effective 1 January 2020.

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 were liable to pay Economic Service Charge at specified rates where applicable. As per Notice published dated 1 January 2020 by the Department of Inland Revenue, ESC was abolished with effect from 1 January 2020.

3.7.14 Nations Building Tax (NBT)

The Company and its subsidiaries were liable to pay Nation Building Tax (NBT) at specified rates where applicable. As per a notice published by the Department of Inland Revenue on November 29, 2019, NBT was abolished with effect from 1 December 2019.

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. 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 54.

6. 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 2019:

» SLFRS 16 - Leases

» IFRIC 23 - Uncertainty over income tax treatment

» Prepayment features with negative compensation - Amendments to SLFRS 9

» SLFRS 3 Business Combinations– Annual improvements

» Employee benefits on plan amendment, curtailment or settlement - LAKS 19

The Group had to change its accounting policies following the adoption of SLFRS 16. This is disclosed in note 7. 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.

b) *New accounting standards, amendments and interpretations issued but not yet adopted*.

Following amendments to Sri Lanka Accounting Standards issued not yet effective as at the reporting date have not been applied in preparing the Consolidated Financial Statements. The Group plans to apply these amendments to the standards from their effective dates. These standards are not expected to have a material impact on the entity.

(i) 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.

(ii) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

7 ADOPTION OF SLFRS 16

This note explains the impact of the adoption of SLFRS 16- "Leases" on the financial statements.

The Company and the Group adopted SLFRS 16, "Leases", with effect from 1 April 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in the Standard, the Company and the Group selected modified retrospective option with the cumulative effect of implementing the Standard recognised at the date of initial application.

On adoption of SLFRS 16, Company and the Group recognised lease liabilities in relation to leases which had previously been classified as 'Operating leases' under the previous LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 13.22%.

7.1 Practical expedients applied

In applying SLFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

7.2 Measurement of lease liabilities

	Group LKR' 000	Company LKR' 000
Operating lease commitments disclosed as at 31 March 2019 (refer note 39.3)	623,480	538,434
Discounted using the leasee's incremental borrowing rate at the date of initial application	207,642	395,502
Lease liability recognised as at 1 April 2019	207,642	395,502
of which are :		
Non-current lease liabilities	130,453	243,032
Current lease liabilities	77,189	152,470
	207,642	395,502

7.3 Measurement of right-of-use assets

The right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019.

7.4 The change in accounting policy affected the following individual line items in the statement of financial position on 1 April 2019 as given below;

Statement of financial position

		Group			Company		
	Note	Balance as at 31 March 2019 LKR'000	Impact from SLFRS 16 LKR'000	Balance as at 1 April 2019 LKR'000	Balance as at 31 March 2019 LKR'000	Impact from SLFRS 16 LKR'000	Balance as at 1 April 2019 LKR'000
Non-current assets							
Right-of-use assets	a	Nil	242,690	242,690	Nil	416,189	416,189
Deferred tax asset			58,140	58,140		110,741	110,741
Current assets							
Trade and other receivables	b	3,068,963	35,049	3,033,914	2,467,944	20,687	2,447,257
Non-current liabilities							
Lease liabilities	c	Nil	130,453	130,453	Nil	243,032	243,032
Deferred tax liability			67,953	67,953		116,533	116,533
Current liabilities							
Lease liabilities	c	Nil	77,189	77,189	Nil	152,470	152,470

(a) Right-of- use assets

Right-of-use assets are recognised at cost comprising the following;

» the amount of the initial measurement of lease liability

» any initial direct cost; and

» any restoration cost

The right-of-use assets is amortised over the lease term on a straight-line basis.

The opening adjustment as at 1 April 2019, represents the carrying value of the right-of-use assets relating to ongoing lease contracts measured on a modified retrospective basis. Right-of-use assets was considered as equal to the lease liability at the initial recognition.

(b) Trade and other receivables

Lease rentals paid before the transition date which were previously shown as prepayments have now been classified as right-of-use assets.

Carrying amount of lease rentals paid in advance are amortised over the remaining lease period or useful life of the leasehold property whichever is shorter.

(c) Lease liabilities

In accordance with provisions of SLFRS 16, lease liabilities were recognised and measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period at a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities as at 1 April 2019, represents the present value of the remaining lease payments, relating to ongoing lease contracts, discounted using the incremental borrowing rate as of 1 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

7 ADOPTION OF SLFRS 16 (CONTD)

7.5 Lessor accounting

The Company did not make any adjustments to the accounting for assets held as lessor under operating lease as a result of the adoption of SLFRS 16. (refer note 19, Investment Property).

7.6 The adoption of SLFRS 16 had no impact on Group's/Company's retained earnings. The details of right-of-use assets are given in note 21 to the financial statements.

8 RESTATEMENT OF FINANCIAL STATEMENTS

8.1 .1 Amalgamation of Orient Motor Company Limited with United Motors Lanka PLC.

As per Section 242(1) of the Companies Act No. 07 of 2007, Orient Motor Company Limited (OMCL), a fully owned subsidiary of United Motors Lanka PLC was amalgamated with United Motors Lanka PLC with effect from 30 November 2019.

Accordingly, book value of assets and liabilities of Orient Motor Company Limited was amalgamated with the United Motors Lanka PLC (Company) and the investment in subsidiary LKR 50 million recorded in United Motors Lanka PLC was set off against the equity of Orient Motor Company Limited, as if the amalgamation has taken place prior to 1 April 2019.

Accordingly, the comparative figures for the year ended 31 March 2019 have been re-stated in accordance with the guidelines issued by the CA Sri Lanka under the Statement of Recommended Practice (SORP) - merger accounting for common control combinations.

8.1.2 Net assets of OMCL as at the date of amalgamation were as follows.

	LKR '000
Assets	
Non-current assets	
Property, plant and equipment	288
Intangible assets	86
Deferred tax asset	88,918
Total non-current assets	89,292
Current assets	
Inventories	221,470
Trade and other receivables	61,100
Amounts due from related parties	13,357
Current tax receivable	1,162
Cash and cash equivalents	37,094
Total current assets	334,183
Total assets	**423,475**
Non current liabilities	
Employee benefit obligation	(2,555)
Deferred tax liability	(28)
Total non current liabilities	(2,583)
Current liabilities	
Trade and other payables	(24,864)
Amounts due to related parties	(451,951)
Total current liabilities	(476,815)
Total liabilities	**(479,398)**
Net assets	**(55,923)**

8.1.3 There are no changes in accounting policies in the Company and no changes in consolidated reserves due to amalgamation as the OMCL was a fully owned subsidiary of UML.

8.2 Impact on financial statements

Statement of Financial Position

	Company		
	Balance as previously reported 31 March 2019 LKR'000	Adjustment due to amalgamation LKR'000	Restated balance as at 31 March 2019 LKR'000
Assets			
Non-current assets			
Property, plant & equipment	6,565,155	1,438	6,566,593
Investment property	495,630	-	495,630
Intangible assets	187,282	140	187,422
Investments in subsidiaries	222,400	-	222,400
Financial assets at fair value through other comprehensive income	197,755	-	197,755
Reimbursable right	68,946	-	68,946
Deferred tax assets	56,323	66,869	123,192
Total non-current assets	**7,793,491**	**68,447**	**7,861,938**
Current assets			
Inventories	2,566,995	266,845	2,833,840
Trade and other receivables	2,406,532	61,412	2,467,944
Amounts due from related parties	51,688	2,592	54,280
Current tax receivables	-	1,162	1,162
Financial assets at fair value through profit or loss	249,469	-	249,469
Cash and cash equivalents	380,714	38,173	418,887
Total current assets	5,655,398	370,184	6,025,582
Total assets	**13,448,889**	**438,631**	**13,887,520**
Equity and liabilities			
Equity			
Stated capital	336,335	-	336,335
Capital reserve	4,242,869	-	4,242,869
Other components of equity	1,355,885	-	1,355,885
Retained earnings	6,254,024	(29,161)	6,224,863
Total equity attributable to the equity holders of the parent	**12,189,113**	**(29,161)**	**12,159,952**
Non-current liabilities			
Employee benefit obligations	201,157	1,990	203,147
Deferred tax liabilities	138,597	-	138,597
Total non-current liabilities	**339,754**	**1,990**	**341,744**
Current liabilities			
Interest bearing borrowings	-	440,927	440,927
Trade and other payables	680,748	28,814	709,562
Amounts due to related parties	59,084	(4,810)	54,274
Current tax liabilities	78,073	-	78,073
Bank overdrafts	102,117	871	102,988
Total current liabilities	**920,022**	**465,802**	**1,385,824**
Total liabilities	**1,259,776**	**467,792**	**1,727,568**
Total equity and liabilities	**13,448,889**	**438,631**	**13,887,520**

NOTES TO THE FINANCIAL STATEMENTS

8 RESTATEMENT OF FINANCIAL STATEMENTS (CONTD)

Statement of Profit or Loss and Other Comprehensive Income

	Company		
For the year ended	Balance as previously reported 31 March 2019 LKR'000	Adjustment due to amalgamation LKR'000	Restated balance 31 March 2019 LKR'000
Revenue from contracts with customers	7,967,928	137,808	8,105,736
Cost of sales	(5,557,666)	(137,818)	(5,695,484)
Gross profit	2,410,262	(10)	2,410,252
Distribution expenses	(230,366)	(27,002)	(257,368)
Administrative and other expenses	(1,564,009)	(1,604)	(1,565,613)
Other income	159,991	13,985	173,976
Profit from operating activities	775,878	(14,631)	761,247
Finance income	201,973	(157)	201,816
Finance cost	(78,983)	(48,896)	(127,879)
Net finance income/(cost)	122,990	(49,053)	73,937
Change in fair value of investment property	27,130	-	27,130
Profit before income tax expense	925,998	(63,684)	862,314
Income tax expense	(197,373)	65,424	(131,949)
Profit for the year	728,625	1,740	730,365
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	(86,157)	-	(86,157)
Re-measurements of post employment benefit obligations	4,039	259	4,298
Deferred tax on re-measurements of post employment benefit obligations	(1,623)	(71)	(1,694)
Other comprehensive income for the year	(83,741)	188	(83,553)
Total comprehensive income for the year	**644,884**	**1,928**	**646,812**

9 OPERATING SEGMENT

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 six 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 segment	Operations
Spare parts & workshop	Sale of spare parts and repairs and servicing of vehicles
Vehicles	Sale of passenger vehicles, commercial vehicles and special purpose vehicles.
Equipment & machinery	Sale of heavy equipment & machinery
3D Printers & services	Sale of 3D printers, filaments, spare parts and related services.
Tyres	Sale of tyres
Lubricant & other services	Sale of lubricant & hiring of vehicles

Segment results that are reported to the Group CEO/ED include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) 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 operates is not subject to risk and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

9 OPERATING SEGMENT (CONTD)

SEGMENT INFORMATION

Group

	Spare parts & workshop		Vehicles		Equipment & machinery		3D Printers & services		Tyres		Lubricant & other services		Total	
In LKR'000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from contracts with customers														
External - Goods transferred at a point in time	1,423,976	1,712,642	6,167,510	9,067,547	266,584	97,523	14,904	5,355	206,054	177,350	967,794	665,333	9,046,822	11,725,750
- Services rendered	502,737	739,111	296,062	304,548	-	-	-	-	-	-	-	-	798,799	1,043,659
Total revenue from contracts with customers	**1,926,713**	**2,451,753**	**6,463,572**	**9,372,095**	**266,584**	**97,523**	**14,904**	**5,355**	**206,054**	**177,350**	**967,794**	**665,333**	**9,845,621**	**12,769,409**
Segment results	**360,095**	**652,010**	**11,192**	**559,874**	**(10,842)**	**(57,283)**	**(15,750)**	**(13,019)**	**9,696**	**13,563**	**72,955**	**50,213**	**427,346**	**1,205,358**
Unallocated income													94,025	152,883
Unallocated expenses													(598,179)	(604,727)
(Loss)/profit from operations before finance cost													(76,808)	753,514
Net finance cost													(471,074)	(330,046)
(Loss)/profit before income tax expense													(547,882)	423,468
Income tax expenses													138,207	12,455
(Loss)/profit from ordinary activities													**(409,675)**	**435,923**
Re-measurements of post employment benefit obligations													17,828	3,703
Revaluation of land													780,927	-
Deferred tax on gains on revaluation of land													(78,093)	-
Deferred tax on re-measurements of post employment benefit obligations													(2,490)	(1,470)
Changes in the fair value of equity investments at fair value through other comprehensive income													(62,557)	(107,825)
Total comprehensive income attributable to Owners of United Motors Lanka PLC													**245,940**	**330,331**
Segment assets	3,145,702	2,847,529	10,806,226	10,023,327	407,808	113,293	15,832	30,206	420,543	293,584	1,219,276	839,646	16,015,387	14,147,585
Unallocated assets													4,124,386	3,865,212
Total assets	**3,145,702**	**2,847,529**	**10,806,226**	**10,023,327**	**407,808**	**113,293**	**15,832**	**30,206**	**420,543**	**293,584**	**1,219,276**	**839,646**	**20,139,773**	**18,012,797**
Segment liabilities	-	60,354	-	394,312	-	19,471	-	537	-	9,395	-	40,581	-	524,650
Unallocated liabilities													7,418,329	4,609,040
Total liabilities	**-**	**60,354**	**-**	**394,312**	**-**	**19,471**	**-**	**537**	**-**	**9,395**	**-**	**40,581**	**7,418,329**	**5,133,690**
Segment capital expenditure														
- allocated	51,858	108,132	167,165	132,280	7,175	29,682	401	30,455	5,546	1,832	26,049	7,256	258,194	309,637
- Unallocated (solar system)													-	226,443
													258,194	**536,080**
Depreciation & amortisation - allocated	63,641	63,801	253,748	96,601	13,444	13,907	4,527	3,219	6,967	3,077	36,866	13,627	379,193	194,232
Non cash expenses/(income)	42,544	28,064	8,144	39,749	-	-	-	-	5,674	228	28,940	11,169	85,302	79,210

Figures in brackets indicate deductions.

SEGMENT INFORMATION

Company

In LKR'000	Spare parts & workshop 2020	Spare parts & workshop 2019 Restated	Vehicles 2020	Vehicles 2019 Restated	3D Printers & services 2020	3D Printers & services 2019	Lubricant & other services 2020	Lubricant & other services 2019 Restated	Total 2020	Total 2019 Restated
Revenue from contracts with customers										
External - Goods transferred at a point in time	1,417,499	1,702,687	2,514,943	4,601,671	14,904	6,250	968,105	668,314	4,915,451	6,978,922
- Services rendered	535,387	818,628	296,062	304,287	-	-	5,204	3,899	836,653	1,126,814
Total revenue from contracts with customers	**1,952,886**	**2,521,315**	**2,811,005**	**4,905,958**	**14,904**	**6,250**	**973,309**	**672,213**	**5,752,104**	**8,105,736**
Segment results	**427,499**	**736,397**	**141,637**	**464,325**	**(15,750)**	**(13,019)**	**78,157**	**54,110**	**631,543**	**1,241,813**
Unallocated income									106,079	173,976
Unallocated expenses									(587,548)	(654,542)
Profit from operations before finance cost									150,074	761,247
Net finance (cost)/income									(46,525)	73,937
Change in fair value of investment property									17,420	27,130
Profit before income tax expense									120,969	862,314
Income tax expenses									(3,642)	(131,949)
Profit from ordinary activities									**117,327**	**730,365**
Re-measurements of post employment benefit obligations									15,986	4,298
Revaluation of land									734,877	-
Deferred tax on re-measurements of post employment benefit obligations									(1,977)	(1,694)
Deferred tax on gains on revaluation of land									(73,488)	-
Changes in the fair value of equity investments at fair value through other comprehensive income									(43,673)	(86,157)
Total comprehensive income attributable to Owners of United Motors Lanka PLC									**749,052**	**646,812**
Segment assets	3,465,202	2,988,321	6,820,753	6,092,098	22,920	30,206	1,686,739	1,078,466	11,995,614	10,189,091
Unallocated assets									4,164,640	3,698,429
Total assets	**3,465,202**	**2,988,321**	**6,820,753**	**6,092,098**	**22,920**	**30,206**	**1,686,739**	**1,078,466**	**16,160,254**	**13,887,520**
Segment liabilities	-	54,836	-	243,157	-	537	-	40,580	-	339,110
Unallocated liabilities									3,654,853	1,388,458
Total liabilities	**-**	**54,836**	**-**	**243,157**	**-**	**-**	**-**	**40,580**	**3,654,853**	**1,727,568**
Segment capital expenditure - allocated	76,279	121,255	109,796	99,549	582	30,494	38,017	10,551	224,674	261,849
- Unallocated (solar system)									-	226,443
									224,674	**488,292**
Depreciation & amortisation - allocated	147,350	72,597	151,654	68,176	4,771	3,248	47,874	15,277	351,649	159,298
Non cash expenses/(income)	41,519	27,760	(11,884)	20,671	-	-	28,939	61,170	58,574	109,601

Figures in brackets indicate deductions..

NOTES TO THE FINANCIAL STATEMENTS

10 REVENUE FROM CONTRACT WITH CUSTOMERS

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Brand new vehicles	6,167,510	9,067,547	2,514,943	4,601,671
Spare parts, repairs & services	1,926,713	2,451,753	1,952,886	2,521,315
Lubricants & car care products	967,793	665,333	968,105	668,313
Local charges	296,062	304,548	296,062	304,287
Equipment & machinery	266,584	97,523	-	-
Hiring	-	-	5,204	3,900
3D printers	14,904	5,355	14,904	6,250
Tyres	206,055	177,350	-	-
	9,845,621	12,769,409	**5,752,104**	8,105,736

10.1 The detailed segmental review is given under note 9 to the financial statements.

10.2 Free service arrangements

The Company/Group sell vehicles bundled with free services to the customers with limitations on mileage or usage period. The Company/Group generally provide three labour free services with vehicle. The Company and the Group unbundle and defer revenue component applicable to free service arrangements and free services are recognised as a separate performance obligation in accordance with SLFRS 15.

In current financial year, the Company and the Group recognised free service arrangements as separate performance obligation in accordance with SLFRS 15.

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	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Advances received from customers	112,148	158,247	57,701	44,430
Free service contracts	12,520	-	7,453	-
Extended warranty provided for 3D printers	1,038	-	1,038	-
	125,706	158,247	**66,192**	44,430

	Group		Company	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
				Restated
10.5 Timing of revenue recognition				
Revenue recognised at a point in time	9,845,621	12,769,409	5,752,104	8,105,736
	9,845,621	12,769,409	5,752,104	8,105,736
10.6 Revenue by nature of transactions				
Sale of goods	9,046,822	11,725,750	4,915,450	6,978,922
Rendering of services	502,737	739,111	535,387	818,628
Service support income	296,062	304,548	301,267	308,186
	9,845,621	12,769,409	5,752,104	8,105,736

10.7 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, customized 3D products, 3D certification courses and provides after sales services to customers. Vehicle sales are recognised when control or the legal title of the vehicle is transferred to the 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 practice.

11 OTHER EXPENSES

	Group		Company	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
				Restated
Write-down of inventory to lower of cost or NRV (Net Realisable Value)	31,543	78,094	6,712	60,046
Impairment (reversal)/losses and write offs of loans and receivables	52,002	1,117	50,577	(446)
	83,545	79,211	57,289	59,600

NOTES TO THE FINANCIAL STATEMENTS

12 OTHER INCOME

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Rent income	-	1,514	23,068	24,895
Profit on disposal of property, plant & equipment	2,640	26,604	2,640	26,029
Award received from principal	6,450	19,083	6,450	19,083
Incentives received from principal	1,497	55,709	1,497	55,709
Facilitation fee	17,151	32,904	17,151	32,904
Staff loan interest	-	1,117	-	1,117
Income from solar PV system	39,521	-	39,521	-
Commission on insurance	5,617	2,944	5,617	2,944
Income on legal services	-	80	-	80
Valuation fee	21	64	21	64
Sundry income (note 12.1)	21,128	12,864	10,114	11,151
	94,025	**152,883**	**106,079**	**173,976**

12.1 Sundry income

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Scrap sales	7,465	7,319	7,465	7,319
Miscellaneous	13,663	5,545	2,649	3,832
	21,128	**12,864**	**10,114**	**11,151**

13 (LOSS)/PROFIT FROM OPERATIONS

13.1 (Loss)/profit from operations is stated after charging all expenses including the following:

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Directors' emoluments (note 40.2.1)	88,864	95,002	63,629	73,012
Auditors' remuneration (note 13.1.1)	6,587	3,898	5,776	3,199
Tax compliance/consultancy charges	508	1,121	413	887
Depreciation on property, plant & equipment (note 18)	216,739	191,838	175,835	156,935
Amortization of intangible assets (note 20.2)	25,447	2,312	25,119	1,978
Amortization of right of use assets (note 21)	119,783	-	133,469	-
Employee benefit expense (note 13.1.2)	972,188	1,010,159	789,719	836,899
Donations	412	393	412	393
Legal fees	921	3,129	852	2,922

13.1.1 Auditor's remuneration

Audit services and related services	4,087	3,898	3,276	3,199
Non audit services	2,500	-	2,500	-
	6,587	3,898	5,776	3,199

13.1.2 Employee benefit expense

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Salaries and bonus	769,066	820,582	621,946	678,229
Contributions to defined contribution plan	110,205	100,734	89,535	81,664
Retirement benefit obligation	40,593	34,637	36,122	30,668
Others	52,324	54,206	42,116	46,338
	972,188	1,010,159	789,719	836,899
Number of employees at the end of the year (full time)	1,009	1,021	801	833

14 FINANCE INCOME AND FINANCE COST

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated

14.1 Recognised in profit or loss

Finance income				
Income from unimpaired financial assets:				
Interest on call deposits	10,858	12,290	10,138	10,841
Interest on amounts due from related parties	-	-	187,754	90,061
Income from unit trust investments	1,948	6,252	1,948	6,252
Foreign exchange gains	9,832	17,162	3,025	11,180
Dividend income on				
Financial assets at the fair value through profit or loss	2,447	2,164	2,447	2,164
Financial assets at fair value through other comprehensive income	6,793	6,435	4,241	4,781
Dividend income from investments in subsidiaries	-	-	88,500	76,350
Net change in fair value of financial assets at				
Fair value through profit or loss - unit trust	-	187	-	187
Total finance income	**31,878**	**44,490**	**298,053**	**201,816**
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(442,162)	(353,686)	(271,114)	(108,396)
Interest on lease liabilities	(36,129)	-	(49,089)	-
Interest on overdrafts	(2,558)	(1,263)	(2,272)	(660)
Net change in fair value of financial assets at				
Fair value through profit or loss	(14,359)	(17,920)	(14,359)	(17,920)
Foreign exchange losses	(7,744)	(1,667)	(7,744)	(903)
Total finance cost	**(502,952)**	**(374,536)**	**(344,578)**	**(127,879)**
Net finance (cost)/income recognised in profit or loss	**(471,074)**	**(330,046)**	**(46,525)**	**73,937**

NOTES TO THE FINANCIAL STATEMENTS

14 FINANCE INCOME AND FINANCE COST (CONTD)

14.2 Recognised in other comprehensive income

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Net change in the fair value of equity investments at fair value through other comprehensive income	(62,557)	(107,825)	(43,673)	(86,157)
	(62,557)	**(107,825)**	**(43,673)**	**(86,157)**

15 INCOME TAX EXPENSES

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Current tax expense				
Current tax on profit for the year (note 15.1)	14,742	189,143	12,754	187,142
Adjustments in respect of prior years	(465)	(21,969)	(465)	(19,317)
Total current tax expense	**14,277**	**167,174**	**12,289**	**167,825**
Deferred tax expense				
Deferred tax asset (charged)/reversed during the year (note 33.1)	(259,539)	(212,551)	(120,067)	(71,054)
Deferred tax liability charged/(reversed) during the year (note 33.2)	107,055	32,922	111,420	35,178
Total deferred tax expense/(reversal)	(152,484)	(179,629)	(8,647)	(35,876)
Income tax (credit)/expenses	**(138,207)**	**(12,455)**	**3,642**	**131,949**

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 LKR 7,787,394 and LKR 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 21 January 2016 was also appealed against with Tax Appeals Commission.

In case of year of assessment 2009/10, the Court of Appeal held against the Company and in turn Company filed a petition at Supreme Court. However Supreme Court did not grant leave to proceed. Therefore now we have provided for tax and the penalty for the NBT assessment issued for 2009/10.

On 12 June 2018 the Tax Appeal Commission issued their determination in favour of the company dismissing the assessment issued by CGIR for 2010/11. 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	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
(Loss)/profit before income tax expense	(547,882)	423,468	120,969	862,314
Income not liable for tax	(365,854)	(131,391)	(357,751)	(243,612)
	(913,736)	292,077	(236,782)	618,702
Add : Disallowable expenses	875,343	478,061	529,015	409,071
Deduct : Allowable expenses	(553,493)	(543,332)	(463,234)	(525,400)
(Loss)/profit from trade or business	(591,886)	226,806	(171,001)	502,373
Interest income/tax profit or loss on disposal of property plant & equipment	3,360	129,906	2,640	127,412
Total statutory income/assessable income	-	356,712	-	629,785
Tax losses	588,526	412,225	168,361	39,107
(Tax losses)/taxable income	(588,526)	768,937	(168,361)	668,892
Tax losses set off against income tax (note 15.2c)	(168,361)	(529)	(168,361)	(529)
(Tax losses)/taxable income	**(420,165)**	**768,408**	**-**	**668,363**
Taxable income liable at standard rate	-	668,364	-	668,363
Taxable income liable at concessionary rate	190,479	100,044	91,102	-
	190,479	**768,408**	**91,102**	**668,363**
Income tax using the corporate tax rate				
Standard rate of 28% & 24%	-	187,142	-	187,142
Other concessionary rates - 2% & 14%	14,742	2,001	12,754	-
Current tax	**14,742**	**189,143**	**12,754**	**187,142**
Effective tax rate	-	45%	11%	22%

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% & 24% (2019-28%) except for the taxable profit of UML Property Development Limited (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) Income Tax rates of Corporates have been revised to 24% from 28% effective from 1 January 2020, pending formal amendments to be made to the Inland Revenue Act.

c) 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.

NOTES TO THE FINANCIAL STATEMENTS

15 INCOME TAX EXPENSES (CONTD)

15.2 Income tax provisions (contd)

The tax losses carried forward by the Group entities as at 31 March 2020 amounts to LKR 1,060 million (LKR 723 million in 2019).

	Group		Company	
	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000 Restated
Tax losses at the beginning of the year	723,576	310,343	231,905	192,410
Tax losses for the year	588,526	412,755	168,361	39,017
Adjustment in respect of previous year	(23,490)	1,007	(23,490)	1,007
Tax losses set off during the year	(228,050)	(529)	(228,050)	(529)
Tax losses at the end of the year	**1,060,562**	**723,576**	**148,726**	**231,905**

d) The Group has computed deferred tax at the rates based on substantively enacted rate, which is the statutory rate specified in the Inland Revenue Act as of the reporting date, since the Inland Revenue Department Circular No. PN/IT/2020-03 (Revised) has not been enacted as of the reporting date. 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	
	2020	2019	2020	2019 Restated
Amount used as numerator				
(Loss)/profit attributable to equity holders of the parent company (LKR '000)	(409,675)	435,923	117,327	730,365
Amount used as denominator				
Weighted average number of ordinary shares ('000s)	100,901	100,901	100,901	100,901
Earnings per share (LKR)	(4.06)	4.32	1.16	7.24

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			
	2020		2019	
	Dividend Per share LKR	Dividend LKR '000	Dividend Per share LKR	Dividend LKR '000
Final dividend paid 2017/18	-	-	1.50	151,351
Final dividend paid 2018/19	4.00	403,603	-	-
	4.00	403,603	1.50	151,351

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.

No dividend was declared and paid to the shareholders of the Company for the financial year 2019/2020.

18 PROPERTY, PLANT & EQUIPMENT

18.1 Group

	Free hold land LKR '000	Buildings LKR '000	Furniture & fittings LKR '000	Office equipment LKR '000	Electrical fixture & fittings LKR '000	Machinery & tools LKR '000	Motor vehicles LKR '000	Solar PV system LKR '000	Computers LKR '000	Capital work in progress LKR '000	**Total 2020 LKR '000**	Total 2019 LKR '000
Cost or revalued amount												
At the beginning of the year	5,657,623	1,010,774	68,282	72,990	137,388	330,553	539,114	226,444	158,853	988	8,203,009	7,762,028
Additions	-	11,819	1,202	5,105	3,561	39,060	102,232	-	13,161	18,125	194,265	474,310
Gain from revaluation of land [note 18.3 (vii)]	780,927	-	-	-	-	-	-	-	-	-	780,927	-
Disposals	-	-	-	(153)	-	-	(3,017)	-	-	-	(3,170)	(33,329)
Reclassifications and adjustments	-	-	-	(19,605)	-	19,605	-	-	-	(266)	(266)	-
Transferred from capital work-in-progress	-	15,385	9	1,477	144	-	-	-	-	(17,015)	-	-
At the end of the year	**6,438,550**	**1,037,978**	**69,493**	**59,814**	**141,093**	**389,218**	**638,329**	**226,444**	**172,014**	**1,832**	**9,174,765**	**8,203,009**
Accumulated depreciation												
At the beginning of the year	-	245,093	51,795	42,189	80,314	172,221	297,387	-	129,379	-	1,018,378	854,300
Charge for the year	-	47,228	4,196	4,938	12,464	31,137	95,102	11,322	10,352	-	216,739	191,838
Disposals	-	-	-	(153)	-	-	(3,017)	-	-	-	(3,170)	(27,842)
Reclassifications and adjustments	-	-	-	(1,141)	-	1,141	-	-	-	-	-	82
At the end of the year	**-**	**292,321**	**55,991**	**45,833**	**92,778**	**204,499**	**389,472**	**11,322**	**139,731**	**-**	**1,231,947**	**1,018,378**
Carrying amount as at 31 March 2020	**6,438,550**	**745,657**	**13,502**	**13,981**	**48,315**	**184,719**	**248,857**	**215,122**	**32,283**	**1,832**	**7,942,818**	**-**
Carrying amount as at 31 March 2019	**5,657,623**	**765,681**	**16,487**	**30,801**	**57,074**	**158,332**	**241,727**	**226,444**	**29,474**	**988**	**-**	**7,184,631**

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	LKR '000	LKR '000	LKR '000
100, & 100A, Hyde Park Corner, Colombo 02	10	81,794	1	3	0.54	76,791	3,780,759	3,857,550
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,077,164	1,145,500
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	457,684	655,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	19,419	94,500
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	211,360	654,500
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	18,877	31,500
Total	68	311,232	20	2	37.08	873,287	5,565,263	6,438,550

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY, PLANT & EQUIPMENT (CONTD)

18.2 Company

	Free hold land LKR '000	Buildings LKR '000	Furniture & fittings LKR '000	Office equipment LKR '000	Electrical fixture & fittings LKR '000	Machinery & tools LKR '000	Motor vehicles LKR '000	Solar PV system LKR '000	Computers LKR '000	Capital work in progress LKR '000	Total 2020 LKR '000	Total 2019 LKR '000 Restated
At the beginning of the year - restated	5,197,123	875,020	57,133	56,123	141,192	287,825	543,304	226,444	148,515	126	7,532,805	7,134,883
Additions	-	11,819	583	2,947	3,561	15,949	89,355	-	11,601	18,125	153,940	426,522
Gain from revaluation of land [note 18.3 (vii)]	734,877	-	-	-	-	-	-	-	-	-	734,877	-
Disposals	-	-	-	(153)	-	-	(3,017)	-	-	-	(3,170)	(28,600)
Reclassifications and adjustments	-	-	-	(19,605)	-	19,605	-	-	-	(126)	(126)	-
Transferred from capital work-in-progress	-	15,385	9	1,477	144	-	-	-	-	(17,015)	-	-
At the end of the year	5,932,000	902,224	57,725	40,789	144,897	323,379	629,642	226,444	160,116	1,110	8,418,326	7,532,805
Accumulated depreciation												
At the beginning of the year - restated	-	189,544	44,951	30,515	82,902	141,507	356,307	-	120,486	-	966,212	835,888
Charge for the year	-	36,404	3,279	3,333	12,464	27,310	72,436	11,322	9,287	-	175,835	156,935
Disposals	-	-	-	(153)	-	-	(3,017)	-	-	-	(3,170)	(26,693)
Reclassifications and adjustments	-	-	-	(1,141)	-	1,141	-	-	-	-	-	82
At the end of the year	-	225,948	48,230	32,554	95,366	169,958	425,726	11,322	129,773	-	1,138,877	966,212
Carrying amount as at 31 March 2020	**5,932,000**	**676,276**	**9,495**	**8,235**	**49,531**	**153,421**	**203,916**	**215,122**	**30,343**	**1,110**	**7,279,449**	**-**
Carrying amount as at 31 March 2019	**5,197,123**	**685,476**	**12,182**	**25,608**	**58,290**	**14 6,318**	**186,997**	**226,444**	**28,029**	**126**	**-**	**6,566,593**

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	LKR '000	LKR '000	LKR '000
100, & 100A, Hyde Park Corner, Colombo 02	9	71,524	1	2	3.70	25,000	3,326,000	3,351,000
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,077,164	1,145,500
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	457,684	655,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	19,419	94,500
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	211,360	654,500
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	18,877	31,500
Total	67	300,962	20	2	0.24	821,496	5,110,504	5,932,000

18.3 Revaluation

Company:

(i) In March 1993, the Company's land amounting to LKR 93,335,951 was revalued by an independent Chartered valuer. The surplus arising out of such revaluation amounting LKR 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 LKR 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 LKR 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 LKR 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 LKR 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 LKR 1,320,532,901 has been credited to the capital reserve on revaluation of land in Company financials and the surplus of LKR 1,633,672,901 in Group financials.

(vii) In March 2020, a revaluation was carried out by J M S Bandara, a qualified independent valuer on the 31 March 2020 to reflect market value of land. The resultant surplus of LKR 734,877,000 has been credited to the capital reserve on revaluation of land.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets. The pandemic condition continues to evolve and hence is considered too premature to reasonably assess and estimate its full impact, and in the valuers' opinion, the value reflected as of 31 March 2020 represents the best estimate, which meets the requirements of SLFRS-13 Fair Value Measurement.

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 adjusted for 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)

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY, PLANT & EQUIPMENT (CONTD)

18.5 Fully depreciated assets

Cost of fully depreciated assets which are still in use as at reporting date is as follows:

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Building	70,479	49,767	47,462	42,978
Furniture and fittings	39,781	38,212	36,137	35,342
Office equipment	30,642	28,463	24,694	23,529
Electrical fixture & fittings	42,629	40,920	42,629	40,920
Machinery & tools	46,395	45,635	43,048	42,995
Motor vehicles	300,788	265,248	289,914	259,400
Computers	112,230	110,248	104,486	102,563
Reference books	107	107	107	107
Total	**643,051**	**578,600**	**588,477**	**547,834**

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. (2019 – Nil)

19 INVESTMENT PROPERTY

	Company	
	2020 LKR '000	2019 LKR '000 Restated
At the beginning of the year	495,630	468,500
Net gain from fair value adjustment	17,420	27,130
At the end of the year	**513,050**	**495,630**

19.1 Amounts recognised in profit or loss for investment property

	Company	
	2020 LKR '000	2019 LKR '000
Rentals income from operating leases	19,030	15,322
Direct operating expenses from property that generated rental income	-	(2,500)
Fair value gain recognised in profit or loss	17,420	27,130

19.2 Leasing arrangements

The investment property is leased to subsidiaries under operating leases with rentals payables monthly.

Minimum lease payments receivable on leases of investment property is as follows.

	Company 2020 LKR '000	Company 2019 LKR '000
Within one year	19,030	19,030

According to the valuation done by Mr J. M. S Bandara, qualified independent valuer, the fair value of this property as at 31 March 2020 is LKR 513 million (March 2019 - LKR 495.6 million).

Consideration of the impact of on uncertainties arising due to COVID-19 on the valuation is mentioned under note 18.3 (vii).

Details of investment property are as follows:

Location/address	Buildings			Land				Fair value of the property
	No. of building	Sq./Ft	Fair value	Extent			Fair value	
			LKR '000	Acre	Rood	Perch	LKR '000	LKR '000
100A, Hyde Park Corner, Colombo 02	1	10,270	6,500	-	-	36.84	506,550	513,050

The Company classified part of the land and building as investment property. UML has rented this property to its subsidiary Unimo Enterprises Limited.

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.

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 adjusted for available facilities & services, planning restrictions, title status, size/shape & other physical factors of the land and condition of building.	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) Replacement cost per square feet increases/(decreases) Depreciation rate for building increases/(decreases)

NOTES TO THE FINANCIAL STATEMENTS

20 INTANGIBLE ASSETS

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Goodwill (note 20.1)	2,890	2,890	-	-
Computer software (note 20.2)	233,602	188,315	233,037	187,422
	236,492	**191,205**	**233,037**	**187,422**

20.1 Goodwill

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '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 Enterprises Limited (formerly known as Associated United Motors Limited) which was acquired on 3 October 2002.

The Group has not determined impairment of goodwill as at the reporting date impact from COVID-19 pandemic.

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
20.2 Computer software				
Cost				
At the beginning of the year	29,214	27,071	26,711	24,568
Additions	70,734	2,143	70,734	2,143
Transfers	180,645	-	180,645	-
At the end of the year	280,593	29,214	278,090	26,711
Accumulated amortisation				
At the beginning of the year	21,544	19,232	19,934	17,956
Amortisation during the year	25,447	2,312	25,119	1,978
At the end of the year	46,991	21,544	45,053	19,934
Computer software - capital work-in-progress (note 20.3)	-	180,645	-	180,645
Carrying amount at the end of the year	**233,602**	**188,315**	**233,037**	**187,422**

20.3 Computer software - capital work-in-progress

At the beginning of the year	180,645	126,667	180,645	126,667
Additions	-	59,627	-	59,627
Adjustments	-	(5,649)	-	(5,649)
Transfer to computer software	(180,645)	-	(180,645)	(180,645)
At the end of the year	**-**	**180,645**	**-**	**180,645**

20.4 There were no restrictions existed on the title of the intangible assets of the Group as at the reporting date. Further there were no items pledged as security for liabilities.

20.5 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 RIGHT OF USE ASSETS

		Group		Company	
		31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000
Cost					
At the beginning of the year		-	-	-	-
Reclassification from lease rentals paid in advance	7.4	35,049	-	20,687	-
Origination from initial application of SLFRS 16	7.4	207,641	-	395,502	-
Advances paid during the year		29,074	-	900	-
Additions during the year		118,533	-	12,930	-
At the end of the year		**390,297**	-	**430,019**	-
Accumulated Amortisation					
At the beginning of the year		-	-	-	-
Reclassification from lease rentals paid in advance		17,225	-	17,225	-
Amortisation capitalised to setup cost		3,164	-	-	-
Amortisation for the year		119,783	-	133,469	-
At the end of the year		**140,172**	-	**150,694**	-
Carrying amount at the end of the year		**250,125**	-	**279,325**	-

The Group has lease contracts for properties used for showrooms, workshops and warehouses under different lease terms and conditions. Rental contracts are typically made for fixed period of 6 months to 30 years.

On adoption of SLFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the previous LKAS-17 Leases.

These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of the transition date.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments

		Group		Company	
	Note	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Financial assets					
Financial assets at amortised cost					
Trade & other receivables excluding prepayments	26	3,210,485	2,809,723	2,738,763	2,392,258
Amounts due from related parties	27	-	-	135,744	54,280
Cash & cash equivalents	28	261,960	512,766	208,790	418,887
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	23.3	208,256	256,411	168,485	197,755
Financial assets at Fair Value through Profit or Loss (FVPL)					
Equity shares	24	54,924	69,282	54,924	69,282
Investments in unit trusts	24	-	180,187	-	180,187
		3,735,625	3,828,369	3,306,706	3,312,649
Financial liabilities					
Liabilities at amortised cost					
Interest bearing borrowings	31	5,662,003	3,611,428	2,096,853	440,927
Trade and other payables	35	747,615	942,181	500,810	709,562
Amounts due to related parties	36	-	-	64,796	54,274
Lease liabilities	34	248,315	-	286,457	-
Bank overdrafts	28	197,984	141,611	168,287	102,988
		6,855,917	4,695,220	3,117,203	1,307,751

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 is given under note 22.2 of the financial statements.

At each reporting period, the Group/Company's equity securities are measured at fair value referring to quoted market prices in the active market. Due to COVID-19 outbreak, the CSE experienced significant volatility. The operations of CSE were suspended from 20 March 2020 to 11 May 2020. Therefore, there were no quoted market prices as at 31 March 2020 to value Group's/Company's equity securities. According to the direction issued by the Institute of Chartered Accountants of Sri Lanka, the Group/Company valued it equity securities at the market value as at 20 March 2020.

Accordingly, investments in equity shares were categorized under level two of the fair value hierarchy as at the share market was inactive as at 31 March 2020.

		Group					
		31.03.2020			31.03.2019		
		Carrying amount	Fair value		Carrying amount	Fair value	
			Level 1	Level 2		Level 1	Level 2
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets at Fair Value through Profit or Loss (FVPL)							
Equity shares	24	54,924	-	54,924	69,282	69,282	-
Investments in unit trusts	24	-	-	-	180,187	-	180,187
Financial assets at amortised cost							
Trade & other receivables excluding prepayments	26	3,210,485	-	-	2,809,723	-	-
Cash & cash equivalents	28	261,960	-	-	512,766	-	-
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	23	208,256	-	208,256	256,411	256,411	-
		3,735,625	-	263,180	3,828,369	325,693	180,187
Financial liabilities at amortised cost							
Interest bearing borrowings	31	5,662,003	-	-	3,611,428	-	-
Bank overdrafts	28	197,984	-	-	141,611	-	-
		5,859,987	-	-	3,753,039	-	-

		Company					
		31.03.2020			31.03.2019		
		Carrying amount	Fair value		Carrying amount	Fair value	
			Level 1	Level 2		Level 1	Level 2
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets at Fair Value through Profit or Loss (FVPL)							
Equity shares	24	54,924	-	54,924	69,282	69,282	-
Investments in unit trusts	24	-	-	-	180,187	-	180,187
Financial assets at amortised cost							
Trade & other receivables excluding prepayments	26	2,738,763	-	-	2,392,258	-	-
Amounts due from related parties	27	135,744	-	-	54,280	-	-
Cash & cash equivalents	28	208,790	-	-	418,887	-	-
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	23	168,485	-	168,485	197,755	197,755	-
		3,306,706	-	223,409	3,312,649	267,037	180,187
Financial liabilities at amortised cost							
Interest bearing borrowings	31	2,096,853	-	-	440,927	-	-
Bank overdrafts	28	168,287	-	-	102,988	-	-
		2,265,140	-	-	543,915	-	-

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD)

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 equity shares	Fair value is based on quoted prices that are not traded in an active market.	None	None

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 29 to 31.

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. The Group has taken necessary steps to monitor creditors more closely and frequently to ensure that the payables are settled on time,

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	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Public Sector	163,793	182,456	104,693	134,032
Private Sector				
Individual customers	19,459	178,794	-	177,320
Corporate customers	399,924	133,062	399,924	133,062
Dealers & distributors	213,143	160,902	155,335	122,202
Leasing companies	133,819	177,336	57,462	84,621
	930,138	832,550	**717,414**	651,237

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD)

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 2020 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.

COVID-19 outbreak resulted in loss of income for majority of the Corporates as well as for the individuals which increases the credit risk and the outbreak significantly affected the macroeconomic forecast which affects the recoverability of receivables.

Uncertainty due to COVID-19 related events are reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates, reasonability of the model methodology and key assumptions.

The loss allowance as at 31 March 2020 was determined as follows for trade receivables.

Group

31 March 2020	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 LKR '000	Specific Total LKR '000	Total LKR '000
Expected loss rate	1.38%	5.19%	14.97%	24.97%	33.26%	50.62%	100.00%	-	-	-
Gross carrying amount-trade receivables LKR '000	221,287	161,334	46,433	37,539	12,488	17,712	34,359	531,152	-	531,152
Loss allowance-collective model LKR '000	(3,063)	(8,367)	(6,950)	(9,373)	(4,154)	(8,965)	(34,359)	(75,231)	-	(75,231)
Gross carrying amount-trade receivables LKR '000	454,859	21,386	330	-	-	-	-	-	476,575	476,575
Loss allowance-specific LKR '000	-	(2,358)	-	-	-	-	-	-	(2,358)	(2,358)
Trade receivable net of loss allowance LKR '000	**673,083**	**171,995**	**39,813**	**28,166**	**8,334**	**8,747**	**-**	**455,921**	**474,217**	**930,138**

Company

31 March 2020	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 LKR '000	Specific Total LKR '000	Total LKR '000
Expected loss rate	1.38%	5.59%	15.95%	25.73%	38.48%	50.59%	100.00%	-	-	-
Gross carrying amount - trade receivables LKR '000	198,575	139,993	41,989	35,842	9,575	17,733	28,346	472,053	-	472,053
Loss allowance - collective model LKR '000	(2,748)	(7,822)	(6,698)	(9,221)	(3,684)	(8,972)	(28,346)	(67,491)	-	(67,491)
Gross carrying amount - trade receivables LKR '000	294,178	19,485	-	-	-	-	-	-	313,663	313,663
Loss allowance - specific LKR '000	-	(811)	-	-	-	-	-	-	(811)	(811)
Trade receivable net of loss allowance LKR '000	**490,005**	**150,845**	**35,291**	**26,621**	**5,891**	**8,761**	**-**	**404,562**	**312,852**	**717,414**

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 LKR 77 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 economic circumstances.

Hence the receivable balances are identified as impaired as at 31 March 2020.

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.

Specific impairment provision of LKR 29 million provided in previous financial years has been written off to profit and loss as irrecoverable.

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.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Non- derivative financial liabilities

	Carrying amount LKR '000	Contractual Cash flows LKR '000	Less than 6 months LKR '000	6- 12 months LKR '000	1-2 years LKR '000	2-5 years LKR '000	More than 5 years LKR '000
31 March 2020- Group							
Interest bearing borrowings	5,662,003	5,662,003	5,662,003	-	-	-	-
Trade and other payables	747,615	747,615	747,615	-	-	-	-
Bank overdrafts	197,984	197,984	197,984	-	-	-	-
	6,607,602	6,607,602	6,607,602	-	-	-	-
31 March 2019 - Group							
Interest bearing borrowings	3,611,428	3,611,428	3,611,428	-	-	-	-
Trade and other payables	942,181	942,181	942,181	-	-	-	-
Bank overdrafts	141,611	141,611	141,611	-	-	-	
	4,695,220	4,695,220	4,695,220	-	-	-	-
31 March 2020 - Company							
Interest bearing borrowings	2,096,853	2,096,853	2,096,853	-	-	-	-
Trade and other payables	500,810	500,810	500,810	-	-	-	-
Amounts due to related parties	64,796	64,796	64,796	-	-	-	-
Bank overdrafts	168,287	168,287	168,287	-	-	-	-
	2,830,746	2,830,746	2,830,746	-	-	-	-
31 March 2019 - Company							
Interest bearing borrowings	440,927	440,927	440,927	-	-	-	-
Trade and other payables	709,562	709,562	709,562	-	-	-	-
Amounts due to related parties	54,274	54,274	54,274	-	-	-	-
Bank overdrafts	102,988	102,988	102,988	-	-	-	-
	1,307,751	1,307,751	1,307,751	-	-	-	

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 rate 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 2020	451	13,761	190	13,761
Trade payables as at 31 March 2020	841	63,626	678	52,635

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 2020 are as follows;

	Increase/decrease in exchange rate	Group effect on profit before tax	Company effect on profit before tax
		LKR '000	LKR '000
USD	+ 5 %	(3,869)	(4,739)
	- 5 %	3,869	4,739
JPY	+ 5 %	(4,526)	(3,541)
	- 5 %	4,526	3,541

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.

The global outbreak of the novel COVID-19 pandemic has resulted in consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.

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		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
	-	-	-	-
Variable rate instruments				
Financial assets	-	180,187	-	180,187
Financial liabilities	5,662,003	3,611,428	2,096,853	440,927
	5,662,003	3,791,615	2,096,853	621,114

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD)

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	Company Effect on profit before tax
		LKR '000	LKR '000
31 March 2020 variable rate instruments	+5%	(4,888)	(9,848)
	-5%	4,888	9,848

c) Equity price risk

Listed equity securities are susceptible to equity price risk arising from uncertainties of future values of the investment securities. The Group manages the equity price risk through diversification of its portfolio to different business segments.

The Group's equity risk management policies adopted by the Investment Committee are as follows;

» Equity investment decisions are based on fundamentals rather than on speculation.

» Decisions are made based on in-depth industry and macroeconomic analysis as well as on research reports on the Company performance.

The table below shows the diversification of equity investments;

Investment shares

Sector	Group				Company			
	31.03.2020		31.03.2019		31.03.2020		31.03.2019	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Banks, finance and insurance	124,166	59.6	153,110	59.7	108,066	64.1	127,088	64.3
Capital goods	21,307	10.2	29,883	11.7	16,075	9.6	21,468	10.9
Diversified holdings	7,779	3.7	10,923	4.3	1,334	0.8	1,422	0.7
Beverage, food & tobacco	10,101	4.9	11,922	4.6	-	-	-	-
Power & energy	1,302	0.6	2,403	0.9	-	-	-	-
Health care	248	0.1	393	0.2	-	-	-	
Retailing	27,471	13.2	33,481	13	27,471	16.3	33,481	16.9
Utilities	343	0.2	-	-	-	-		
Materials	15,539	7.5	14,296	5.6	15,539	9.2	14,296	7.2
Total	**208,256**	**100.0**	256,411	100.0	**168,485**	**100.0**	197,755	100.0

Trading shares

Sector	Group/Company			
	31.03.2020		31.03.2019	
	LKR '000	%	LKR '000	%
Banks, finance and insurance	7,060	12.9	9,819	14.2
Diversified holdings	19,424	35.4	24,134	34.8
Beverage, food & tobacco	17,910	32.6	21,696	31.3
Capital goods	7,270	13.2	10,163	14.7
Power & energy	1,873	3.4	2,231	3.2
Utilities	60	0.1	-	0.0
Automobile & components	1,327	2.4	1,239	1.8
Total	**54,924**	**100**	69,282	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 the 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 FVPL	Effect on other component of equity as a result of gains/losses on equity securities classified as FVOCI	Effect on Profit before tax as a result of gains/ losses on equity securities classified as FVPL	Effect on other component of equity as a result of gains/losses on equity securities classified as FVOCI
		LKR '000	LKR '000	LKR '000	LKR '000
31 March 2020 - Investments in equity shares	+ 5%	2,746	10,413	2,746	8,424
	- 5%	(2,746)	(10,413)	(2,746)	(8,424)

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.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD)

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 2019 and 31 March 2020.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.

		Group		Company	
	Note	31.03.2020 LKR ' 000	31.03.2019 LKR ' 000	31.03.2020 LKR ' 000	31.03.2019 LKR ' 000 Restated
Interest bearing borrowings	31	5,662,003	3,611,428	2,096,853	440,927
Bank overdraft	28	197,984	141,611	168,287	102,988
Trade and other payables	35	747,615	942,181	500,810	709,562
Less: Cash and short term deposits	28	(261,960)	(512,766)	(208,790)	(418,887)
Net debt		6,345,642	4,182,454	2,557,160	834,590
Equity		12,721,444	12,879,107	12,505,401	12,159,952
Capital and net debt		19,067,086	17,061,561	15,062,561	12,994,542
Gearing ratio		**0.33**	**0.25**	**0.17**	**0.06**

23.1 Investments in subsidiaries

		Group		Company	
	% Holding	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
UML Property Developments Limited	100	-	-	75,000	75,000
Unimo Enterprises Limited	100	-	-	47,400	47,400
UML Heavy Equipment Limited	100	-	-	100,000	100,000
		-	-	222,400	222,400

As per Section 242(1) of the Companies Act No.07 of 2007, Orient Motor Company Limited, a fully owned subsidiary of United Motors Lanka PLC was amalgamated with United Motors Lanka PLC with effect from 30 November 2019.

Accordingly, book value of assets and liabilities of Orient Motor Company Limited was amalgamated with the United Motors Lanka PLC (Company) and the investment in subsidiary LKR 50 million recorded in United Motors Lanka PLC was set off against the equity of Orient Motor Company Limited, as if the amalgamation has taken place prior to 1 April 2019.

Impairment of investments

Investments in subsidiaries are carried at cost less any accumulated impairment losses.
An impairment assessment was carried out considering the impact of COVID-19 on investments in subsidiaries and it was concluded that net realisable value of all the investments included under unquoted investments exceeded its carrying value.

23.2 Financial assets at Fair Value through Other Comprehensive Income

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.

23.3 Equity investments at Fair Value through Other Comprehensive Income

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Equity investments (note 23.6)	518,060	509,177	416,826	402,422
Decrease in market value	(309,804)	(252,766)	(248,341)	(204,667)
	208,256	256,411	168,485	197,755

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	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Fair value losses recognised in Other Comprehensive Income (note 14.2)	(62,557)	(107,825)	(43,673)	(86,157)
Dividends from equity investments held at FVOCI recognised in profit or loss in other income (note 14.1)	6,793	6,435	4,241	4,781
	(55,764)	(101,390)	(39,432)	(81,376)

23.5 Disposal of equity investments

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. During the year 2019/20 there were no disposals of financial assets categorized under FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

23 (CONTD)

23.6 Equity securities designated as Fair Value through Other Comprehensive Income

	Group					
	31.3.2020			31.03.2019		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Aitken Spence PLC	561,648	51,346	17,243	561,648	51,346	23,028
Bairaha Farms PLC	52,251	10,587	4,112	52,251	10,587	5,998
Central Industries PLC	21,000	1,140	689	21,000	1,140	592
Ceylon Grain Elevators PLC	5,000	471	201	5,000	471	261
Citizens Development Business Finance PLC - Non voting	10	1	1	10	1	1
Commercial Bank of Ceylon PLC - Non voting	295,031	35,623	17,259	289,505	35,623	24,318
Commercial Bank of Ceylon PLC - Voting	267,895	40,302	16,100	263,646	40,302	26,022
DFCC Bank PLC	667,928	106,456	40,477	477,092	92,716	33,396
Diesel & Motor Engineering PLC	109,883	90,211	27,471	109,883	90,211	33,481
Lanka Walltiles PLC	82,116	9,760	3,375	82,116	9,760	4,927
Laugfs Gas PLC	143,049	5,912	1,302	143,049	5,912	2,403
Laugfs Power PLC	143,049	-	343	-	-	-
MTD Walkers PLC	-	-	-	90,259	5,521	1,336
National Development Bank PLC	487,303	54,298	32,259	464,602	54,298	43,766
Nations Trust Bank PLC	254,874	24,689	16,108	254,874	24,689	22,913
People's Leasing & Finance PLC	185,145	4,066	2,258	179,704	4,066	2,408
Renuka Foods PLC	388,211	9,210	5,318	388,211	9,210	5,086
Seylan Bank PLC - Voting	58,609	4,794	1,963	42,908	4,130	2,695
Singer Finance (Lanka) PLC	521,885	11,917	4,488	521,885	11,917	6,576
Softlogic Finance PLC	89,709	5,171	1,032	89,709	5,171	1,938
The Lanka Hospital Corporation PLC	9,000	652	248	9,000	652	393
Three Acre Farms PLC	5,870	846	470	5,870	846	577
Tokyo Cement (Lanka) PLC	690,634	50,608	15,539	690,634	50,608	14,296
	-	**518,060**	**208,256**	-	**509,177**	**256,411**

	Company					
	31.3.2020			31.03.2019		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Aitken Spence PLC	523,597	47,570	16,075	523,597	47,570	21,468
Commercial Bank of Ceylon PLC - Non voting	295,031	35,623	17,259	289,505	35,623	24,318
DFCC Bank PLC	667,928	106,456	40,477	477,092	92,716	33,396
Diesel & Motor Engineering PLC	109,883	90,211	27,471	109,883	90,211	33,481
National Development Bank PLC	487,303	54,298	32,259	464,602	54,298	43,766
Nations Trust Bank PLC	254,874	24,689	16,108	254,874	24,689	22,913
People's Leasing & Finance PLC	109,368	2,577	1,334	106,154	2,577	1,422
Seylan Bank PLC - Voting	58,609	4,794	1,963	42,908	4,130	2,695
Tokyo Cement (Lanka) PLC	690,634	50,608	15,539	690,634	50,608	14,296
	-	**416,826**	**168,485**	-	**402,422**	**197,755**

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

24.1 Financial assets mandatorily measured at FVPL include following:

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000
Investment in equity shares (note 24.3)	117,046	121,250	117,046	121,250
Decrease in market value	(62,122)	(51,968)	(62,122)	(51,968)
	54,924	**69,282**	**54,924**	**69,282**
Investments in unit trust (note 24.4)	-	180,187	-	180,187
	54,924	**249,469**	**54,924**	**249,469**

24.2 Amounts recognised in profit or loss

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000
Fair value losses equity investment at FVPL (note 14.1)	(14,359)	(17,920)	(14,359)	(17,920)
Dividends from equity investments held at FVPL recognised in profit or loss (note 14.1)	2,447	2,164	2,447	2,164
	(11,912)	(15,756)	(11,912)	(15,756)

24.3 Equity securities designated as fair value through profit or loss

	Group/Company					
	31.3.2020			31.03.2019		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Bairaha Farms PLC	68,849	13,137	5,419	68,849	13,137	7,904
Central Industries PLC	11,796	638	387	11,796	638	333
Ceylon Grain Elevators PLC	55,470	5,303	2,230	55,470	5,303	2,890
Citizens Development Business Finance PLC						
- Non voting	54,198	5,269	2,428	52,437	5,269	3,204
- Voting	75,216	8,447	5,423	73,224	8,447	5,646
Kelani Cables PLC	30,000	4,247	1,560	30,000	4,247	2,022
Kelani Tyres PLC	40,095	3,215	1,327	40,095	3,215	1,239
Lanka IOC PLC	104,100	4,002	1,645	104,100	4,002	1,811
Lanka Walltiles PLC	38,989	4,466	1,603	38,989	4,466	2,339
Laugfs Gas PLC	25,000	885	228	25,000	885	420
Laugfs Power PLC	25,000	-	60	-	-	-
MTD Walkers PLC	-	-	-	70,000	4,204	1,036
Nations Trust Bank PLC	87,415	8,249	5,525	87,415	8,249	7,859
People's Leasing PLC	407,676	8,779	4,974	395,694	8,779	5,302
Renuka Foods PLC	457,001	11,398	6,261	457,001	11,398	5,987
Sanasa Development Bank PLC	32,669	4,326	1,535	32,669	4,326	1,960
Singer Finance (Lanka) PLC	679,224	15,683	5,841	679,224	15,683	8,558
Softlogic Finance PLC	65,944	3,768	758	65,944	3,768	1,424
Three Acre Farms PLC	50,000	7,584	4,000	50,000	7,584	4,915
Vallibel One PLC	310,002	7,650	3,720	310,002	7,650	4,433
	-	117,046	54,924	-	121,250	69,282

NOTES TO THE FINANCIAL STATEMENTS

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTD)

24.4 Other investments designated as fair value through profit or loss

	Group/Company					
	31.3.2020			31.03.2019		
	No of Units in '000	Cost of Investment LKR '000	Market Value LKR '000	No of Units in '000	Cost of Investment LKR '000	Market Value in '000 LKR '000
Investment in unit trusts	-	-	-	9,130	180,000	180,187
	-	-	-	9,130	180,000	180,187

25 INVENTORIES

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Spare parts	1,209,746	1,296,721	606,968	724,877
Vehicles	4,522,193	3,766,727	2,433,459	1,384,033
Lubricants	255,438	262,075	255,438	262,075
Tyres	124,775	112,060	-	-
Equipment & machinery	171,836	92,997	4,877	-
3D Printers	3,455	2,967	3,455	2,967
Others	23,064	61,353	23,064	61,347
Stock-in-trade	6,310,507	5,594,900	3,327,261	2,435,299
Work-in-progress	81,699	93,276	40,180	34,870
Goods in transit (note 25.1)	712,819	499,579	602,214	363,671
	7,105,025	6,187,755	3,969,655	2,833,840

The stock-in-trade of each category has been shown after netting off the provision made for NRV adjustments in respect of each category. In doing so, management has considered the impact of COVID-19 on the future selling prices.

25.1 Goods in transit

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Vehicles	685,454	313,722	602,214	179,903
Spare parts and lubricants	27,365	185,857	-	183,768
	712,819	499,579	602,214	363,671

25.2 Inventories & trade receivables pledged as security for liabilities of Group entities are as follows.

Company	Bank	Facility	Amount pledged as security LKR '000	Balance outstanding LKR '000
Unimo Enterprises Limited	Sampath Bank PLC	Overdraft,Short term loans, Letter of credit	120,000	120,000
	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 Limited	Commercial Bank of Ceylon PLC	Overdraft,Short term loans, Letter of credit	160,000	160,000

26 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Trade receivables	1,007,729	883,839	785,716	696,210
Loss allowance (note 26.2)	(77,591)	(51,289)	(68,302)	(44,973)
	930,138	**832,550**	**717,414**	**651,237**
Other receivables	321,171	330,891	62,180	122,544
LC margin	-	1,030,340	-	1,007,397
Loans to employees	16,637	15,034	16,637	14,988
Economic Service Charge	29,257	50,631	29,257	50,128
Pre-payments	258,551	259,240	53,200	75,686
Facilitation fee receivable	-	28,005	-	28,005
Advances paid	1,913,282	522,272	1,913,275	517,959
Total trade and other receivables	**3,469,036**	**3,068,963**	**2,791,963**	**2,467,944**

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 are all 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 about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 22.

NOTES TO THE FINANCIAL STATEMENTS

26 TRADE AND OTHER RECEIVABLES (CONTD)

26.2 Impairment allowance for trade receivables

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Balance at the beginning of the year	51,289	54,227	44,973	45,495
Increase in loss allowance recognised in profit or loss during the year	55,975	1,118	51,262	(446)
Receivables written off during the year as uncollectible	(29,673)	(4,056)	(27,933)	(76)
At the end of the year	**77,591**	**51,289**	**68,302**	**44,973**

26.3 Loans to employees

Total loans disbursed to employees amounted to LKR 13 million, out of which the movement of loans disbursed to employees which has exceeded LKR 20,000 are disclosed as follows:

	Group/Company			
	2020		2019	
	No. of employees	LKR '000	No. of employees	LKR '000
At the beginning of the year - non executive employees	195	13,305	195	11,066
Loans disbursed during the year	-	13,290	-	12,008
Recovered during the year	-	(12,181)	-	(9,769)
At the end of the year - non executive employees	**262**	**14,414**	**195**	**13,305**

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	
	Relationship	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Unimo Enterprises Limited	Subsidiary	-	-	103,427	33,991
UML Heavy Equipment Limited	Subsidiary	-	-	32,317	20,165
UML Property Developments Limited	Subsidiary	-	-	-	124
		-	-	135,744	54,280

28 CASH & CASH EQUIVALENTS

Reconciliation to cash flow statement

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	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Favourable balances				
Money market deposits	-	2,311	-	2,311
Call deposits	3,758	326	3,758	326
Cash at bank	244,077	346,751	193,242	268,715
Cash In hand	14,125	163,378	11,790	147,535
	261,960	512,766	208,790	418,887
Unfavourable balances				
Bank overdrafts used for cash management purposes	(197,984)	(141,611)	(168,287)	(102,988)
Net cash and cash equivalent for the purpose of cash flow statements	63,976	371,155	40,503	315,899

In September 2015 the Department of Inland Revenue issued seizure notice to all six bank accounts of Orient Motor Company Limited (OMCL) to recover unpaid NBT of LKR 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 Limited 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 2020, 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. Refer note 39.2 for details of corporate guarantees given for 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	
	2020	2019	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '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.

NOTES TO THE FINANCIAL STATEMENTS

30 CAPITAL RESERVES

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
At the beginning of the year	4,556,009	4,556,009	4,242,869	4,242,869
Revaluation of land	780,927	-	734,877	-
Deferred tax on revaluation of land	(78,093)	-	(73,488)	-
At the end of the year	**5,258,843**	4,556,009	**4,904,258**	4,242,869

31 INTEREST BEARING BORROWINGS

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
At the beginning of the year	3,596,240	2,713,485	436,358	427,000
Obtained during the year	57,928,165	36,554,486	36,841,759	14,614,381
	61,524,405	39,267,971	37,278,117	15,041,381
Payments made during the year	(55,881,728)	(35,671,731)	(35,188,693)	(14,605,023)
Loans outstanding as at 31 March	5,642,677	3,596,240	2,089,424	436,358
Accrued loan interest	19,326	15,188	7,429	4,569
At the end of the year	**5,662,003**	3,611,428	**2,096,853**	440,927
Current	5,662,003	3,611,428	2,096,853	440,927
Total	**5,662,003**	3,611,428	**2,096,853**	440,927

31.1 Details of Company and Group's interest bearing borrowings, which are measured at amortised cost are given below.

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Current liabilities				
Short term loans	5,662,003	3,611,428	2,096,853	440,927

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			
			31.03.2020		31.03.2019	
	Effective interest rate	Year of Maturity	Face value LKR '000	Carrying value LKR '000	Face value LKR '000	Carrying value LKR '000
Short term loans - secured	Market rate	2020	5,662,003	5,662,003	3,611,428	3,611,428
			5,662,003	5,662,003	3,611,428	3,611,428

			Company			
			31.03.2020		31.03.2019	
	Effective interest rate	Year of Maturity	Face value LKR '000	Carrying value LKR '000	Face value LKR '000 Restated	Carrying value LKR '000 Restated
Short term loans - unsecured	Market rate	2020	2,096,853	2,096,853	440,927	440,927
			2,096,853	2,096,853	440,927	440,927

31.4 In light of the impact of the COVID-19 pandemic, some of the short term loans granted on or before 31 March 2020 were extended for a period of three months.

32 EMPLOYEE BENEFITS

32.1 Retirement benefit obligations

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Present value of unfunded obligations	-	1,990	-	-
Present value of funded obligations	239,546	220,557	214,145	203,147
Retirement benefit obligation (note 32.5)	239,546	222,547	214,145	203,147

The retirement benefit obligation is based on the actuarial valuation performed by Mr M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Limited. The valuation method used by the actuary is the "Projected Unit Credit Method", the method recommended by LKAS 19 - Employee Benefits.

32.2 Reimbursable right

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Employees joined before 1992/93				
Mutual fund (note 32.3)	246	437	246	437
Employees joined after 1992/93				
Reimbursable right (note 32.4)	66,964	72,486	62,542	68,509
	67,210	72,923	62,788	68,946

NOTES TO THE FINANCIAL STATEMENTS

32 EMPLOYEE BENEFITS (CONTD)

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 2020 is LKR 245,887 (2019 - LKR 436,297). 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 2020.

32.4 Movement in fair value of reimbursable right

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
At the beginning of the year	72,486	83,461	68,509	79,902
Return on reimbursable right (note 32.6)	7,988	9,194	7,536	8,789
Benefits paid by reimbursable right	(15,503)	(17,222)	(15,503)	(17,223)
Benefits payable by reimbursable right	(6,942)	(1,201)	(6,942)	(1,201)
Gains/(losses) in other comprehensive income (note 32.6)	8,935	(1,746)	8,942	(1,758)
Fair value of reimbursable right at the end of the year	66,964	72,486	62,542	68,509

32.5 Movement in the present value of the defined benefit obligations

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
At the beginning of the year	222,547	203,713	203,147	188,663
Expenses recognised in profit & loss (note 32.6)	48,821	43,973	43,356	39,400
Actuarial (gains)/losses in other comprehensive income (note 32.6)	(8,893)	(5,449)	(7,061)	(6,056)
Benefits paid during the year	(22,929)	(19,690)	(22,843)	(18,860)
Adjustment	-	-	(2,454)	-
Defined benefit obligation at the end of the year	239,546	222,547	214,145	203,147

32.6 Expenses recognised in statement of profit or loss and comprehensive income

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Recognised in profit & loss				
Defined benefit obligations				
Current service costs	24,330	21,564	20,999	18,648
Interest on obligation	24,491	22,409	22,357	20,752
	48,821	**43,973**	**43,356**	**39,400**
Defined benefit plan				
Return on reimbursable right	7,988	9,194	7,536	8,789
	7,988	**9,194**	**7,536**	**8,789**
Recognised in other comprehensive income				
Defined benefit obligations				
Actuarial gains/(losses) recognised during the year	8,893	5,449	7,061	6,056
	8,893	**5,449**	**7,061**	**6,056**
Reimbursable right				
Gains/(losses) recognised during the year	8,935	(1,746)	8,942	(1,758)
Dividend adjustment to reimbursable right	-	-	(17)	-
	8,935	(1,746)	8,925	(1,758)
	17,828	**3,703**	**15,986**	**4,298**

32.7 Actuarial assumptions

Principal actuarial assumptions are as follows:

	Group		Company	
	2020	2019	2020	2019
Rate of discount as at 31 March	9.3%	11%	9.3%	11%
Future salary increases	9%	10%	9%	10%
Retirement age	55 or 60 years	55 or 60 years	55 or 60 years	55 or 60 years
Staff turnover rate	4% - 9%	5% - 9%	4%	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 (LKR '000)	(13,640)	15,333	(12,527)	14,120
A percentage point change in the salary escalation rate				
Effect on the present value of defined benefit obligation (LKR '000)	13,896	(12,595)	12,828	(11,594)

NOTES TO THE FINANCIAL STATEMENTS

33 DEFERRED TAX ASSETS/LIABILITIES

33.1 Deferred tax assets

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
At the beginning of the year	278,856	67,775	123,192	53,832
Tax losses utilized	(58,356)	-	(58,356)	-
Reversal of timing differences – recognised in profit or loss	259,539	212,551	120,067	71,054
Reversal of timing differences – recognised in other comprehensive income	(2,490)	(1,470)	(1,977)	(1,694)
At the end of the year	**477,549**	**278,856**	**182,926**	**123,192**
Composition of deferred tax assets				
Property, plant & equipment	3,580	1,509	-	-
Retirement benefit obligation	67,644	62,340	60,532	56,909
Provisions	15,026	13,042	543	1,349
Lease liability	80,208	-	80,208	-
Tax losses	311,091	201,965	41,643	64,934
Net deferred tax assets	**477,549**	**278,856**	**182,926**	**123,192**

According to the Group/Company policy, deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. The Directors have assessed the post- lockdown economic implications of COVID-19 pandemic on the Group/Company and is of the view that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

33.2 Deferred tax liabilities

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
At the beginning of the year	137,718	104,796	138,597	103,419
Charge of timing differences – recognised in profit or loss	107,055	32,922	111,420	35,178
Origination of timing differences – recognised in other comprehensive income	78,093	-	73,488	-
At the end of the year	**322,866**	**137,718**	**323,505**	**138,597**
Composition of deferred tax liability				
Property plant & equipment	166,562	137,718	165,429	133,798
Gains on revaluation of land	78,093	-	73,488	-
Investment property - building	-	-	1,772	2,036
Investment property - land	-	-	4,605	2,763
Right of use assets	78,211	-	78,211	-
Net deferred tax liability	**322,866**	**137,718**	**323,505**	**138,597**

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 Group recognized fair value increase of LKR 780,926,749 related to the land revaluation and value increase of LKR 18,420,000 of investment property. Accordingly deferred tax of 10% has been provided in the financial statements for the year ended 31 March 2020.

33.3 Expenses recognised in statement of other comprehensive income

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
Reversal of timing differences				
– recognised in other comprehensive income (note 33.1)	(2,490)	(1,470)	(1,977)	(1,694)
Origination of timing differences				
– recognised in other comprehensive income (note 33.2)	(78,093)	-	(73,488)	-
	(80,583)	(1,470)	**(75,465)**	(1,694)

34 LEASE LIABILITIES

		Group		Company	
		2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Impact from initial application of SLFRS 16	7.2	207,642	-	395,502	-
Additions during the year	7.4	118,533	-	12,930	-
Interest expense	14.1	36,155	-	49,116	-
Interest capitalised to set up cost		3,642	-	-	-
Payments made		(117,657)	-	(171,091)	-
At the end of the year		**248,315**	-	**286,457**	-
Classified as non current liabilities		109,514	-	153,539	-
Classified as current liabilities		138,801	-	132,918	-
		248,315	-	**286,457**	-
Amounts recognised in profit or loss					
Interest on lease liabilities		36,155	-	49,116	-
Maturity analysis of present value of minimum lease payments					
Less than 1 year		138,801	-	132,918	-
2 - 5 years		55,469	-	135,655	-
6 -10 years		49,633	-	13,472	-
Over 10 years		4,412	-	4,412	-
		248,315	-	**286,457**	-

NOTES TO THE FINANCIAL STATEMENTS

35 TRADE & OTHER PAYABLES

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Trade payables	378,477	349,352	285,268	318,455
Taxes payable	15,761	40,597	554	30,326
Dividend payable	-	80,589	-	80,589
Contract liabilities				
Advances received from customers	112,148	158,247	57,701	44,430
Free service contracts	12,520	-	7,453	-
Extended warranty	1,038	-	1,038	-
Accrued charges	151,112	152,935	144,997	149,220
Other payables	76,559	160,461	3,799	86,542
	747,615	**942,181**	**500,810**	**709,562**

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.

36 AMOUNTS DUE TO RELATED PARTIES

		Group		Company	
		31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Unimo Enterprises Limited	Subsidiary	-	-	9,240	1,455
UML Property Developments Limited	Subsidiary	-	-	55,542	52,819
UML Heavy Equipment Limited	Subsidiary	-	-	14	-
		-	-	**64,796**	**54,274**

37 CURRENT TAXATION

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000 Restated
At the beginning of the year	68,387	81,931	76,911	87,511
Income tax on current year profits (note 15)	14,742	189,143	12,754	187,142
Losses utilized during the year	(58,356)	-	(58,356)	-
	24,773	271,074	31,309	274,653
Over provision in respect of prior years (note 15)	(465)	(21,969)	(465)	(19,317)
Income tax paid	(90,686)	(180,718)	(88,562)	(178,425)
At the end of the year	(66,378)	68,387	(57,718)	76,911
Current taxation comprise of:				
37.1 Current tax liabilities	-	78,205	-	78,073
37.2 Current tax receivable	(66,378)	(9,818)	(57,718)	(1,162)
	(66,378)	**68,387**	**(57,718)**	**76,911**

38 CASH FLOW INFORMATION

38.1 Reconciliation of profit before tax to operating profit

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
(Loss)/profit before income tax expense	(547,882)	423,468	120,969	862,314
Adjustments for;				
Provision for depreciation/amortisation	242,185	194,232	200,955	159,298
Profit on disposal of property, plant & equipment	(2,640)	(26,604)	(2,640)	(26,029)
Net change in fair value - financial asset at fair value through profit or loss	14,359	17,920	14,359	17,920
Change in fair value of investment property	-	-	(17,420)	(27,130)
Interest expense	480,849	354,949	322,475	109,742
Interest income	(12,806)	(19,659)	(199,840)	(108,957)
Dividend income	(9,240)	(8,599)	(6,688)	(6,945)
Dividend received from subsidiary	-	-	(88,500)	(76,350)
Impairment of trade receivables and losses on warranty claims	52,002	1,117	50,577	28,320
Provision for employee benefit obligations	49,012	44,155	43,547	39,584
Amortisation of right-of-use assets	137,008	-	150,694	-
Expected return on reimbursable right	(7,988)	(9,195)	(7,536)	(8,789)
Write-down of inventory to lower of cost or NRV (Net Realisable Value)	31,543	78,094	6,712	31,280
Fair value adjustment on unit trust	-	(187)	-	(187)
Operating profit before working capital changes	426,402	1,049,691	587,664	994,071
(Increase)/decrease in inventories	(948,811)	220,080	(1,142,527)	919,423
Increase in trade and other receivables	(487,124)	(1,412,297)	(395,283)	(1,486,376)
Increase in amounts due from related parties	-	-	(81,463)	(15,419)
Increase in amounts due to related parties	-	-	8,068	3,389
Decrease in trade and other payables	(194,300)	(69,102)	(208,645)	(164,826)
Cash (out flow)/in flow generated from operating activities	**(1,203,833)**	**(211,628)**	**(1,232,186)**	**250,262**

38.2 Reconciliation of liabilities arising from financing activities

	Group		Company	
	31.03.2020 LKR '000	31.03.2019 LKR '000	31.03.2020 LKR '000	31.03.2019 LKR '000 Restated
Bank borrowings				
At the beginning of the year	3,596,240	2,713,485	436,358	427,000
Proceeds from borrowings	57,928,165	36,554,486	36,841,759	14,614,381
Repayments of borrowings	(55,881,728)	(35,671,731)	(35,188,693)	(14,605,023)
At the end of the year	5,642,677	3,596,240	2,089,424	436,358

NOTES TO THE FINANCIAL STATEMENTS

39. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

39.1 Capital commitments

There were no capital commitments as at the balance sheet date.

39.2 Contingent liabilities

Corporate guarantees issued to subsidiaries are given below.

Name of Company	Name of Bank	Facility	Amount pledged as security	Outstanding as at 31.03.2020	Outstanding as at 31.03.2019
			LKR '000	LKR '000	LKR '000
Unimo Enterprises Limited	Sampath Bank PLC	Letter of credit, overdraft and term loans	325,000	106,000	-
	Standard Chartered Bank	Letter of credit, overdraft and term loans	500,000	500,000	307,988
	Bank of Ceylon	Letter of credit, overdraft and term loans	1,000,000	813,154	814,374
UML Heavy Equipment Limited	Commercial Bank of Ceylon PLC	Letter of credit, overdraft and term loans	100,000	100,000	70,000

Unimo Enterprises Limited has given bank guarantees to Sri Lanka Customs amounting to LKR 626.3 million for excise duty concession in respect of vehicles assembled but to be approved by the Cabinet appointed committee.

The Company has given bid bond/performance guarantees amounting to LKR 18.8 million as at the reporting date.
Details relating to certain tax assessments are reflected in notes 15 and 28.

39.3 Operating leases

Operating lease commitments	Group 31.03.2020 LKR'000	Group 31.03.2019 LKR'000	Company 31.03.2020 LKR'000	Company 31.03.2019 LKR'000
Less than one year	-	184,620	-	158,357
Between one to five years	-	348,880	-	299,340
Over five years	-	89,980	-	80,737
Total	**-**	**623,480**	**-**	**538,434**

40 RELATED PARTY DISCLOSURES

The Company carries out transactions 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 identified as KMP of the Group.

40.2.1 Compensation to KMP

	Group		Company	
	2020 LKR '000	2019 LKR '000	2020 LKR '000	2019 LKR '000
Short term employment benefits	88,864	95,002	63,629	73,012

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.

40.4 Recurrent related party transactions.

Name of the related party	Relationship	Nature of the transactions	Aggregate value of related party transactions for 2019/20 LKR' 000	Aggregate value of related party transactions as a % of net revenue	Terms & conditions of the related party transactions
Unimo Enterprises Limited	Subsidiary	Intercompany loans granted/settled	7,176,000	125%	Market rate

Transactions with subsidiaries and related entities

a) Transaction with subsidiaries

Company

	UEL LKR '000	UMPDL LKR '000	UML Heavy LKR '000	Total 2019/20 LKR '000	Total 2018/19 LKR '000 Restated
Sale of spare parts	692	-	-	692	3,258
Sale of 3D printed customised products	-	-	-	-	963
Sale of vehicles	-	-	-	-	10,655
Purchase of tyres	1,742	-	-	1,742	1,328
Purchase of spare parts	506	-	-	506	262
Sale of lubricants	1,371	-	-	1,371	3,393
Repairs & services provided	59,780	-	1,636	61,416	100,750
Purchase of vehicles	6,160	-	-	6,160	23,462
Interest received	176,197	-	11,557	187,754	90,062
Expenses incurred	54,128	-	7,501	61,629	52,648
Reimbursement of expenses	12,516	-	-	12,516	259
Hiring income received	500	-	3,075	3,575	1,792
Rentals received for premises occupied	22,649	-	-	22,649	23,858
Rentals paid for premises occupied	-	99,377	-	99,377	100,044
Investment in subsidiaries	-	-	-	-	25,000
Dividend received	-	88,500	-	88,500	76,350
Loans granted	7,176,000	-	198,000	7,374,000	9,930,635
Loans settlements	7,176,000	-	198,000	7,374,000	9,905,635

NOTES TO THE FINANCIAL STATEMENTS

40 RELATED PARTY DISCLOSURES (CONTD)

b) Transactions between subsidiaries

Unimo Enterprises Limited

Company	U M L Heavy LKR '000	Total 2019/20 LKR '000	Total 2018/19 LKR '000
Reimbursement of expenses	105	105	18

c) Transactions with the Parent company

Company	R I L Property PLC LKR '000	Total 2019/20 LKR '000	Total 2018/19 LKR '000
Services obtained	-	-	82
Rent paid in advance	185	185	1,298
Rentals paid for premises occupied	4,598	4,598	3,200
Refundable rent deposit	1,045	1,045	1,045
Reimbursement of expenses	593	593	313
Repairs & services provided	1,131	1,131	1,017

d) Transactions with other related entities of parent company

Company	Foodbuzz (Pvt) Ltd LKR '000	Total 2019/20 LKR '000	Total 2018/19 LKR '000
Repairs & services provided	359	359	338
Sale of spare parts	-	-	6

e) 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.

41 CONSOLIDATION

The consolidated financial statements of the Company's shareholding as at 31 March 2020 are in the proportions indicated below.

Subsidiary	Ownership interest	
	2020	2019
Unimo Enterprises Limited	100%	100%
UML Property Developments Limited	100%	100%
Orient Motor Company Limited	*	100%
UML Heavy Equipment Limited	100%	100%

* Orient Motor Company Ltd amalgamated with United Motors Lanka PLC with effect from 30 November 2019. 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	
	2020	2019
	LKR '000	LKR '000
Parent company	117,327	730,365
Subsidiaries	(585,860)	(153,432)
	(468,533)	576,933
Inter-company elimination	58,858	(141,010)
Consolidated profit after tax expenses	(409,675)	435,923

42 EVENTS OCCURRING AFTER THE REPORTING PERIOD AND OTHER MATTERS

Lockdown of business/operations due to COVID-19 pandemic

The business was adversely affected with the restrictions in free movement of customers, staff and key stakeholders since mid-March 2020. Extent and duration of post-lockdown economic implications are not certain at this stage but it will have a negative impact on the performance of the Company and Group for the year 2020/21.

The Company has taken all possible measures to mitigate future risks associated with the post-lockdown economic implications. The management is closely monitoring the situation to ensure that measures being taken are appropriate and adequate to mitigate the potential impact of this crisis on the Company and Group.

Temporary suspension of Imports

As per the Gazette notification issued on 16 April 2020, the government imposed a 90-day restriction on selected imports which included vehicles. With the expiry of 90 days this has been further extended for six months from 2 June 2020. This will have a negative impact on the revenue of the Company and Group.

Subsequent to the reporting date, no other 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 2020 and the audited statement of financial position as at March 31, 2020 will be submitted to the Colombo Stock Exchange (CSE) 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 2018/19).

The Company duly submitted the audited interim financial statements for the year 2019/20 to the CSE within applicable statutory deadlines (The Company also duly complied with this requirement for 2018/19).

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

The number of ordinary shareholders as at 31 March 2020 was 3,753 (3,664 as at 31 March 2019).

a) Resident /Non Resident as at 31 March 2020

Range of Shareholdings (No. of Shares)	Resident			Non -Resident			Total		
	No. of share holders	No. of shares	% of the total holding	No. of share holders	No. of shares	% of the total holding	No. of share holders	No. of shares	% of the total holding
Up to 1,000	2,414	853,124	0.84	29	15,857	0.02	2,443	868,981	0.86
1,001 - 10,000	1,137	3,955,401	3.92	21	76,869	0.08	1,158	4,032,270	4.00
10,001 - 100,000	122	2,706,138	2.68	9	253,220	0.25	131	2,959,358	2.93
100,001 - 1,000,000	11	2,051,574	2.03	-	-	-	11	2,051,574	2.03
Over 1,000,000	8	84,772,790	84.02	2	6,215,653	6.16	10	90,988,443	90.18
Total	3,692	94,339,027	93.49	61	6,561,599	6.51	3,753	100,900,626	100.00

b) Individuals/Institutions

	31-Mar 2020			31-Mar 2019		
	No of shareholders	Total holding	% of the total holding	No of shareholders	Total holding	% of the total holding
Individual	3,608	27,720,674	27.47	3,517	26,506,004	26.27
Institutions	145	73,179,952	72.53	147	74,394,622	73.73
Total	3,753	100,900,626	100.00	3,664	100,900,626	100.00

c) Public shareholding

	31.03.2020	31.03.2019
Percentage (%)	24.84	25.81
No. of shareholders	3,743	3,654
The float adjusted market capitalization (LKR)	1,137,965,210	1,739,958,170

The float adjusted market capitalization of the Company falls under option 5 of Rule 7.13.1 (a) of the listing rules of the CSE and the Company has complied with the minimum public holding requirement applicable under the said option.

3. SHARE TRADING

	2019/20	2018/19	2017/18	2016/17	2015/16
Market					
Number of transactions	1,255,759	810,331	1,089,473	984,412	1,362,544
Number of shares traded	10,255,022,162	4,925,186,283	8,721,432,695	6,846,805,469	8,954,401,301
Value of shares traded (LKR million)	186,176	167,420	245,435	177,641	231,840
Market days	231	240	237	244	241
Company					
Number of transactions	1770	1,240	2,707	2,471	4,543
Number of shares traded	1,662,689	1,850,189	35,696,069	2,343,611	8,348,316
Value of shares traded (LKR million)	109	154	2,788	211	826
Market days	204	189	217	227	239

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
	LKR (million)	(million)	LKR (million)	LKR (billion)		
2019/2020	12,721	100.90	4,580.88	2,128.27	0.21	78
2018/2019	12,879	100.90	6,740.16	2,605.89	0.26	66
2017/2018	12,700	100.90	7,668.45	3,032.70	0.29	65
2016/2017	10,742	100.90	7,870.25	2,662.86	0.29	59
2015/2016	10,312	100.90	8,374.75	2,586.15	0.32	59

b) Market prices

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Highest (LKR)	80.00	87.40	90.00	99.80	118.00
	(29.07.2019)	(23.07.2018)	(13.07.2017)	(02.08.2016)	(12.08.2015)
Lowest (LKR)	45.00	66.00	70.30	76.10	75.30
	(20.03.2020)	(29.03.2019)	(14.11.2017)	(28.03.2017)	(10.03.2016)
Last Traded Price (LKR)	45.40	68.00	76.00	78.00	83.00

5. VALUE CREATION FOR SHAREHOLDERS

	2019/20	2018/2019	Change %
Net asset value per share (LKR)	126.08	127.64	(1.22)
Earnings per share (LKR)	(4.06)	4.32	(193.98)
Market price per share (LKR)	45.40	66.80	(32.03)
Return on equity (%)-After Tax	(3.22)	3.38	(195.26)

SHARE INFORMATION

6. TWENTY LARGEST SHAREHOLDERS

	Shareholder	31 March 2020		31 March 2019	
		No. of Shares	%	No. of Shares	%
1	R I L Property PLC	51,459,320	51.00	51,459,320	51.00
2	Mrs. R.R. Takahashi	11,762,041	11.66	11,581,821	11.48
3	Mr. M.A Yaseen	11,178,511	11.08	10,521,402	10.43
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	3,284,637	3.26
7	Mr. Chanaka Yatawara	1,421,321	1.41	1,276,685	1.27
8	Bank of Ceylon Account No. 1	404,478	0.40	404,478	0.40
9	Mr. A.M. Weerasinghe	301,880	0.30	301,880	0.30
10	Mr. S.D. Yaseen	243,300	0.24	243,300	0.24
11	Mrs. L.E.M. Yaseen	200,000	0.20	-	-
12	Mr. P. Rathnayaka	156,000	0.15	156,000	0.15
13	Mercantile Investments and Finance PLC	150,000	0.15	150,000	0.15
14	Akbar Brothers Pvt Ltd A/C No 1	136,648	0.14	136,648	0.14
15	Mr. M. Anndreino Yaseen	119,430	0.12	119,430	0.12
16	Mr. V.A. Yaseen	119,427	0.12	119,427	0.12
17	Mr. J.A. Yaseen	119,427	0.12	156,177	0.15
18	Mr. M.H.M. Nazeer	100,984	0.10	100,984	0.10
19	Perera & Sons Bakers (Pvt) Limited	100,000	0.10	100,000	0.10
20	Mrs. I.S. Jayasinghe	65,794	0.07	-	-
*Others (shareholders under 20 largest shareholders as at 31 March 2019)				1,154,209	1.15
TOTAL		**93,205,811**	**92.37**	93,149,011	92.32

Shareholders included in the twenty largest shareholdings as at 31 March 2019

Shareholdings as at March 2019	No. of Shares	% of Total Holding
Capital Development And Investment Company PLC - A/C No; 02	604,209	0.60
Hatton National Bank PLC- Candor Opportunities Fund	550,000	0.55
Total	1,154,209	1.15

7. DIRECTORS' SHAREHOLDING

Name of the Director	Capacity	No of shares as at 31 March 2020	% of the total holding	Movement during the year	No. of shares as at 31 March 2019	% of the total holding
Mr. Sunil G. Wijesinha	Chairman/Non-Executive Director	-	-	-	-	-
Mr. Chanaka Yatawara	Group CEO/Executive Director	1,421,321	1.409	144,636	1,276,685	1.265
Mr. Ananda Atukorala	Non-Executive Director	3,000	0.003	-	3000	0.003
Mr. Ramesh Yaseen	Executive Director	10,620	0.011	-	10,620	0.011
Mrs. Hiroshini Fernando	Non-Executive Director	-	-	-	-	-
Prof. Malik Ranasinghe	Non-Executive Director	-	-	-	-	-
Mr. Stuart Chapman	Non-Executive Director	-	-	-	-	-
Mr. Hiroyasu Inoue	Non-Executive Director	-	-	-	-	-

TEN YEAR SUMMARY - GROUP

(in LKR '000)

Reported as per	SLFRS / LKAS									SLAS
For the year ended 31 March	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Turnover	9,845,621	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
(Loss)/profit before taxation	(547,882)	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
Income tax	138,207	12,455	(197,558)	(312,495)	(651,380)	(363,549)	(566,624)	(689,737)	(911,162)	(473,178)
(Loss)/profit for the year	(409,675)	435,923	668,900	1,126,107	1,702,223	1,262,332	1,607,721	2,012,914	2,282,532	901,542
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	5,258,843	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
Other components of the equity & retained earnings	7,126,266	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
Shareholders' funds	12,721,444	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
Non controlling interests	-	-	-	-	-	-	-	-	10,900	9,615
Total equity	**12,721,444**	**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**
Assets employed										
Current assets	10,957,323	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
Non current assets	9,182,450	7,984,026	7,497,571	6,762,193	6,356,068	5,868,063	4,391,515	4,072,588	2,662,050	2,176,473
Total assets	20,139,773	18,012,797	16,890,500	16,922,746	15,091,396	13,149,184	10,076,871	9,215,669	10,480,397	6,210,657
Current liabilities	(6,746,403)	(4,773,425)	(3,937,583)	(5,967,512)	(4,598,093)	(2,532,239)	(1,805,828)	(1,696,197)	(4,497,424)	(2,105,844)
Non current liabilities	(671,926)	(360,265)	(252,790)	(212,865)	(181,188)	(181,374)	(173,866)	(148,845)	(155,504)	(117,235)
Total liabilities	(7,418,329)	(5,133,690)	(4,190,373)	(6,180,377)	(4,779,281)	(2,713,613)	(1,979,694)	(1,845,042)	(4,652,928)	(2,223,079)
Net assets	**12,721,444**	**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**
Profitability										
Earnings per share (LKR)	(4.06)	4.32	6.63	11.16	16.87	12.51	15.93	19.95	22.62	8.93
Net assets per share ** at the year end (LKR)	126.08	127.64	125.87	106.46	102.20	103.42	80.25	73.05	57.65	39.42
Return on average Net assets (%)	(3.22)	3.38	5.27	10.48	16.51	12.10	19.86	27.31	39.16	22.61
Others										
Market price per share (LKR.)	45.40	66.80	76.00	78.00	83.00	88.10	123.00	96.00	108.00	152.20
Price earnings ratio	(11.18)	15.46	11.46	6.99	4.92	7.04	7.72	4.81	3.18	11.41
Annual sales growth (%)	(22.90)	(13.23)	(17.90)	17.13	45.22	(4.55)	(26.10)	(28.22)	90.36	87.59
Current ratio (times)	1.62	2.10	2.39	1.70	1.90	2.88	3.15	3.03	1.74	1.92

** 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 2020

INVESTOR INFORMATION

Year		Shares at the beginning	Issued during the year	Stated Capital (LKR)	Market Value Per Share (Last Traded Price) (LKR)
1990/1991		10,000,000	-	100,000,000	23.75
1991/1992		10,000,000	-	100,000,000	53.00
1992/1993	Issued through Share Trust Scheme to employees	10,000,000	90,266	100,902,660	35.00
1993/1994	Issued through Share Trust Scheme to employees	10,090,266	91,230	-	-
	Bonus issue 1:5		2,036,300	122,177,960	60.00
1994/1995		12,217,796	-	122,177,960	27.50
1995/1996		12,217,796	-	122,177,960	31.50
1996/1997	Issued through Share Trust Scheme to employees	12,217,796	53,319	-	-
	Bonus issue 1:5		2,443,560	147,146,750	32.00
1997/1998		14,714,675	-	147,146,750	41.50
1998/1999		14,714,675	-	147,146,750	32.50
1999/2000		14,714,675	-	147,146,750	31.25
2000/2001		14,714,675	-	147,146,750	28.00
2001/2002		14,714,675	-	147,146,750	32.00
2002/2003	Bonus issue 1:1	14,714,675	14,714,675	294,293,500	31.00
2003/2004		29,429,350	-	294,293,500	28.00
2004/2005		29,429,350	-	294,293,500	51.75
2005/2006		29,429,350	-	294,293,500	80.00
2006/2007	Bonus issue 1:7	29,429,350	-	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
2019/2020		**100,900,626**	**-**	**336,335,420**	**45.40**

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.

AMORTIZATION
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.

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.

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.

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.

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.

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.

RIGHT-OF-USE ASSET (RUA)

As asset that represents a lessee's right to use an underlying asset over the lease term.

The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred minus any lease incentives received.

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 Thirty First Annual General Meeting of United Motors Lanka PLC will be held at 10.00 a.m. on Monday, 31 August 2020, at No.100, Hyde Park Corner, Colombo 02, via audio-visual means 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 2020 and Report of the Auditors thereon.
02. (i) To re-elect, Mr. Stuart Chapman who retires by rotation in terms of Articles 83 of the Articles of Association of the Company.

    (ii) To re-elect, Mr. Yoshisuke Ishii who retires in terms of Articles 89 of the Articles of Association of the Company.

    (iii) To re-appoint Mr. Sunil G. Wijesinha who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

    "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Sunil G. Wijesinha who is 71 years of age and that he be re-appointed a Director of the Company."

    (iv) To re-appoint Mr. Ananda Atukorala who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

    "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Ananda Atukorala who is 71 years of age and that he be re-appointed a Director of the Company."
03. To re-appoint Messrs. PricewaterhouseCoopers (PwC), Chartered Accountants, as the Auditors for the ensuing year and to authorize the Directors to fix their remuneration.
04. To authorize the Board of Directors to determine and make donations for 2020/2021.
05. To consider any other business of which due notice has been given.

By Order of the Board

RHHisham

Mrs. Rinoza Hisham
Company Secretary

Colombo
27 July 2020

Note:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Thirty First (31st) Annual General Meeting of United Motors Lanka PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means in the manner specified below:
    - i The Chairman, the Board of Directors, the Company Secretary, the Registrars, the External Auditors and the Company Lawyers will be present at United Motors Lanka PLC Main Showroom, at No. 100, Hyde Park Corner, Colombo 02 at 10.00 a.m. on Monday, 31 August 2020.
    - ii Shareholder participation
        - a The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
        - b The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means only.
        - c The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish their details by perfecting Annexure II to the circular to shareholders and forward same to agm2020@unitedmotors.lk or by facsimile on +94 11 2448113, to reach the Company not less than five (05) days before the date of the meeting so that the meeting login information could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.
        - d To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Forms of Proxy should be sent to reach the Company via e-mail to agm2020@unitedmotors.lk or facsimile on +94 11 2448113 or by post to the registered address of the Company No. 100, Hyde Park Corner, Colombo 02, not less than forty eight (48) hours before the time fixed for the meeting.
    - iii Shareholders' queries

      The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company, via e-mail to agm2020@unitedmotors.lk or facsimile on +94 11 2448113 or by post to the registered address of the Company No. 100, Hyde Park Corner, Colombo 02, not less than five (5) days before to the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.
2. The Annual Report of the Company for the year ended 2019/2020 will be available for perusal on the Company website, the Colombo Stock Exchange website and the social media sites of the Company.

PROXY FORM

I/We .... of ....

.... being a shareholder/shareholders 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 Wijetilaka 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 Thirty First Annual General Meeting of the Company to be held at 10.00 a.m. on Monday, 31 August 2020, at No.100, Hyde Park Corner, Colombo 02, via audio-visual means and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned herby 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 2020 and Report of the Auditors thereon		
2. To re-elect Mr. Stuart Chapman as a Director of the Company.		
3. To re-elect Mr. Yoshisuke Ishii as a Director of the Company.		
4. To re-appoint Mr. Sunil G. Wijesinha as a Director of the Company.		
5. To re-appoint Mr. Ananda Atukorala as a Director of the Company.		
6. To re-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 and make donations for 2020/2021.		

Signed on this .... day of .... Two Thousand and Twenty.

....
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 proxy form, 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 of 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 authorized to do so on behalf of such entity.
4. In terms of Article 61 of the Articles 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. Duly filled forms of proxy should be sent to reach the Company via email to agm2020@unitedmotors.lk or facsimile on +94 112448113 or by post to the registered address of the Company No.100, Hyde Park Corner, Colombo 02, **not less than 48 hours before the appointed hour of the meeting.**

Please provide the following details (mandatory):	
NIC/PP/Company Registration No. of the Shareholder/s	
Folio No.:	
E-mail address of the Shareholder/(s) or Proxy holder (other than a Director appointed as proxy)	
Mobile No.	
Residence No.	

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, 4696333/4, 2448112/4
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 Limited
U M L Property Developments Limited
U M L Heavy Equipment Limited

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
(Resigned w.e.f. 01 April 2020)
Mr. Yoshisuke Ishii
(Appointed w.e.f. 07 July 2020)

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

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