a matter of being united

United Motors Lanka PLC
ANNUAL REPORT 2020/21

a matter of being united

While the pandemic held the brakes for the economy, bringing about a new normal in which everyone had to adapt or fail, we were thrust into the same dilemma. As many external forces threatened to impede our progress, our forward thinking plans, envisioned even before this massive change, were imperative to see us through to the other side. Helping us excel were also our people, whose attitude and can-do spirit helped propel us forward, maintaining our progress to achieve what many could not. In a year that tested our resilience and our ability to turn challenge into opportunity, a pivotal part of our success was a matter of being united.

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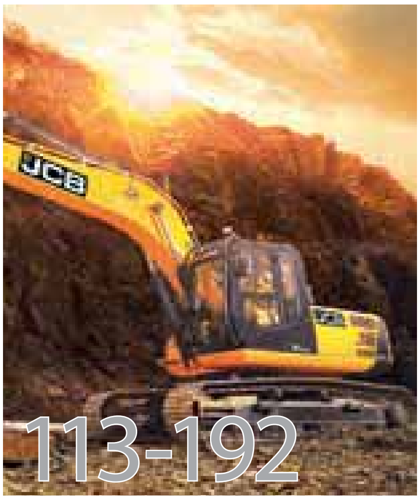

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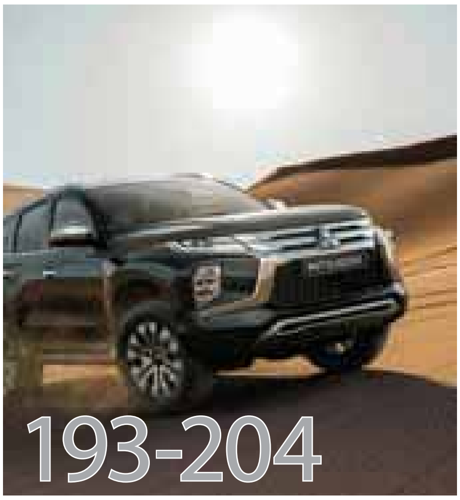


SUPPLEMENTARY INFORMATION

About us

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 honoured 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 and forklifts from China, Greaves power generators from India, Perodua compact cars from Malaysia, JMC commercial vehicles, Brilliance vans and Zotye cars from China, DFSK SUV's from Indonesia, Yokohama tyres from Japan, Valvoline lubricants, Prestone and Simoniz car care products from USA and JCB earth moving equipment and power generators from India, 3D Printers from USA, Netherlands and China. The United Motors branch network is located in Panchikawatta, Anuradhapura, Kandy, Kurunegala, Matara, Nugegoda, Nuwara Eliya, Ratnapura and Jaffna. The UML 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 while 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, while ensuring optimum returns to shareholders.

Group Structure

	COMPANY	INDUSTRY	SEGMENT
PARENT COMPANY	**UNITED MOTORS LANKA PLC** Reg. No. PQ 74 (Incorporated on 09 May 1989) **Directors** Mr. Sunil G. Wijesinha - *Chairman* Mr. Chanaka Yatawara - *Group Chief Executive Officer/Executive Director* Mr. Ananda Atukorala Mr. Ramesh Yaseen - *Executive Director (After Sales Services)* Ms. Hiroshini Fernando Prof. Malik Ranasinghe Mr. Stuart Chapman Mr. Yoshisuke Ishii *(Resigned w.e.f. 12 May 2021)* Ms. Coralie Pietersz *(Appointed w.e.f. 1 April 2021)* Mr. Devaka Cooray *(Appointed w.e.f. 4 May 2021)* Mr. Junya Takami *(Appointed w.e.f. 1 June 2021)* Ms. Rinoza Hisham - *Company Secretary*	Automobile	Vehicle » Sales » After sales services
		Lubricants	Lubricants and car care
		Power and energy	Solar power
		Manufacturing and technology	3D Printing equipment/ material » Sales » After sales services » Certification courses » Customized products
SUBSIDIARIES	**UNIMO ENTERPRISES LIMITED** 100% Subsidiary Reg. No. PB 218 (Incorporated on 17 March 1994) **Directors** Mr. Sunil G. Wijesinha - Chairman Mr. Mahesh Gunatilake - Chief Executive Officer/Executive Director Mr. Chanaka Yatawara Mr. Ananda Atukorala Mr. Ramesh Yaseen Ms. Hiroshini Fernando Ms. Rinoza Hisham - Company Secretary	Automobile	Vehicle » Assembly » Sales » After sales services
		Equipment and machinery	Generators/Equipment » Sales » After sales services
		Tyres	Tyres » Sales
	U M L PROPERTY DEVELOPMENTS LIMITED 100% Subsidiary Reg. No. PB 253 (Incorporated on 08 October 1993) **Directors** Mr. Sunil G. Wijesinha - *Chairman* Mr. Chanaka Yatawara Ms. Rinoza Hisham - *Company Secretary*	Property	Renting of warehouses
	U M L HEAVY EQUIPMENT LIMITED 100% Subsidiary Reg. No. PB 5403 (Incorporated on 07 July 2017) **Directors** Mr. Sunil G. Wijesinha - *Chairman* Mr. Chanaka Yatawara Ms. Hiroshini Fernando Ms. Rinoza Hisham - *Company Secretary*	Equipment and machinery	Construction equipment » Sales » After sales services Generators » Sales » After sales services

Milestones

1945
The commencement of a decades long story. The incorporation of United Motors Limited as a private limited liability company.

1972
UML vested with the Government on 8 March and commences operations as a Government Owned Business.

1985
UML enters into a distributor agreement with Mitsubishi Motors Corporation (MMC) Japan.

1989
The vision expands - United Motors Lanka Limited is incorporated as a public limited liability company with an authorised share capital (stated capital) of LKR 100,000,000.

1993
Incorporation of a subsidiary - U M L Property Developments Limited, for the construction of a warehouse complex on a five-acre land at Orugodawatte.

1994
Strengthening our stronghold the incorporation of a subsidiary - Unimo Enterprises Limited (UEL) to import and sell vehicles.

2007
The Company is re-registered as United Motors Lanka PLC.

2009

Making further headway, UEL opens a local vehicle assembly facility within the Orugodawatte workshop complex.

2014

UEL relocates and expands its vehicle assembly plant at Ranala.

2016

UML acquires a 10 acre property which becomes a dedicated workshop for Mitsubishi and Perodua passenger vehicles, Fuso truck and bus and logistics centre at Ratmalana.

2017

Striding further on in this direction U M L Heavy Equipment Limited, a subsidiary of UML is incorporated to carry out the business of importing and distribution of earth moving equipment and power generators.

51% of UML was acquired by R I L Property PLC making UML a subsidiary of R I L.

2018

Making innovation our hallmark UML also diversified in to 3D printing technology which offers the sale of machines, 3D printing services, after sales services and 3D printing educational courses.

2019

Making the environment our priority UML Group commences operation of the 2MW Roof-top solar power plant.

2021

Today we stand strong growing and expanding our vision.

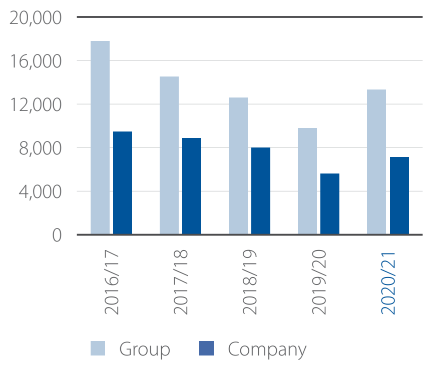
Operational and Financial Highlights

	Group			Company		
	2020/21	2019/20	Change %	2020/21	2019/20	Change %
Profitability (LKR '000)						
Revenue	13,537,657	9,845,621	37.50	7,187,553	5,752,104	24.96
Profit before tax	646,392	(547,882)	217.98	905,876	120,969	648.85
Profit attributable to equity holders of the Company	503,675	(409,675)	222.95	766,639	117,327	553.42
Financial position (LKR '000)						
Investment in PPE and intangible assets	44,240	258,194	(82.87)	26,167	224,674	(88.35)
Non-current assets	9,134,124	9,182,450	(0.53)	8,807,175	8,941,460	(1.50)
Current assets	9,619,928	10,957,323	(12.21)	6,526,484	7,218,794	(9.59)
Current liabilities	4,671,977	6,746,403	(30.75)	1,400,601	2,963,664	(52.74)
Non-current liabilities	782,089	671,926	16.40	618,395	691,189	(10.53)
Shareholders' funds	13,299,986	12,721,444	4.55	13,314,663	12,505,401	6.47
Ratios						
Interest cover (times)	2.77	-	100.00	5.05	1.35	273.55
Profit before tax to revenue (%)	4.77	(5.56)	185.80	12.60	2.10	499.29
Return on capital employed (%)	3.79	(3.22)	217.60	5.76	0.94	513.70
Dividend cover (times)	-	-	-	5.07	0.29	1,642.45
Borrowings to equity (%)	16.38	46.06	(64.44)	4.12	18.11	(77.24)
Current ratio	2.06	1.62	26.78	4.66	2.44	91.31
Quick asset ratio	1.33	0.57	133.75	3.64	1.10	232.04
Share performance						
Number of shares ('000)	100,901	100,901	-	100,901	100,901	-
Earnings per share (LKR)*	4.99	(4.06)	222.94	7.60	1.16	553.42
Dividend per share (LKR)**	-	-	-	1.50	4.00	(62.50)
Dividend yield (%)	-	-	-	2.60	8.81	(70.49)
Dividend payout (%)	-	-	-	19.74	344.00	(94.26)
Net assets per share (LKR)*	131.81	126.08	4.55	131.96	123.94	6.47
Market value per share as at 31 March (LKR)	-	-	-	57.70	45.40	27.09
Price earnings ratio	-	-	-	7.59	39.04	(80.55)
Market capitalisation as at 31 March (LKR '000)	-	-	-	5,821,966	4,580,888	27.09
Highest recorded share price (LKR)	-	-	-	83.00	80.00	3.75

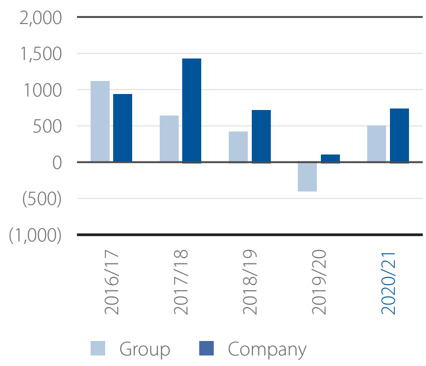
*Net assets per share and earnings per share have been calculated for all periods based on the number of shares in issue as at 31 March 2021

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

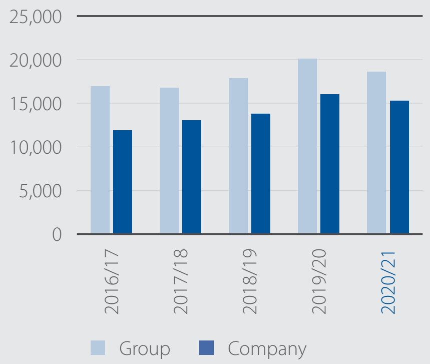
Turnover (LKR Mn)



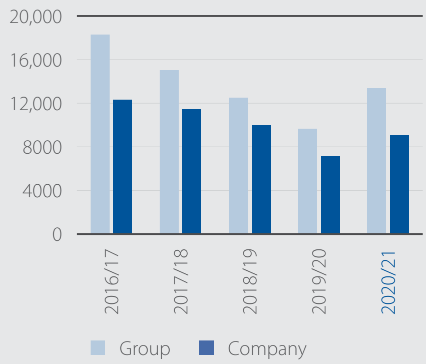
Profit After Tax (LKR Mn)



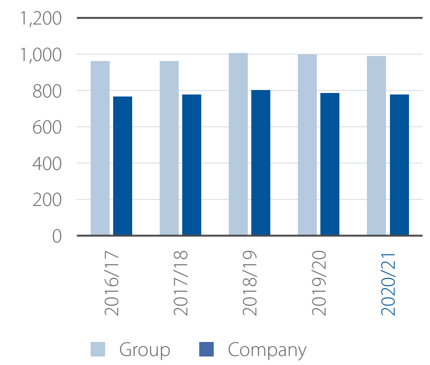
Total Assets (LKR Mn)



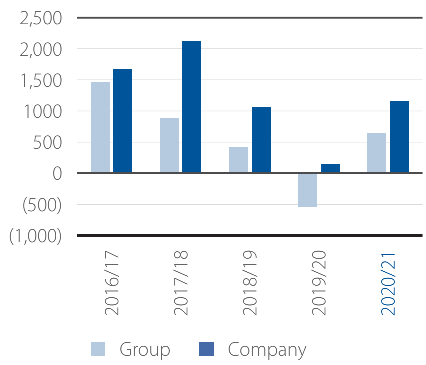
Turnover per Employee (LKR '000)



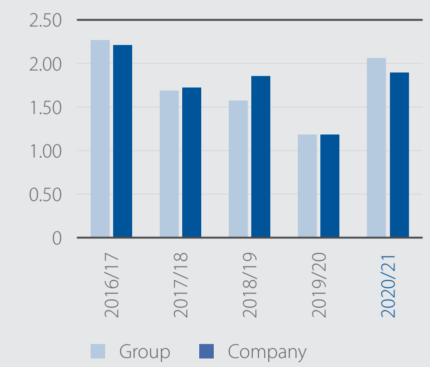
No. of Employees



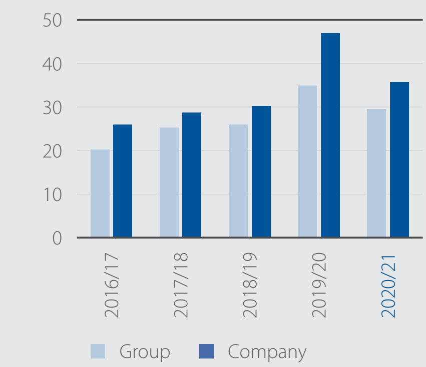
PBT per Employee (LKR '000)



Inventory Turnover (Times)



Debtors Collection Period (Days)



1,677

Cars, SUVs & vans

Groups market share has grown continuously since 2015/16

1,005

Assembled vehicles

Division recorded highest ever sales

603

Cabs, trucks & buses

Mitsubishi and Fuso truck market share has been increased to 13%

LKR **1.4** Bn ◂ Revenue

Spare Parts

Spare parts division reported a marginal decrease in turnover

LKR **1.1** Bn ◂ Revenue

Lubricants

Lubricant division reported the highest sale of 2.1 Mn litters


MITSUBISHI


Valvoline
DIESEL


FUSO
FUSO

Chairman's Message

"We will continue to focus on our assembly operation and workshop services. In doing so, we provide local manufacturers with the opportunity to produce the vehicle parts and thereby generate employment and capital formation which ensures that considerable value additions are provided in-house."

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the 32nd Annual General Meeting of United Motors Lanka PLC (UML), and present you with our annual report and audited financial statements for the financial year ended 31 March 2021.

This was an exceptionally challenging year, dominated as it was by the impacts of the COVID-19 pandemic, which came hard on the heels of the Easter Sunday attacks that took place less than a year earlier. Adaptability and innovation were the key strengths that established your company on a firm foundation during this volatile period. These strengths, coupled with the foresight to think one step ahead, facilitated the UML Group to define and implement measures that protected the business and strengthened the Company's resilience to external shocks.

As a result of these prudential decisions, we were successful in over-reaching targets in several areas and were able to adapt the structure of our organisation to the reality of the new norm while keeping the business robust.

COMPANY PERFORMANCE IN THE LOCAL AND GLOBAL PERSPECTIVE

Sri Lanka continues to labour under the dual onslaughts of the Easter Sunday attacks in 2019 and the COVID-19 pandemic in 2020. Both disasters substantially curtailed economic activity and continue to impact the nation on several fronts.

The Easter Sunday attacks led to a deceleration of economic activity which contracted GDP to 2.3%, against an early IMF growth forecast of 4.5%. Recognised as Lonely Planet's number 1 destination to travel to in 2019, the bombings dealt Sri Lanka's tourism a near-fatal blow in that same year. Tourism is the country's third largest foreign exchange earner, but despite recovery during the second half of the year, tourist arrivals declined by 18% YoY and earnings from tourism declined correspondingly by 17.7%. The attacks caused negative spill-over effects into several other sectors as well, notably transportation, trade, manufacturing and agriculture.

The pandemic speedily evolved from a health concern into a social and economic crisis that resulted in the economy contracting by 3.6% in 2020, thereby recording its worst growth performance ever. Tourism was just picking up after the devastation caused by the Easter bombings when the worldwide travel bans were imposed. Consequently, tourist arrivals plunged by 71% in March 2020 and no tourists visited Sri Lanka in the following months of April, May and June 2020, the period of the lockdown. The lockdown had a further detrimental effect on key economic sectors, namely manufacturing, construction and hospitality. The sluggish economic performance also resulted in high public debt and declining revenues, which caused a widening of the fiscal deficit in 2020 and a decline in reserves to an 11 year low by February 2021. The overall trade deficit in 2020 narrowed to USD 6,008 million, from a deficit of USD 7,997 million in 2019, partly due to the measures taken by the Government to restrict the import of selected non-essential goods to reduce foreign currency expenditure.

Curtailment of imports of commercial vehicles and motor vehicles for personal use came within the band of non-essential goods. New registrations of motor vehicles dropped to 44.8% YoY during this fiscal year.

Sources: CBSL Annual Reports 2019 and 2020
World bank: https://www.worldbank.org/en/country/srilanka/overview

The pandemic created widespread unpredictability in global markets as well, which led to supply chain disruptions and demand shocks and impeded trade flows. Significant unemployment caused by the economic slowdown in some sectors further reduced demand for internationally traded goods, particularly durables. As a result, the IMF estimates that the global economy shrank by 3.5%, while international trade declined by an estimated 9.2%, which led to a 13% drop in global GDP.

Sources: World Economic Outlook - IMF
WTO: https://www.wto.org/english/news_e/pres20_e/pr862_e.htm

However, global trade bounced back to almost pre-pandemic levels and recorded a 10% increase in the first quarter of 2021. The rebound was largely driven by the strong export performance of East Asian economies. Early success in pandemic mitigation enabled regional markets to capitalise on rising global demand for COVID-19 related products worldwide.

The global automobile industry grappled with myriad issues during the year under review, as a result of the pandemic. Curtailment of travel added to changing regulatory policies which compelled vehicle manufacturers to slow down production due to a slump in car sales. This led to factory closures and lay-offs, all of which fundamentally altered the contours of the operating environment. But the demand for motor vehicles will slowly and surely rise once the pandemic abates and people decide to go in for newer and technologically advanced models.

Nevertheless, motor vehicle trading, the Company's core business, continues to face the pressures of a capricious regulatory environment compounded by a sluggish economy, which has substantially reduced turnover, and consequently profitability, over the years. We entered this year, too, with a poor turnover and accumulated stocks, which did not augur well for a productive year. Adopting far-thinking strategies during the year the Company capitalised on the Government's current policy of encouraging local manufacture. This strategy proved efficacious and the Group achieved a revenue of LKR 13.5 billion, which is a 37.5% increase over LKR 9.8 billion recorded in the previous year. The increased revenue also significantly augmented Group profitability and turned around the Group to achieve a profit after tax of LKR 504 million in the current fiscal year from a loss of LKR 410 million in the preceding year. This is a noteworthy turn around considering the challenges faced during the year.

The Company's main brand, Mitsubishi, was unable to perform to expectations, as a result of the import restrictions, but the performance of our workshop and vehicle assembly lines somewhat made up for the shortfall. The workshops functioned throughout the year, except during the three months of lockdown and posted exceptional performance despite the fact that some workshops were located in areas that were in a prolonged state of isolation.

The restrictions imposed on personal motor vehicle imports during the year prompted high sales volumes of vehicles assembled in the country. This enabled our subsidiary Unimo Enterprises to work at full capacity and also moved accumulated vehicle stocks, which significantly reduced its operating losses during the current year. Delays in shipping certain components were, however experienced due to the pandemic. Based on the subsidiary's successful performance, plans are now in the pipeline to further expand the facility to cater to surging demand.

The subsidiary, U M L Property Developments recorded a stable income during the year of review. There was no impact of COVID-19 on this business.

U M L Heavy Equipment did not perform as expected during this financial year, due to the impact of the pandemic on the country's construction industry. During the commencement of business, the Group was successful in procuring the agency for premier heavy equipment JCB to meet the demands of the construction industry which was booming at the time. The Company is confident that given the Government's continued focus on infrastructure development, the subsidiary will build a name for itself once the pandemic subsides.

OUR PEOPLE

Our primary focus during this COVID period was on the protection of the employees, Every possible step was taken to ensure their health and safety, and to secure them with a safe working environment. Although there were a few cases of infection, no cluster developed in the organisation because the Company worked closely with the PHIs and took immediate and preventive actions to contain the spread. Staff was also educated on the health and

Chairman's Message

safety guidelines to be followed, and the guidelines were implemented throughout the organisation. During the lockdown period of April and May 2020, UML was mindful of the disruptions the pandemic was causing to the lives of our employees. Accordingly, the Human Resources division conducted many activities that kept the staff connected and motivated while at home during these trying times.

FUTURE DIRECTION

While implementing all necessary strategies to protect the current business, we will be seeking opportunities to further expand and diversify our portfolio of operations. Some avenues we are exploring may be within the industry while some others may be outside. In our quest to diversify in line with Government policies, we will continue to pursue local production that will contribute towards savings in FOREX, and are gearing for a medium-term in which the current policies of the Government will continue unchanged. However, we are hopeful for some relaxation in the importation of commercial vehicles which, if not brought into the country, could hinder economic activity. We will continue to focus on our assembly operation and workshop services. Our continued focus on the customer during the pandemic brought many positive results and has served to reinforce a high degree of customer loyalty. We will continue to reinforce this valuable relationship with more value additions over the next years.

DIVIDEND

I am pleased to announce that the Board of Directors recommends a final dividend of LKR 1.00 per share, an interim dividend of LKR 1.50 per share was paid in January this year.

APPRECIATION

I thank my Board of directors for contributing their business expertise and industry knowledge that continues to gives us the edge over our competition even in these challenging times, and express my gratitude to Mr. Chanaka Yatawara, Group CEO for capably executing our business strategy in difficult circumstances. I also appreciate the continued trust and loyalty of our shareholders, customers and other business partners. Last but not least, I value the numerous ways in which our employees have risen to meet every challenge and opportunity, and thank them for taking that dedication to new heights this past year as we adapted to the challenges of a global pandemic.

I have already announced that I will not seek re-election at this Annual General Meeting and will accordingly retire at the end of this meeting. Mr Devaka Cooray, a Director, has been already announced as my successor and I kindly request the Shareholders, Directors, Management and staff to give their fullest co-operation to him, as you have given me for the last almost 8 years.

Sunil G. Wijesinha
Chairman
10 June 2021

Group CEO's Review of Operations

"We built more trust, transparency and loyalty, and this convinced our people that the Company cares for them when it truly mattered."

GENERAL

We entered the new financial year under the pandemic lockdown and with an extremely uncertain outlook, having just emerged from the worst year in a decade for the automobile industry. As a result, the new financial year held little hope especially with the ban on vehicles imports that severely affects our core business. The team was, however, determined to find innovative ways in which to turn the business around and to meet the challenges of the new financial year.

As a result, I am happy to state that both the Company and the Group recorded profits of LKR 767 million and LKR 504 million respectively, even in these trying circumstances.

BRAND NEW VEHICLE REGISTRATION

Product	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Cars	51,206	19,580	10,400	8,286	3,408	2,028
SUVs	2,660	1,410	1,422	3,662	2,657	1,558
Double Cabs	1,167	1,247	758	752	541	642
Single Cabs	4,112	3,325	910	909	632	126
Vans	794	595	424	349	96	62
Ambulances	21	106	23	539	53	1
Trucks	24,745	22,537	12,660	10,635	6,383	2,828
Buses	2,175	1,610	2,323	1,547	1,029	236
Total	**86,880**	**50,410**	**28,920**	**26,679**	**14,799**	**7,481**
UML Group Share	5%	8%	10%	10%	12%	27%

This table illustrates the performance of the brand new automobile industry over the last 6 years. Due to the restrictive policies on automobile imports imposed by successive Governments, the industry continued to decline at exponential rates. However, as the table shows, the UML Group identified areas of opportunity during these years and made

Group CEO's Review of Operations

our presence in every sector that was more resilient to import policies. Therefore, the Group's market share has grown continuously since 2015/16, from 5% to 27% in the year under review, even in declining market conditions.

UNITED MOTORS

The team used the lockdown as an opportunity to connect with potential customers by using very strategic marketing activities through many social media platforms. Alongside frequent safety messages to our customers, we also developed exciting and informative online marketing material and kept them engaged while reinforcing our relationships. In the absence of the physical presence of the vehicles as would be in a typical showroom, our marketing team created high resolution 3D virtual showroom that provided customers with life-like experiences when viewing the vehicles that piqued the interest of many. As a result, at the end of the lockdown period, the Company had secured keen interest in most of the available stocks and was able to convert these stocks to sales at a faster pace than during the pre-lockdown period, in addition to achieving healthy margins.

Even as early as April 2020, during the lockdown period, we commenced the after sales operations in our workshops to cater to the essential services segment while following all safety guidelines. Continuous engagement with our customers during the lockdown period enabled us to take their reservations for services and repairs as soon as the economy opened up. We were keen to improve productivity to make up for the time lost and as planned, the after sales team delivered with higher than anticipated levels of productivity resulting in very strong results.

We restructured our Valvoline oil distribution business and worked with new partners to deliver across the country even while Colombo was in lockdown. Work was carried out from regional stores to circumvent the situation. Consequently, we kept our dealers' shelves well stocked and their income flowing, thereby building their trust and loyalty to our brand, during a situation that forced some of our competitors to a standstill. It is noteworthy to mention that Valvoline lubricants achieved the highest volumes in history during the year.

UNIMO ENTERPRISES

The most severe impact on our operation during the previous financial year was experienced by this 100% owned subsidiary, which incurred a substantial loss of LKR 476 million during the previous period, due to plummeting automobile volumes and the resultant finance cost they incurred from funding high inventory levels. Despite this substantial loss, the Company worked on a medium term plan to assemble two new models of vehicles that we believed would fulfil the requirements of local buyers. The plan worked well, and once these vehicles were assembled and released to the market in the current financial year, demand soared. By the 4th quarter of this fiscal year, assembly was at full capacity. Additionally, the accumulated inventory, especially in the small car segment, started moving due to the better LTV for assembled vehicles and islanded activities by the sales and marketing teams. By the end of the year, over 400 units of the accumulated inventory had been sold and much of the working capital in this inventory, converted to cash. As of 31 March 2021 the Company's losses reduced to LKR 171 million. Had it not been for several shipment delays and congestions in foreign ports, we believe that Unimo Enterprises would have been able to successfully break even during the year under review. However, the significant reduction in losses augurs well for future profitability given the current rate of demand.

U M L HEAVY EQUIPMENT LIMITED

Our construction equipment business did significantly better than in the previous year. Volumes grew by almost 75%. Maldives has become an important market for us with volumes growing exponentially. We believe next year will be much better for the construction industry in Sri Lanka and the Maldives. Given our extensive product portfolio, we are confident of our ability to supply high quality equipment to private and public sector projects.

GENERAL

Steps were taken to identify and manage unnecessary expenses in all three companies. We made this an inclusive process and invited staff at all levels to send in their ideas and suggestions to bring costs down. This strategy worked well as it encouraged many creative and practical ideas from across the business, which significantly reduced operating costs. In turn, our people understood the steps we were compelled to take, and appreciated the fact that they had been made a part of this essential initiative, which enabled us to enter a new operational cost base with minimal staff dissatisfaction.

OUR PEOPLE

We understood the impact of the pandemic on our staff and refrained from downsizing or reducing salaries. Instead, we responded to the situation by making detailed plans on alternative ways in which to increase revenue. Staff came through with even better results, encouraged by the fact that we did not curtail salaries or benefits unlike many other companies. The decisions we made have long-term positive implications. We built more trust, transparency and loyalty, and this convinced our people that the Company cares for them when it truly mattered. Gratitude motivates ordinary people to do extraordinary things, we saw this happen in our company.

The HR division kept our people connected during the pandemic lockdown with an innovative competition for employees and families that spanned two months. This initiative worked well and kept people together with overwhelming participation from all levels of staff.

Whenever an area was locked down for a prolonged period, we ensured that staff in those areas were provided with essential supplies. Our HR and cross functional teams did an effective job in ensuring that all staff was well looked after throughout the pandemic crisis. We believe that together we are stronger and look forward, as a team, to facing the challenges of the next financial year.

FUTURE OUTLOOK

Despite the current ban on vehicle imports, assembly license holders are permitted to import components and assemble vehicles to promote and protect the local industry. This provides us with significant opportunities to scale our assembly operation and fill the void created by the absence of other vehicle imports. Currently, only three companies in the country are engaged in active assembly of which we are one. As mentioned earlier, we were assembling at full capacity in the last quarter of this financial year, which resulted in very healthy profits for Unimo Enterprises. Our priority will now be to expand our assembly operation and attempt to assemble a second brand of vehicle. Since, we currently have three (3) products offered at three different price segments, this strategy of expanding our assembly operation should reap benefits during the forthcoming year in the current circumstances.

Our working capital situation has improved significantly since 1 April 2020, during which time we had an accumulation of slow moving inventories funded by borrowings amounting to LKR 7 billion. A year later, it is heartening to note that the Group enjoys a cash surplus of over LKR 1.5 billion. These funds have been invested prudently by our finance and investment team in low risk but high return investments that should bring in healthy returns during the year. Moving from a finance cost position to a finance income position during the year added considerable strength to our balance sheet and enables us to commence the new financial year with a renewed focus on new business opportunities within and outside of our industry.

APPRECIATION

I wish to thank the Chairman and the Board of Directors for the confidence placed in the Management and their strategy in this challenging year. I also like to acknowledge the support received from them during these difficult times. I thank my team who demonstrated their commitment, courage & extra ordinarily determination during the year, to navigate in turbulent waters.

Chanaka Yatawara
Group Chief Executive Officer/
Executive Director
10 June 2021

Board of Directors

Standing from left to right:
Mr. Sunil G. Wijesinha - *Chairman/Non-Executive Director (Independent),*
Mr. Chanaka Yatawara - *Group Chief Executive Officer/Executive Director,*
Professor Malik Ranasinghe - *Non-Executive Director (Independent),*
Mr. Ananda Atukorala - *Non-Executive Director (Independent),*
Mr. Stuart Chapman - *Non-Executive Director (Independent)*

Standing from left to right:

Mr. Devaka Cooray - *Non-Executive Director (Independent),*
Ms. Hiroshini Fernando - *Non-Executive Director (Non-Independent),*
Mr. Ramesh Yaseen - *Executive Director (After Sales Services),*
Ms. Coralie Pietersz - *Non-Executive Director (Independent),*
Ms. Rinoza Hisham - *Company Secretary*

Not pictured
Mr. Junya Takami - *Non-Executive Director (Independent)*

Board of Directors

MR. SUNIL G. WIJESINHA

Chairman - Non-Executive Director (Independent)

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

Mr. Sunil G. Wijesinha is a Chartered Engineer and a Fellow Member of the Chartered Institute of Management Accountants, UK. He also holds a Master of Business Administration from the University of Sri Jayewardenepura.

Mr. Wijesinha counts over 45 years of significant multi-sector experience across industry, commerce, consultancy, training and financial services, where he has held directorships on the Boards of many leading blue-chip companies and served as a high-profile management consultant. His multi-disciplinary international training includes industrial and systems engineering, management and Corporate Governance. As a proponent of productivity improvement techniques and Japanese Management techniques, he is credited with pioneering several such practices in Sri Lanka.

Expertise: General Management and Enterprise Level Productivity and Quality Techniques

Other current appointments

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.

Previous appointments

Mr. Wijesinha notably led the Employees' Trust Fund Board, Employers' Federation of Ceylon and NDB Bank PLC as the Chairman and the Merchant Bank of Sri Lanka PLC and Dankotuwa Porcelain PLC, as the Managing Director. He also held the Presidency of the National Chamber of Commerce of Sri Lanka.

Membership in Board Sub Committee	Member - Audit Committee Member - Nomination Committee Member - Remuneration Committee
% of Company shares held	Nil
Number of Directorship in other companies	09

MR. CHANAKA YATAWARA

Group Chief Executive Officer/Executive Director

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

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

Expertise: Sales and Marketing

Other current appointments

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

Previous appointments

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

Membership in Board Sub Committee	Member - Nomination Committee
% of Company shares held	1.68
Number of Directorships in other companies	04

MR. ANANDA ATUKORALA

Non-Executive Director (Independent)

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

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

Mr. Atukorala possesses extensive experience in banking extending 40 years.

Expertise: Banking

Other current appointments

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, and Arni Holdings and Investments (Pvt) Limited.

Previous appointments

He was a former Deputy General Manager of ANZ Grindlays Bank Sri Lanka, Country Manager of 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 Commission on Finance and Banking, Committee Member-Bankers' Club of Sri Lanka and a former Director-Sri Lanka Banks Association (Guarantee) Limited and CRIB-Credit Information Bureau of Sri Lanka.

Chairman	Related Party Transactions Review Committee
Membership in Board Sub Committee	Member - Audit Committee Member - Nomination Committee Member - Remuneration 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.

Expertise: Automobile

Other current appointments & previous appointments

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

Memberships in Board Sub Committees	Nil
% of Company shares held	0.011
Number of Directorships in other companies	1

MS. HIROSHINI FERNANDO

Non-Executive Director (Non-Independent)

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

Ms. Fernando is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka and has over 20 years of experience in the field of auditing, management consultancy, finance and administration.

Expertise: Finance and Accounting

Other current appointments

Ms. 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.

Previous appointments

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

Membership in Board Sub Committee	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

Board of Directors

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 Member 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.

Expertise: Engineering

Other current appointments

He is an Independent Non-Executive Director of Access Engineering PLC, Teejay Lanka PLC and Resus Energy PLC.

Previous appointments

Prof. Ranasinghe is a past Vice-Chancellor of the University of Moratuwa, a 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. He was a former Chairman of Sampath Bank PLC and former Non-Executive Director of the Colombo Stock Exchange, Lanka IOC PLC and U M L Heavy Equipment Limited.

Chairman	Remuneration Committee
Membership in Board Sub Committee	Member - Audit Committee Member - Nomination Committee Member - Related Party Transactions Review Committee
% of Company shares held	Nil
Number of Directorships in other companies	03

MR. STUART CHAPMAN

Non-Executive Director (Independent)

Mr. Chapman has served on the Board since September 2016.

Mr. Chapman holds an MBA from the University of Colombo, a Diploma in Marketing from the Chartered Institute of Marketing UK, a Certified Management Accountant from the Institute of Management Accountants Australia, 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. Mr. Chapman is a Fellow 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, who has led both local and multinational organizations, has particular marketing and business strategy development expertise. His forty-plus years of experience covers Sales, Marketing and General Management functions. His Industrial exposure spans Healthcare, FMCG and financial services.

Expertise: General Management, Marketing and Sales

Other current appointments

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

Previous appointments

Mr. Chapman was the former Managing Director of 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.

Chairman	Nomination Committee
Membership in Board Sub 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

MS. CORALIE PIETERSZ

Non-Executive Director (Independent)

Ms. Coralie Pietersz was appointed to the Board in April 2021.

Ms. Coralie is an Associate Member of the Institute of Chartered Accountants in England and Wales and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. She has a BSc (Hons) in Physics from the University of Sussex and holds an MBA from Heriot-Watt University, Edinburgh.

Expertise: Finance & Accounting

Other current appointments

Ms. Coralie holds directorships in a number of listed entities including Seylan Bank PLC and People's Leasing & Finance PLC. She is currently the Managing Director of Compass Advisory Services (Pvt) Limited.

Previous appointments

Ms. Coralie joined Finlays Colombo in 2010 as Finance Director and was also appointed as Finance Director of Hapugastenne Plantations PLC and Udapussellawa Plantations PLC in 2016 and held these roles until 2020. She has also functioned as the Group CFO at Richard Pieris & Co. PLC a role that entailed responsibility for the finance function of this diversified group, which included five listed companies.

Chairperson	Audit Committee
% of Company shares held	Nil
Number of Directorships in other companies	07

MR. DEVAKA COORAY

Non-Executive Director (Independent)

Mr. Devaka Cooray was appointed to the Board in May 2021.

Mr. Cooray is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom.

Expertise: Finance and Assurance

Other current appointments

Mr. Cooray is an Independent Non-Executive Director of Hatton National Bank PLC and HVA Foods PLC, He also serves on the Board of Life Insurance Corporation (Lanka) Limited, JAT Holdings (Pvt) Limited. Colombo Medical and General Company Limited and Lanka Tours and Trades (Pvt) Limited.

He is an Executive Director of Management Systems (Pvt) Limited and serves on the Board of some of its subsidiaries.

Previous appointments

Mr. Cooray has worked with Ernst & Young for over 40 years of which 30 years was as a Senior Assurance and Talent Partner. He functioned as the Deputy Managing Partner from 2016 to 2019 and served as a member of Ernst & Young's Management Committee from the time the Management Committee was established in 1998 until his retirement in 2019. Mr. Cooray was instrumental in establishing the Ernst & Young Practice in the Republic of Maldives in 1995 and functioned as the Partner responsible for the overall management of the Maldivian Practice from its inception. He represented Sri Lanka and Maldives for many years in the EY ASEAN Regional Partner Forum. He was seconded to EY USA for a year, where the practical experience was gained by being part of assurance teams that performed audit engagements on several large enterprises.
Mr. Cooray also spearheaded the Ernst and Young Sri Lanka/Maldives Family Business Centre for Excellence which was instrumental in sending several eminent second-generation family members to business schools worldwide. He has also served as a member of the Council of the Chartered Institute of Management Accountants UK.

Memberships in Board Sub Committees	Nil
% of Company shares held	Nil
Number of Directorships in other companies	09

MR. JUNYA TAKAMI

Non-Executive Director (Independent)

Mr. Junya Takami was appointed to the Board in June 2021.

Mr. Takami graduated from Osaka University, Osaka, Japan. Currently, he is the General Manager in charge of Africa and South Asia Division of Mitsubishi Motors Corporation, Japan. Mr. Takami has been working for Mitsubishi Motors over 20 years and has broad experiences including Aftersales, Marketing strategy, Product planning, and sales covering different regions such as Europe, Middle East, Africa and South Asia.

Expertise: Automobile

Memberships in Board Sub Committees	Nil
% of Company shares held	Nil
Number of Directorships in other companies	Nil

MS. RINOZA HISHAM

Company Secretary

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

Ms. 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.

Senior Management Team

GROUP CHIEF FINANCIAL OFFICER AND GENERAL MANAGERS

Standing from left to right:

Mr. Thushara Jayasekara - *Group Chief Financial Officer,*
Mr. Gihan Pilapitiya - *General Manager (New Vehicle Sales),*
Mr. Buddhika Singhage - *General Manager (Technical/Parts & Accessories),*
Mr. Raveendra Siriwardana - *General Manager (Human Resources & Administration),*
Mr. Priyantha Ellepola - *General Manager (Car Care & Lubricants)*

HEAD OF DEPARTMENTS/DEPUTY GENERAL MANAGERS

Standing from left to right:

Mr. Shalain de Silva - *Deputy General Manager (Marketing),*
Ms. Sureshinie Fernando - *Deputy General Manager (Internal Audit & Monitoring),*
Ms. Rinoza Hisham - *Deputy General Manager (Human Resources/Company Secretary)*

Senior Management Team

DEPUTY GENERAL MANAGERS AND ASSISTANT GENERAL MANAGERS

Standing from left to right:

Mr. Anoj Cooray - *Deputy General Manager (Truck & Bus),*
Mr. Saman Kumara - *Assistant General Manager (Technical),*
Mr. Torrel Hopwood - *Assistant General Manager (Public Sector),*
Mr. Sudhakaran K. Pillai - *Assistant General Manager (Technical)*

ASSISTANT GENERAL MANAGERS

Standing from left to right:

Mr. Thusitha Gunathilaka - *Assistant General Manager (Branch Operations),*
Mr. Niroshan de Silva - *Assistant General Manager (Spare Parts),*
Mr. Indike Manthilake - *Assistant General Manager (Information Technology),*
Mr. Rohana Senaratne - *Assistant General Manager (Lubricants Dealer Sales)*

Senior Management Team

ASSISTANT GENERAL MANAGERS

Standing from left to right:

Mr. Sanjaya Ahangama - *Assistant General Manager (New Vehicle Sales),*
Mr. Gregory Francis - *Assistant General Manager (Commercial),*
Ms. Dharshani Perera - *Assistant General Manager (Finance),*
Mr. Auranga Dissanayake - *Assistant General Manager (New Fuso)*

ASSISTANT GENERAL MANAGERS AND HEAD OF BUSINESS UNIT

Standing from left to right:

Mr. Manohara Dissanayaka - *Assistant General Manager (New Vehicle Sales),*
Mr. Shanaka Pelpola - *Assistant General Manager (New Vehicle Sales),*
Mr. Kumar Abeywardana - *Assistant General Manager (Branches),*
Ms. Dilini Pieris - *Assistant General Manager (Human Resources & Administration),*
Mr. Asanka Alwis - *Business Unit Manager (3D Printing)*

Not pictured

Mr. Gayan Gunatillake - *Assistant General Manager (Technical)*

Senior Management Team

SUBSIDIARIES CEO & DCEO

Standing from left to right:

Mr. Mahesh Gunathilake - *Chief Executive Officer/Executive Director (Unimo Enterprises Limited),*
Mr. Dimuthu Udugamasooriya - *Deputy Chief Executive Officer (U M L Heavy Equipment Limited)*

SENIOR MANAGEMENT TEAM - UNIMO ENTERPRISES LIMITED

Standing from left to right:

Mr. Nilantha Nanayakkara - *Assistant General Manager (Chinese Passenger Vehicles),*
Mr. Hemaka Rajapakse - *Assistant General Manager (Operations),*
Mr. Shirantha Palliyaguru - *Assistant General Manager (Z100 Passenger Cars),*
Mr. Kapila Gunatilleka - *Assistant General Manager (Special Projects)*

Senior Management Team

SENIOR MANAGEMENT TEAM - UNIMO ENTERPRISES LIMITED

Standing from left to right:

Mr. Dilip Weerasinghe - *Senior Sales Manager (Yokohama Tyres),*
Ms. Nishani Palihena - *Finance Manager,*
Mr. Asela Mendis - *Head of Business Unit (Generators & Equipment)*

Not pictured

Mr. Sasanka Fonseka - *Assistant General Manager (JMC),*
Ms.Thamali Samarathunga - *Assistant General Manager (Perodua),*
Mr. Amila Palliyaguru - *Head of Business Unit (Kei Cars)*

SENIOR MANAGEMENT TEAM - U M L HEAVY EQUIPMENT LIMITED

Standing from left to right:
Mr. Iroshan Dhanapala - *Assistant General Manager-Sales,*
Mr. Sujith Liyanage - *Assistant General Manager-Sales*


BEZZA


GLORY i-AUTO


GEOLANDAR
A/T-S
RY 818
BluEarth
AZ-01

Management Discussion and Analysis

OUR VALUE CREATION BUSINESS MODEL

Our corporate strategy pursues three main goals to reach our aspirations. These are to create value to the organisation, create value to shareholders and other stakeholders and to be a responsible corporate citizen. Our value creation activities employ inputs from our six capitals which includes Financial Capital, Manufactured Capital and Land, Social & Relationship Capital (which includes customers, business partners and shareholders), Human Capital, Intellectual Capital and Natural Capital.

INPUTS

Financial Capital
Shareholder funds - LKR 13,300 Mn
Debts - LKR 2,107 Mn

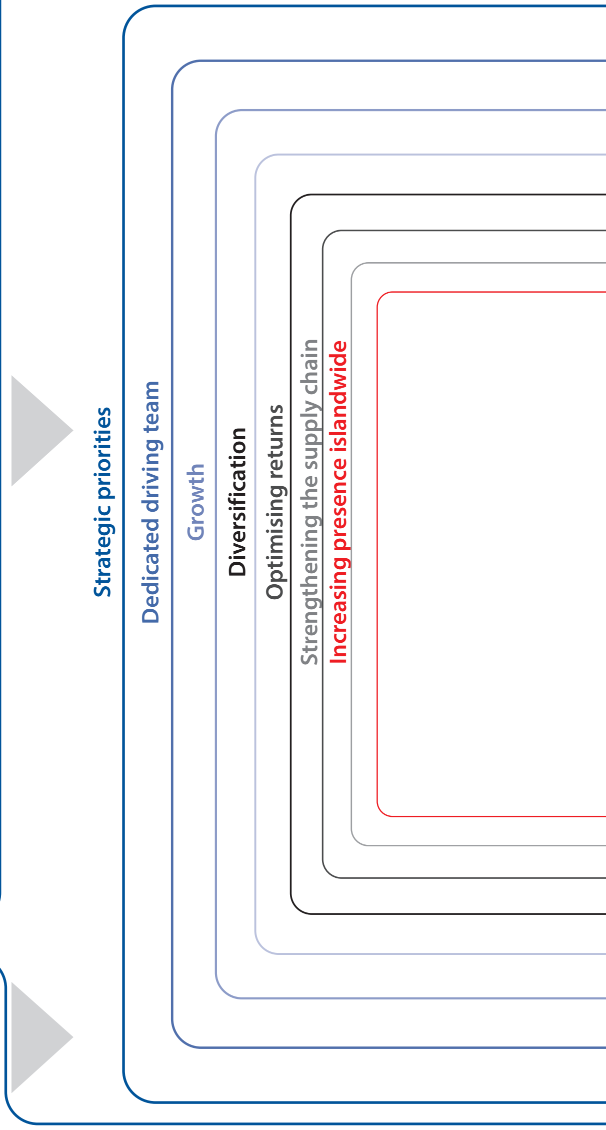
Manufactured Capital
Buildings - LKR 699 Mn
Machinery & equipment - LKR 157 Mn
Others - LKR 202 Mn

Social & Relationship Capital
Customer relationships
Supplier relationships
Community relationships

Human Capital
Employees
Skills and industry expertise
Driving team

Intellectual Capital
Organisation capital
Systems and processes
Our brands

Natural Capital
Investment in solar power generation
Solar PV system - LKR 204 Mn



SECTORS

LKR 9,447 **MN** Revenue
Vehicle Sales

LKR 1,382 **MN** Revenue
Spare Parts

Number of vehicles sold 1,005
Vehicle Assembly

LKR 260 **MN** Revenue
Tyre Sales

LKR 588 **MN** Revenue
Repairs & Services

LKR 1,171 **MN** Revenue
Lubricants & Car Care

LKR 667 **MN** Revenue
Equipment & Machinery

Vision to be the best company in Sri Lanka through diversification while maintaining the leadership position in the transport industry

OUTPUTS

Shareholders

Profit after tax - LKR 504 Mn
ROCE - 3.79%
Dividends paid - LKR 151 Mn
Earnings per share - LKR 4.99
Providers of funds - Interest - LKR 343 Mn

Customers

Total revenue - LKR 13,538 Mn
Customer Satisfaction Index - 95%

Employees

Payment to employees - LKR 1,018 Mn
Training hours - 1,842

Suppliers

Purchase of goods and services - LKR 8,912 Mn

Government taxes - LKR 2,858 Mn

STAKEHOLDER OUTCOMES

Sustainable returns commensurate with the risk undertaken

Attractive rewards and opportunities for skill and career development in a conducive work environment

Access to innovative high quality products and excellent customer service

Business growth driven by continued demand for products/ services and transfer of knowledge

Fulfilment of community needs leading to an improved standard of living

Commitment towards reducing the environmental impacts of our operations while preserving natural resources

LKR 23 **MN** Revenue

3D Printers & Services

Management Discussion and Analysis

CONNECTING WITH OUR STAKEHOLDERS

In a rapidly changing environment, maintaining a constant dialogue with all our stakeholders helps to shape our strategy.

We maintain regular stakeholder engagement through a range of formal and transparent mechanisms that facilitates continuous communication, dialogue and feedback from our many and varied stakeholder groups while raising awareness of the need for sustainable resource consumption and sustainable practices.

The changes brought about by the pandemic impacted on the way, the level and the frequency in which we engage with our stakeholder. Given that large gatherings were curtailed during the year, we resorted to digital mediums to engage with our stakeholders.

We strongly believe that by engaging with our stakeholders, we are able to better adapt ourselves to meet the challenges of today and to sustain and improve our business model, drive innovation and garner invaluable insights for our strategic planning process.

Stakeholder Engagement Mechanisms

	Shareholders and investors		Employees	
Stakeholder expectations	» Financial performance/Return on investment » Governance » Transparency and disclosure » Sustainable growth		» Job satisfaction » Training and development » Career advancement opportunities » Rewards & recognition » Work-life balance » Value driven corporate culture » Diversity	
Our Strategic response	» Maintaining a consistent bottom line » Engaging in greater transparency according to the Corporate Governance code » Ensuring sustainable return on investment » Maintain the credibility and reputation		» Competitive rewards and benefits to attract and retain best talent in the market » Training and development » Performance based incentives » Promote greater diversity » Employee engagements » Ensure employees' welfare	
Mode and frequency	Engagement mechanism	Engagement frequency	Engagement mechanism	Engagement frequency
	Annual Report and AGM	Annually	Performance appraisals and individual reviews	Annually
	Extraordinary General Meetings	As required	Open door policy	As required
	Interim financial statements	Quarterly	Training	As required
	Announcements to CSE	As required	Corporate communication	On a regular basis
	Immediate market disclosures	As required	Employee rewards and recognition	Annually
	One-to-one discussions	As required	Employee engagement activities	As required
	Corporate website	Online	Regular one to one engagements	As required
	CSE website	Online		

Customers		Suppliers and business partners		Community and environment	
» Service excellence » Service quality » Affordability of services » Convenience » Rapid response		» Contractual performance » Future business opportunities » Maintaining healthy relationships » Timely settlement of dues » Ease of working » Growth potential		» Commitment to community upliftment » Ethical business conduct » Environmental performance » Responsible business practices » Minimum environment impact from the Company operations	
» Maintain service excellence » Effective complaint resolution » Continuous introduction of new products which promote greater customer convenience » Effective marketing and communication » Price competitiveness		» Contractual agreements to promote sustainable procurement » Local sourcing » Engaging in fair and equitable procurement		» Community engagement » Transparency and Governance	
Engagement mechanism	**Engagement frequency**	**Engagement mechanism**	**Engagement frequency**	**Engagement mechanism**	**Engagement frequency**
Customer surveys	Continuously	Regular one to one engagements	As required	Events and sponsorships	When required
Regular one to one engagements	Continuously	Telephone discussions and emails	On a regular basis	Corporate Website/Facebook	Online
Corporate Website/Facebook LinkedIn Instagram	Continuously	Supplier relationship management	As required		
Google display ads Conventional media (Press, radio and TV)	As required	On-site visits and meetings	As required		
Sales promotions	As required	Corporate Website	Online		
Customer visits	As required				
Customer workshops	As required				

Management Discussion and Analysis

EXTERNAL ENVIRONMENT

Global Economy

During the year under review, the global economy contracted by around 3.5% due to the COVID-19 pandemic, and more specifically, due to measures that were implemented to combat it. This is the worst recession since the end of World War II. Governments around the world have implemented extensive and expansive measures to cushion the impact of this huge reduction in economic activity. National lockdowns substantially restricted economic activity in almost all of the world's major economies. However, with the easing of measures taken to combat COVID-19, a strong rebound was witnessed towards the last quarter of 2020. Despite this, considerable momentum was lost in some countries toward the end of the year due to the resurgence of COVID-19 in those countries, which caused a rapid rise in infections. Pandemic-related restrictions caused global trade to contract substantially, which hampered growth further, particularly in export-dependent economies.

But all is not lost, and the latest World Bank forecast states that the global economy is poised to stage its most robust post-recession recovery in 80 years in 2021. But the rebound is expected to be uneven across countries, as major economies look set to register strong growth even as many developing economies lag behind. Global growth is expected to accelerate to 5.6% this year, largely on the strength of major economies such as the United States and China while growth for almost every region of the world has been revised upward for 2021. Despite the recovery, global output will be about 2% below pre-pandemic projections by the end of this year. Per capita income losses will not be recovered by 2022 for about two-thirds of emerging markets and developing economies. Among low-income economies, where vaccinations have faltered, the effects of the pandemic have reversed gains in poverty reduction and aggravated insecurity and other long-standing challenges.

Global Automotive Industry

After a bleak 2019, which saw a marked decline of almost 5% in world auto production (down to less than 92.2 million cars, trucks and buses) and ended 10 years of growth, the world automotive industry faced a new, unprecedented challenge in 2020 due to the COVID-19 pandemic. With shutdowns of a major part of the auto industry and its many suppliers around the world for several weeks, 2020 marked the worst crisis ever to impact the automotive industry, a key sector of the world economy.

Demand in the global car market was also affected by the COVID-19 pandemic during the year under review. Global market demand contracted by a substantial 15% during the year but was not bad as expected due to pent-up demand and successful measures to stimulate demand in the second half of the year. The Chinese market, which was the first big sales market to be affected by the pandemic, decreased slightly with a drop of around 6%. The US light vehicle market declined more, with a fall of about 15%. Severe impacts were seen in the European market which reduced by more than 20%. Further, the demand for vans, heavy-duty trucks and buses also witnessed substantial declines in 2020.

Global light vehicles sales are expected to increase by between 8% and 10% this year to 83-85 million units, from 77 million units in 2020. However, a quicker global rebound can be expected after sales in 2020 exceeded industry expectations as a result of pent-up demand and successful measures to stimulate demand in the second half of the year mentioned earlier. Given the record low inventories across the industry at the end of last year, it was initially anticipated that there will be a fast rebound of light vehicle production this year. However, these projections have been substantially realigned, owing to the shortage of electronic components since the end of last year, further exacerbated by unexpected supply-chain disruptions in 2021, for instance, the fire at a major Renesas Electronics Corp. semiconductors supplier in Japan, and climate issues in Texas that triggered the closure of chip-making plants. Restocking can now be expected in 2023/24.

Sri Lankan Economy

In line with the global economic downturn, the Sri Lankan economy also contracted by 3.6% in real terms in 2020, recording the deepest recession since independence due to the pandemic. Containment measures put in place locally and internationally to prevent the spread of COVID-19, hampered real economic activity across all sectors. This resulted in all sectors recording contractions in 2020. As a result, the overall size of the economy declined to USD 80.7 billion in 2020, from USD 84.0 billion in 2019.

In 2019, 1,914,000 tourists visited Sri Lanka, which brought in USD 3.6 billion to the country. This dropped sharply in 2020 with tourist arrivals coming down to 508,000 and the income from tourism reduced to USD 682 million. Workers' remittances rebounded quicker than expected from, a decline realised during the early months ,of the pandemic, to record an overall increase during the year. In 2019, worker remittances were recorded as USD 6.7 billion and this increased to USD 7.1 billion in 2020. The unemployment rate for the first time since 2009 rose above 5% due to uncertainties brought about by the pandemic. GDP per capita declined to USD 3,682 in 2020, from USD 3,852 in the previous year. Responding to pro-growth initiatives taken through fiscal and monetary policy support, the economy began to show strong signs of recovery during the second half of 2020 as the country successfully emerged from the first wave of the pandemic. However, with the resurgence of the virus towards the end of the year the economy slowed down once again.

The economic downturn resulting from the spread of COVID-19 and related containment measures resulted in governments and central banks across the world adopting the easing of monetary policy in 2020. The Central Bank of Sri Lanka also adopted unprecedented easing measures such as the reduction of policy rates by 250 basis points (bps), reduction of statutory reserve ratio by 300bps, interest caps on lending products and concessional loan schemes to address the impacts of the pandemic.

On the interest rate front, the single digit interest rate witnessed at the beginning of 2020 continued to reduce further. The Weekly Average Weighted Prime Lending Rate (AWPLR) which was at 9.29% at the beginning of the year under review also continued to decline and was at 5.75% by 31 March 2021 which is a reduction of 354 bps for the year under review.

The LKR/USD exchange rate remained relatively stable prior to the domestic spread of the pandemic and the initial lockdown. However, it came under significant pressure in March-April 2020, the latter part of 2020 and again towards March 2021. The LKR/USD exchange rate which was at LKR 190.16 at the beginning of the year under review peaked, to LKR 199.75 by 9 April 2020. However, from this point onwards the rupee appreciated and reached a maximum appreciation level of around LKR 182 by mid-August 2020 before depreciating again and closing at LKR 199.04 on 31 March 2021, resulting in a 4.7% depreciation for the year under review.

The National Consumer Price Index which was at 134.8 index points in April 2020 gradually increased and reached 142.8 index points in February 2021 before declining to close at 142.1 index points by end of March 2021. The Colombo Consumer Price Index followed a similar pattern and closed the year under review at 138.9 index points after being at 133.6 index points in April 2020.

Gross Official Reserves of the country slipped during the year under review and were estimated at USD 4.1 billion (excluding the swap facility with the PBOC), with an import cover of 3 months, at the end of March 2021.

The Central Bank had projected the economy to grow by 6% in 2021, from a contraction in 2020, due to virus-related restrictions imposed that year, which reduced people’s incomes. The third COVID-19 wave continues to sweep across Sri Lanka and as result, growth projections for 2021 may need to be reassessed.

Sri Lankan Auto Industry

Sri Lanka’s external sector suffered a major setback in 2020 with the outbreak of the COVID-19 pandemic, which required the introduction of swift policy measures by the Government and the Central Bank. Merchandise exports declined sharply in the months in which the spread of the virus and the resultant containment measures were more intense. In response, the Government restricted most non-essential imports during the year. Gazette Extraordinary No. 2171/5 dated 16 April 2020 restricted non-essential imports including motor vehicles and this decision was upheld by Gazette Extraordinary No. 2176/19 dated 22 May 2020. As a result, USD 815 million spent on the import of personal vehicles during the previous year, declined sharply to USD 283 million in 2020.

Business Review

Group Performance

	2020/21	2019/20
	LKR '000	LKR '000
Revenue	13,537,657	9,845,621
Profit/(loss) after tax	503,675	(409,675)

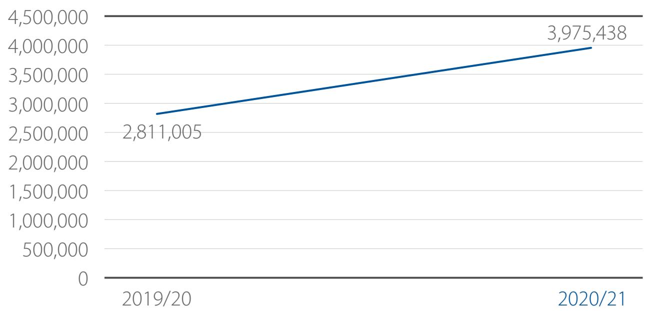
The outbreak of the pandemic and the strict measures taken to prevent its spread had a major impact on the entire Group. Several business days were lost due to lockdowns. This was further aggravated by the policy decision taken to restrict the import of vehicles to the country. Despite this negative backdrop, the Group was able to increase sales by 37% to LKR13.5 billion and also turnaround a LKR 410 million loss in the previous year to a profit of LKR 504 million in the year under review.

Company Performance-United Motors Lanka PLC

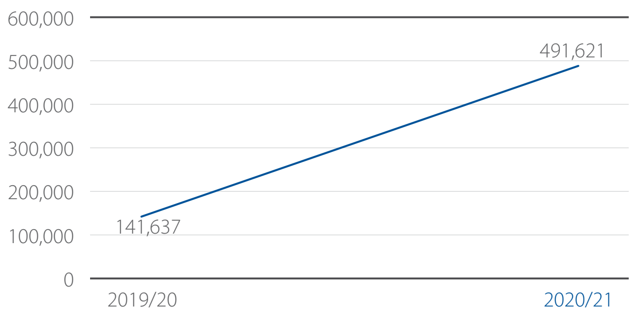
	2020/21	2019/20
	LKR '000	LKR '000
Revenue	7,187,553	5,752,104
Profit after tax	766,639	117,327

The Company accounted for 53% of the Group revenue, which was a 25% improvement on last year's revenue. Company profit soared by more than 6.5 times of the last year's profit to LKR 767 million.

Segment Revenue - Vehicle Sales (LKR '000)



Segment Profit - Vehicle Sales (LKR '000)



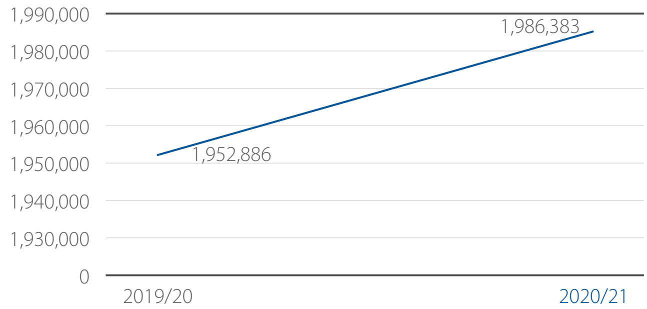
The year under review commenced with COVID-19 on the rise in Sri Lanka, followed by the Government's restriction on vehicle imports in March 2020, which created uncertainty in the overall automobile industry. However, companies with higher stocks were able to turnaround their businesses. The vacuum created by the import restriction created a high demand for brand new vehicles that were available in the market. As a result, sales peaked during the first half of the year, and by the end of the second quarter, most of the agents of brand new vehicles had sold their stocks. UML had relatively high stocks when compared with competitors. Therefore high sales volumes were extended for few more months. As a result, total brand new vehicle registrations for the year under review were 7,481 with the UML Group accounting for commendable 2014 vehicles which amounted to 27% of the total market.

UML sold 879 brand new vehicles in 2020/21 in comparison to 724 vehicles sold the year before, which was a significant achievement in the current circumstances. The SUV segment led the way with 330 vehicles which was slightly less than the 327 unit sales recorded the year before. The Cab segment also contributed strongly with 202 unit sales, which was 32 units more than the previous year. Even amidst the import restriction, the Truck and Bus segment also performed much better than last year, improving to 301 unit sales in 2020/21 over the 247 units done last year. The Company continued to develop the vehicle trade-in operation commenced last year. Trade-in vehicle sales improved to 53 units in the current year, from 33 unit sales in the previous year. The vehicle sales segment accounted for LKR 4 billion revenue in 2020/21 which was a 41% improvement on the LKR 2.8 billion revenue achieved in the year before and also more than than expectations of our performance during the lockdown. The segment profit which was LKR 142 million last year improved considerably to LKR 492 million in the year under review.

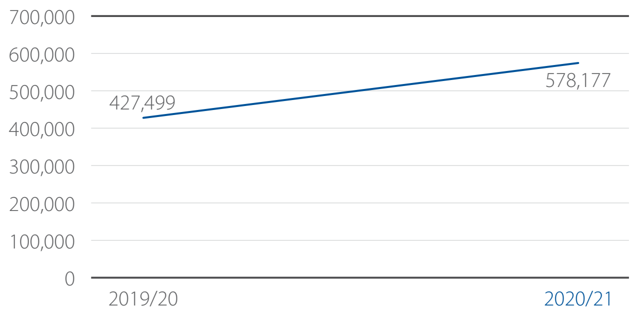
Marketing and promotional activities faced new challenges with the new norm created by COVID-19. Test drives were not encouraged and crowd gatherings were prohibited. However, extra efforts from the sales staff and the strategically well-managed dealer and branch network helped us capitalise on the high demand, and increase sales and maximise profits. Print media, which has always been a predominant medium used for marketing activities, came under severe pressure as paper circulation was minimised to combat the spread of COVID-19. Our marketing team came up with new and innovative ways to capture the attention of the target market, by using social media and other digital media platforms.

The future performance of this segment will closely relate to the Government decision on import restrictions on vehicles. The Company will focus more and develop the trade-in operation due to the prevailing vehicle import restriction and our sales staff will take the lead in this initiative.

Segment Revenue - Spare Parts and Workshop (LKR '000)



Segment Profit - Spare parts and Workshop (LKR '000)



COVID-19 had a considerable impact on both the spare parts and workshop operations. The main workshop at Orugodawatte was under lockdown for a considerable period of time, but those customers were accommodated at the new facility in Ratmalana. With this the productivity of the Ratmalana workshop improved daily and continued to improve even after the re-opening of Orugodawatte. Wherever possible, our workshops were kept open and strictly followed COVID-19 guidelines. Even during lockdowns workshop staff attended to breakdowns which helped our loyal customers and also helped the country to run essential services with no disruptions.

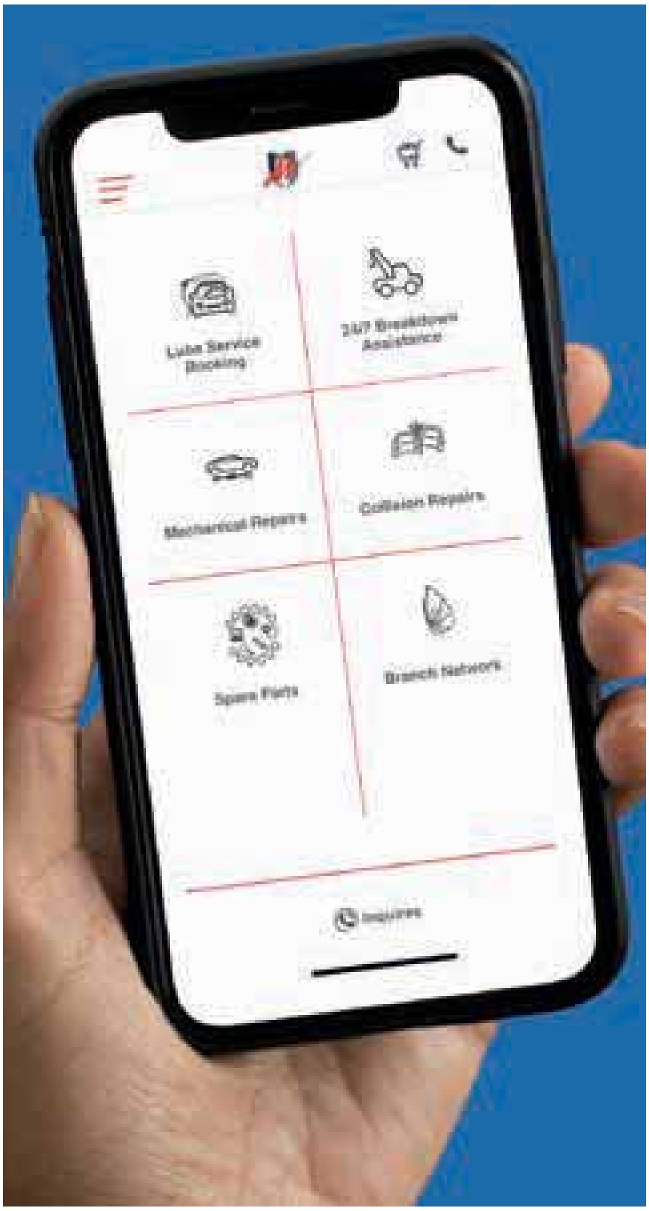
Unregulated counterfeit parts and used body parts are a major problem to importers of genuine parts. The fact that insurance companies promote counterfeit parts to their client base adds to the predicament and prevents improvement of the genuine parts business franchises in the country.

Spare parts and workshop operation generated a revenue of LKR 1.986 billion during the year under review which was marginally better than last year's revenue of LKR 1.953 billion. The profit from the spare parts and workshop operation improved substantially from LKR 427 million last year to LKR 578 million during the year under review. This is a very substantial increase of 35% year-on-year especially in the light of all the continuous lockdowns during a considerable part of the year.

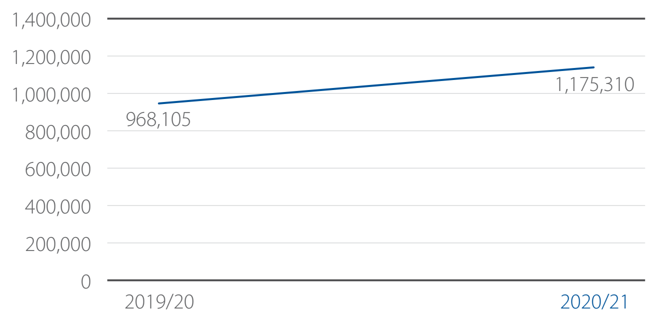
The performance of each sales unit was monitored regularly and incentives were given to staff to achieve peak performance. The Management invested in a reward scheme for parts dealers as a penetration strategy to acquire competitive market share for Mitsubishi Fuso Genuine parts and successfully reached its goals by identifying dealers who are able to increase purchases.

Daily surveys are being carried out to identify the ratio of happy and unhappy customers, and corrective actions are immediately taken when any service gaps are identified. One of the key additions to aftersales business was the mobile app introduced to vehicle owners of the UML Group which enables customers to place bookings 24 hours . The app has many additional features as well, such as breakdown assistance, checking of spare parts availability, identifying the closest UML branch to the customer's location, and obtaining technical advice from UML Engineers. UML pioneered the introduction of a service app to the automobile market in Sri Lanka and it is increasing in popularity among our customers.

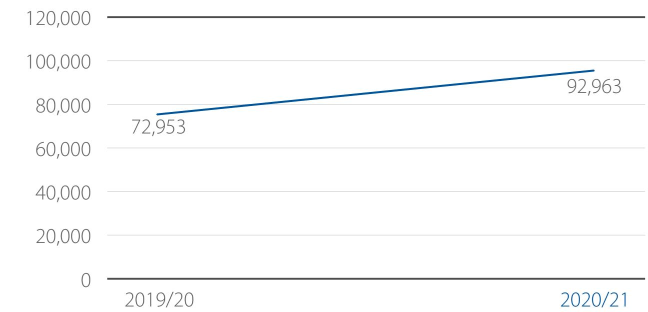
Business Review



Segment Revenue - Lubricants and Car Care (LKR '000)



Segment Profit - Lubricants and Car Care (LKR '000)

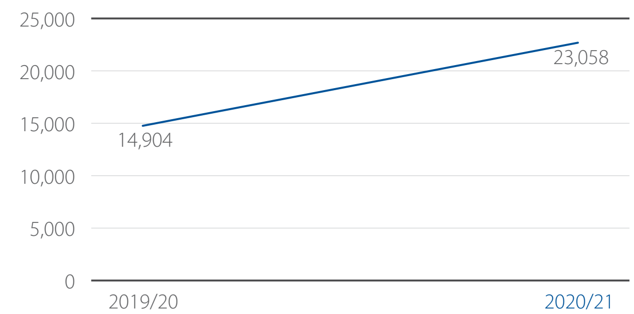


The COVID-19 pandemic and the steps taken to prevent its spread had a major impact on the Lubricant business. The lockdowns and restrictions on movement especially hampered the business as number of business days were lost. Appreciation of the USD against the LKR also impacted negatively on the business. Base oil prices dropped significantly during the year under review and blenders and manufacturers invested heavily in strengthening their reserves. Currently, blenders have about 50% of the market share and have a competitive advantage of stocking base oils when the prices were low, and offers higher discounts to the trade which cannot be matched by finished product importers. This was a major challenge during the year under review. Further, as result of the pandemic, collections became very difficult as some businesses could not function for few months while others downsized their operations . With people recognising Valvoline as the genuine oil for Mitsubishi and Perodua models, the import restrictions on those models had a substantial impact on Valvoline sales as well. Despite these challenges, Valvoline performed significantly well in the year under review and increased its market share from 3.02% to 3.11%. This was achieved while the total lubricant market dropped by 5% and the automotive lubricant market dropped by 4%. The division also introduced new Preston and Simoniz products to the chemicals and car care market to increase its market share. Urea based liquids were introduced to the market targeting heavy vehicles and Chain lubricant was also added for the motor cycle segment. The coolant market did not grow this year due to the ban on vehicle imports. However we now offer coolants for other vehicle brands as well. Further, to tap the fast growing automatic gear segment, an Automatic

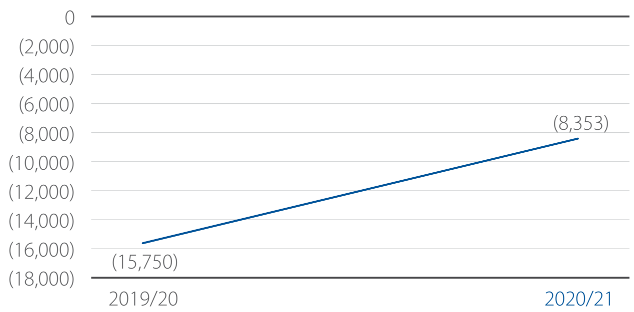
Transmission Fluid was introduced under the budget pack segment, which highlighted the value for money and fit for purpose concept. For the car care segment side, dash board protection wipes were introduced to protect dashboards from cracks due to heat. With these new additions we were successful in penetring new markets and were able to capture sizable market share in those new segments.

Revenue from lubricants and car care crossed the LKR one billion mark for the year under review and finished at LKR 1.175 billion, which was a LKR 207 million increase over last year. Profit also increased to LKR 93 million, from LKR 73 million achieved the year before, which is a substantial increase of 27%. During the year, Valvoline was able to achieve the very rare feat of winning the international award for the top spot in the grease product segment and was honoured at the international conference held last October.

Segment Revenue - 3D Printers & Services (LKR '000)



Segment Profit - 3D Printers & Services (LKR '000)



The 3D Printing Division progressed slowly and steadily after its inception in 2018. However, COVID-19 curtailed progress in numerous ways. As many of the organisations were reluctant to invest in CAPEX, the demand for 3D Printers were affected. Simultaneously, the supply chain was also affected due to raw material shortages which resulted in long lead times in shipments especially from China. Being a new technology, 3D printing needs to be promoted regularly to educate the market about the technology and its capabilities, but due to the lockdowns and various restrictions imposed by the Government the promotional activities planned could not be held. However, product demonstrations were done online where possible. The division also managed to conduct two successful online workshops on the FDM and SLA printer categories to create customer awareness.

In the year under review, the Division was able to obtain "Authorised Sales Partner" in Sri Lanka status for world renowned 3D brands Formlabs and Ultimaker. This was a major achievement as Formlabs, headquartered in USA, is the market leader in SLA 3D Printing technology and Ultimaker, a Netherlands brand, is the market leader in FDM 3D Printing technology.

The continuing pandemic situation in the country will create multiple challenges in the year ahead. It is expected that some companies will cut down on CAPEX budgets due to the difficulties faced by those businesses as a result of the pandemic. There is a possibility that the cost of the printers and the raw materials may go up with the issues in supply chain. This could result in some products being unaffordable to some customers. Furthermore, new rules and regulations imposed by Sri Lanka Customs towards the end of the year 2020/21 period require every shipment to be approved by the Ministry of Defense and TRCSL before clearance, which will make the 3D printer importing process very tedious.

The Division continues to pursue breakthrough technologies that can be introduced to the Sri Lankan market to capitalise on new opportunities. A proposal is being evaluated on "Concrete 3D Printing" which is planned to revolutionise the construction industry.

Company Performance-Unimo Enterprises Limited

	2020/21	2019/20
Revenue (LKR '000)	5,826,647	3,867,682
Profit after tax (LKR '000)	(170,659)	(475,872)

In the year under review, Unimo Enterprises Limited (UEL) made a significant come back from the heavy losses it had been incurring over the last four years. Although most business segments performed poorly due to the import ban imposed by the Government in March 2020, UEL made use of its license for vehicle assembly towards the latter part of 2020/21 as this was the only vehicle related industry that was allowed to continue by the Government. As a result, UEL brought down its loss for the year under review to LKR 171 million, from a loss of LKR 476 million in the previous year. Positive results were experienced in the last quarter of 2020/21, hence the new financial year is projected to be a profitable one for UEL, provided the present positive sentiments towards vehicle assembly remains unchanged.

Business Review

Perodua Division

	2020/21	2019/20
Perodua-Unit Sales	194	479
Trade-In-Unit Sales	74	-
Revenue (LKR '000)	1,037,231	1,743,938

Despite import restrictions, the Division managed to end the year under review with a profit of LKR 10 million which was more than the profit of LKR 4 million achieved in the previous year. Better margins on the sale of limited stocks that were available at the beginning of the year and significant reductions in finance costs due to the complete depletion of the stocks during the year, with no replenishments due to the import restrictions enforced by the Government, were the major reasons for improved performance.

During middle part of the year under review, the Perodua Division commenced vehicle trade-in business for its own product models. Plans are underway to look at expanding this to other brands as well in the next financial year.

Further, negotiations have commenced with Perodua to explore the possibility of assembling few of their models in Sri Lanka, in line with the opportunity for local industries provided by the Government. If the discussions are successful, this will add another lucrative business line to UEL in the new financial year.

JMC Division

JMC Trucks	2020/21	2019/20
Unit Sales	93	76
Revenue (LKR '000)	274,127	216,288

There was a buildup of JMC stocks towards the latter part of 2019/20 which allowed the Division to capitalise on the import ban imposed on trucks, thus paving the way to achieve improved results over the past year. During the year under review, 93 JMC trucks were sold, which was an improvement over the 76 trucks sold the year before. As a result, the Division concluded the year with a reduced loss of LKR 26 million over a loss of LKR 66 million in the previous year.

The Division plans to assemble JMC trucks in the next financial year to avail itself of the opportunity given for local assembly, which will mitigate the negative impacts of the import restrictions.

DFSK Passenger Division

DFSK-Passenger Vehicles	2020/21	2019/20
Unit Sales	494	183
Revenue (LKR '000)	3,014,421	1,063,920

Although the Division struggled during previous years due to supply and logistical issues, in the year under review turned around to become the most lucrative business segment of UEL. Vehicle assembly under the DFSK brand took place, even prior to the import restrictions imposed subsequent to the first wave of COVID-19, due to duty advantage it had over a complete unit. The limitation on imports and allowing only local assembly made it even more attractive. Of the DFSK range, mainly DFSK 580 made a significant impact in the market place and has become the flagship SUV in the country, capturing a market share of 20%. With this positive outcome, the Division managed to reduce its losses significantly from LKR 144 million last year to a profit of LKR 59 million in the year under review. In the next financial year, DFSK passenger products will be the highest contributor to UEL and few new models are already lined up for launch. Further, it is estimated that UEL will be able to achieve sales volume of 1500 units if the present market conditions prevail and if so, this will be the highest volume achieved by an assembled product of UEL.

Zotye Z100 Division

Z-100	2020/21	2019/20
Unit Sales	511	291
Revenue (LKR '000)	1,082,182	583,985

This Division had been continuously making losses due to accumulated stocks over the past years, which heavily affected the profitability of the Company. However, increased efforts, higher demand following the initial lockdown, added to the import restriction, helped the Division achieve significantly improved results which brought the loss for the year down to LKR 91 million as against the loss of LKR 216 million in the previous year

The Division is now exploring new agencies and ventures since compact car models from Zotye have come to an end. Presently we are in discussions with two successful ventures and are looking at a partnership in the next financial year.

Tyre Division

Yokohama-Tyre	2020/21	2019/20
Unit Sales	9,561	7,187
Revenue (LKR '000)	261,731	207,740

With an increased product portfolio and cost management mechanisms, the Division showcased significantly improved results in the year under review, achieving a profit of LKR 29 million as against a loss of LKR 14 million the previous year.

The Division will strive aggressively to further improve its market presence, thus forecasting a promising future in the coming financial year.

Company Performance-U M L Heavy Equipment Limited

	2020/21	2019/20
Revenue (LKR '000)	599,943	280,044
Loss for the year (LKR '000)	(27,182)	(53,335)
Unit Sales	84	41

U M L Heavy Equipment Limited (UMLH) is the authorized dealer for JCB Heavy Line construction machinery and diesel generators sales and after sales in Sri Lanka and the Maldives. From inception, the main challenge was to win the hearts and minds of the target customers as many or them were already using Japanese or European-origin machinery or generators. Since our machinery and generators are manufactured to meet the best international standards, within a short time span, we were able to prove this to the market, along with reliable after sales support.

The year commenced with the COVID-19 pandemic bringing much disruption to the business operation with lockdowns and safety guidelines. This situation continued for a considerable part of the year in some form or the other, and deteriorated further with the major COVID-19 outbreak in India. This resulted in JCB India slowing down their operation which creating issues with uninterrupted supplies.

The main tools we used to convince the customer were personal selling by meeting customers face to face and convincing them with product demonstrations at customer sites. Allowing customers to touch and feel the machinery was difficult due to the safety guidelines issued to combat the spread of the pandemic. However, with very successful social media and digital marketing strategies, we managed to have a strong presence in the market as well as convince our valuable customers.

Despite the challenges faced, UMLH significantly improved its market share of JCB heavy line products. Overall, the Company sold 84 units this year which was a major improvement over 41 machines sold last year. UMLH also made a breakthrough's in multiple fronts during the year, including selling its first excavator for quarry application and thereafter capturing a reasonable market share for excavators. We also, sold the first 9-ton Tandem Double Roller and achieved more sales of the same product as well as conducted our first machinery display road show which was a success.

Although the contribution from spare parts continues to be relatively low, a step in the right direction was taken by winning some important spare part orders in the Maldives which open up to lot more opportunities in the future. We improved our service and workshop offering during the year. These include providing 24-hour emergency services covering the whole Island, commissioning three fully-equipped service vehicles with the required service teams and strengthening the workforce by bringing in technicians and engineers with JCB technical standards. Further we provided live link support to monitor machines online from our office. During COVID-19 pandemic, UMLH service operations were carried out continuously adhering to all safety guidelines issued by the Government and health authorities.

The generator business was the worst affected in our portfolio during the year under review. The relatively new nature of JCB generators in the local market and challenges experienced by some of the potential customers during the year due to the prevailing pandemic situation, did not allow us make much headway in this segment. However, after careful analysis of the market during the latter part of last year, we embarked on a new strategy for generator business with support from JCB Power Products (JCBPP). In line with the new strategy, we have been able to get the right models, right pricing and the necessary support from our principal to meet market demands. Despite the continuing challenges from the pandemic, we anticipate that we will make many inroads in this segment in the next financial year.

On considering the market opportunity for used machinery, we set up a team dedicated to focus on used machinery sales. This team will procure used machinery from reliable sources in the UK and the EU with assistance from JCB dealers around the world as well as the JCB headquarters in the UK. With certain differentiations we expect to create a unique space in the used machinery segment which will be a major source of profits in coming years. In view of the financial difficulties faced by some of the contractors we will look at a rental model to win those customers as well during the coming year.

The Company generated revenue of LKR 599.9 million during the current year, which was a substantial 114% increase from last year's revenue of LKR 280 million. The loss after tax for the year was LKR 27 million, which was an improvement from the loss of LKR 53 million in 2019/20.

The UMLH achievements were recognised by JCB India with two prestigious awards for achievement, namely the award for the"Best Dealer" in the South Asian Region as well as the award for the "Best Dealer for Selling the Highest Number of Excavators" in the South Asian region.


Anet


JCB


GREAVES POWER


GREAVES
POWER

Financial Capital

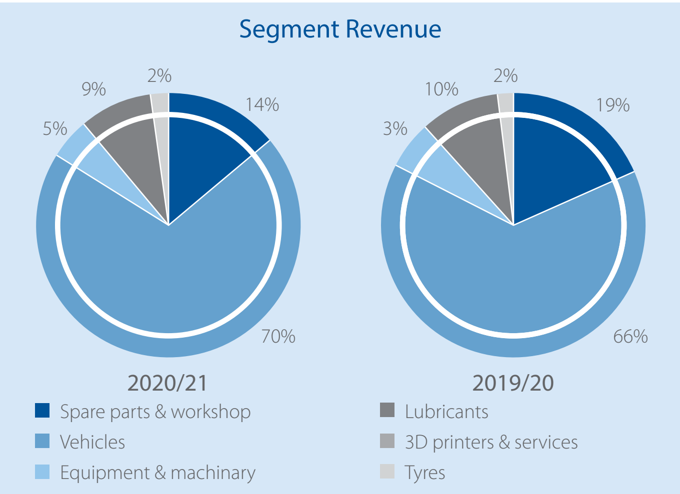
Group financial capital management complies with the best practices and standards of relevant local and international statutory and regulatory bodies, and places effective safeguards to deal with uncertainty and associated risks. Discipline in making financial decisions and transparency in every transaction are key factors that sustain the Group's financial position.

Companies in the Group manage their finances prudently by exploring appropriate sources of funding at the lowest costs, control the cost of capital and avoid leveraging their balance sheets with high debt capital.

	2020/21	2019/20	Increase/ (decrease)
	LKR '000	LKR '000	%
Group revenue	13,537,657	9,845,621	37
Group EBITDA	1,384,497	294,936	369
Group PBT	646,392	(547,882)	218
PAT attributable to owners of the Company	503,675	(409,675)	223

REVENUE

Despite of the pandemic the Group generated revenue of LKR 13.5 billion for the year under review in comparison to LKR 9.9 billion recorded in the previous year which was an increase of 37%. Group profit margin dropped slightly to 19.98% from 20.8% in the previous year.



	2020/21	2019/20	Increase/ (decrease)
	LKR '000	LKR '000	%
Group administrative expenses	1,641,737	1,818,094	(10)
Group distribution expenses	415,467	401,463	3
Group finance cost	364,834	502,952	(27)
Group finance income	224,829	31,878	605

ADMINISTRATIVE EXPENSES

The country was in a lockdown during the first one and half months of the year. Further to address the pressure on the dollar the Government decided to restrict vehicle imports to the country at the beginning of the year. Group realised the importance of cost management and a dedicated senior management team was put in place to address the matter. Resultant improved cost management practices implemented during the year 2020/21, resulted in administrative expenses reducing by LKR 176 million in comparison to last year.

DISTRIBUTION EXPENSES

Despite the pandemic and the import restriction group sold more vehicles in the year under review than the year before. The total number of vehicle sales by the Group for the year was 2,425 which was about 35% higher than last year. However, the Group kept the spend on marketing and distribution activities to LKR 415 million for the year which was only LKR 14 million more than the last year.

NET FINANCE COST

With the improved cash and cash equivalent position and reduced interest rates the net finance cost for the year under review reduced substantially to LKR 140 million from LKR 471 million the year before.

	2020/21	2019/20	Increase/ (decrease)
	LKR '000	LKR '000	%
Net assets per share	131.81	126.08	5
Earnings per share	4.99	(4.06)	223
Dividend per share	1.50	4.00	(63)

ASSETS AND LIABILITIES

The total assets of the Group as at 31 March 2021 were LKR 18.7 billion, in comparison to LKR 20 billion as at 31 March 2020. Total liabilities of the Group reduced to LKR 5.4 billion from LKR 7.4 billion as at 31 March 2020. This resulted increase of Net asset per share of the Group from LKR 126.08 per share to LKR 131.81 per share. This was an improvement of LKR 5.73 from last year.

EARNINGS PER SHARE & DIVIDENDS PER SHARE

Earnings per share was LKR 4.99 for the year under review after been in negative LKR 4.06 the year before. For the year 2020/21 as interim dividend of LKR 1.50 was paid in January 2021 and final dividend of LKR 1 was proposed by the Board of Directors for the year ended 31 March 2021 which is to be approved at the forth coming Annual General Meeting.

Manufactured Capital

Manufactured capital includes items such as buildings, tools, machines and computers. Group acquired over LKR 32 million fixed assets during the year under review. This was relatively low compared to previous years, but is very understandable considering the business environment that prevailed during the year with the pandemic. The Group investment in buildings was at LKR 699 million at the end of the year under review. Carrying value of group machinery & tools was LKR 157 million as at 31 March 2021. Understanding the importance of new technology UML decided to acquire the SAP ERP system in 2018/19 incurring considerable investment. The system was launched in May 2019 and is currently running very efficiently and effectively. The Group also made considerable investment in Solar power generation by establishing in 2018/19, a 2Mw roof top solar power system. The carrying value of this investment was LKR 204 million at the end of the year under review.

RATMALANA WORKSHOP

	Revenue	Profit/(loss)	No. of workshop jobs
	LKR '000	LKR '000	
2016/17	29,390	(8,969)	965
2017/18	186,937	(4,383)	4,953
2018/19	279,295	18,674	7,555
2019/20	214,326	12,576	7,275
2020/21	291,606	50,602	9,763

On 22 December 2016, UML added a state of the art workshop in Ratmalana to its workshop segment, increasing the total number of workshops to nine. Substantial investment was made in setting up this modern facility which serves the customers in and around Ratmalana and also bridging Orugodawtte and Matara workshops. Reaping benefits from the investment, Ratmalana has turnaround a loss of LKR 8.9 million in 2016/17 to a profit of LKR 50.6 million in 2020/21, within a short period of 5 years. In the first year of operation Ratmalana workshop carried out 965 jobs generating LKR 29.4 million in revenue and managed to increase it to 9,763 jobs and generate LKR 291.6 million in revenue by 2020/21 and bringing in LKR 50.6 million as profit in 2020/21.

BORELLA SHOWROOM

Borella Showroom Performance,

	2020/21	2019/20
Unit Sales	104	33
Revenue (LKR '000)	416,016	93,837
Profit/(loss) (LKR '000)	6,989	(15,575)

A new Unimo showroom was opened during the last financial year in Borella at a very strategic location. This showroom is situated at the 4-way junction where Horton Place meet Castle Street. It is estimated that over 60,000 vehicles pass this location on a daily basis. Though the branch itself has improved on the number of sales made from the location the contribution it makes to overall sales by being a strong advertising point due to its high visibility is immense. Since opening this showroom, Colombo area sales have gone up by over 250% justifying the decision made by the Company.

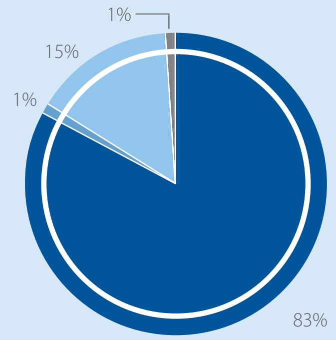
Social & Relationship Capital

CUSTOMER-CENTRIC BUSINESS

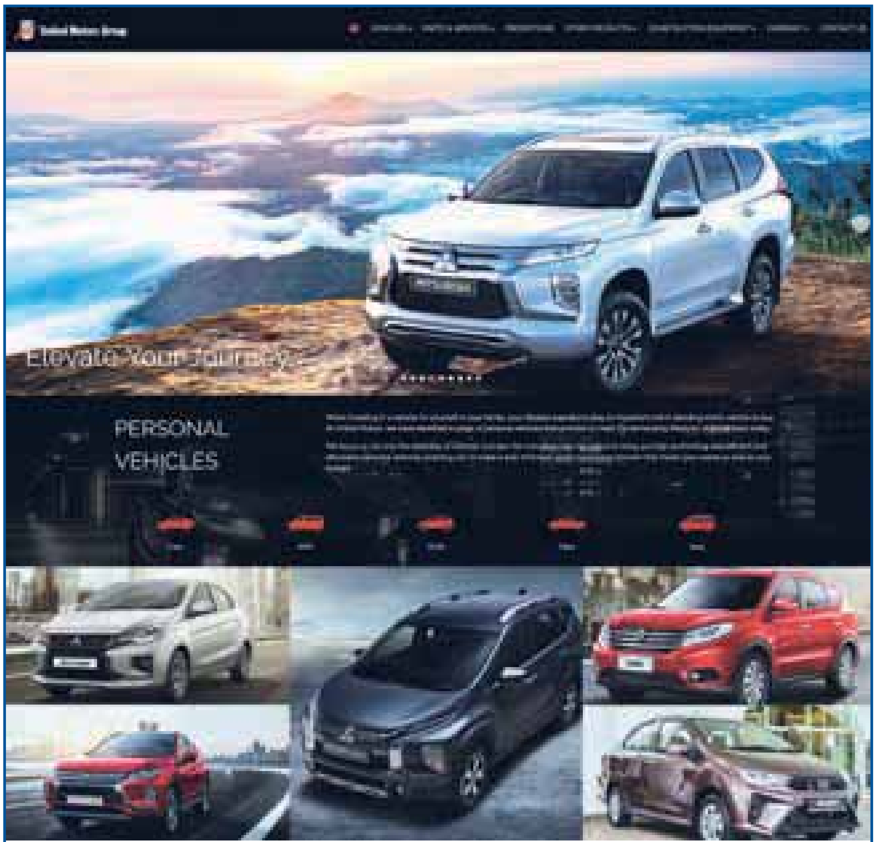
UML's Corporate Strategy has always been geared towards offering a variety of products to customers at diverse price points to ensure greater customer reach. Over the years, the Company has also grown its product portfolio to serve a wide range of customer segments by working with globally renowned brands.

We are proud to maintain a diversified customer profile that includes broad customer categories that range from individuals to large private and Government institutions. This year, with many state and privately-owned institutions being affected by the pandemic, the Company saw an increase in individual buyers.

The composition of customer profile



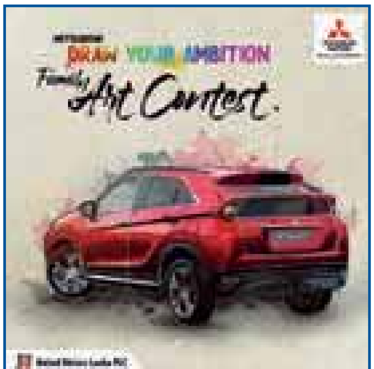
The year under review was very challenging due to the COVID-19 pandemic, with customer requirements and media consumption patterns rapidly changing due to intermittent lockdowns in the country. UML increased its digital foot print to take its products and services right to the customers' homes even during the lockdown through new initiatives such as the first automobile virtual showroom which enabled customers to inspect vehicles from the comfort of their homes, while also providing services through other platforms such as a new website, a mobile App and detailed product videos, to name a few.



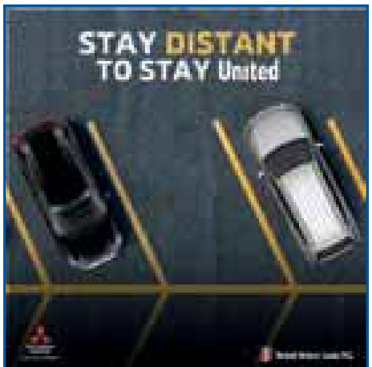
UML Group new website

First virtual 360⁰ automobile showroom

UML also conducted several brand engagement activities online to keep its target audience engaged during this difficult period with competitions and safety messages.

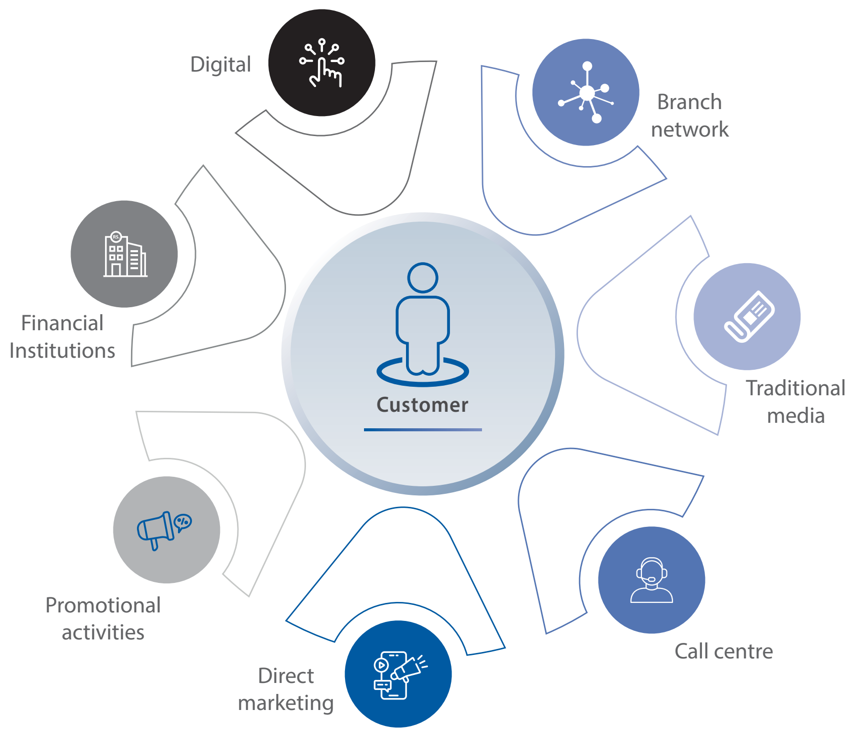


Online art competition for children



Online COVID-19 safety messages

The Group's increased digital foot print was combined with several other strategies to reach its customers as depicted in the chart.



PARTNERSHIPS WITH FINANCIAL INSTITUTIONS

UML continued to partner with financial institutions amidst the lockdowns especially through digital channels offering special financing facilities while the partner institutions used their digital channels to advertise UML's products which helped to increase its foot print digitally.

One of the many tie ups with financial institutions.
MOU signed between Unimo Enterprises and HNB Leasing

SELECTIVE PROMOTIONS IN CHALLENGING TIMES

The Group continued with very selective promotional activities throughout the year to increase the awareness amongst potential customers of its new range of products and services. These promotions which specifically featured "Trade-in" initiatives where prospective customers were offered the facility of trading in any brand of vehicle as part payment for a brand new vehicle purchased from UML Group and also engaged in purchasing used vehicles and reselling them due to the import restrictions.

INCREASING CUSTOMER SATISFACTION VIA CALL CENTRE

We continuously engaged with our customers through our call centre to assess their satisfaction levels and obtained feedback on the products and services. This helped us to take the necessary steps for improvements required. During the year under review the call centre interacted with 97,585 existing and prospective customers. We also gathered customer insights through online sources by social listening which was also used to improve our processes, products and services.

The Complaint Management System which is in place ensures that frequent surveys are carried out to assess customer satisfaction levels in connection with the products and services offered by the Group.

Social & Relationship Capital

REACHING OUR CUSTOMERS

Accessibility is a vital aspect of the customer value proposition. UML customer contact channels include physical presence, digital presence via website, mobile App, social channels and audio presence through our call centres.

UML has nine physical locations spread across the country out of which six locations have the ability to provide the same service offered in Colombo. On the digital front we present our products through the newly-revamped website where traffic is ever growing.

During this challenging period our digital presence facilitated constant engagement with customers. The Group is accessable via twenty-six digital platforms which include ten Facebook pages, eight Instagram pages, four YouTube channels and four LinkedIn pages. The annual customer engagement of these digital assets surpassed three million while over twenty-six thousand product inquiries were generated.

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The Groups digital assets

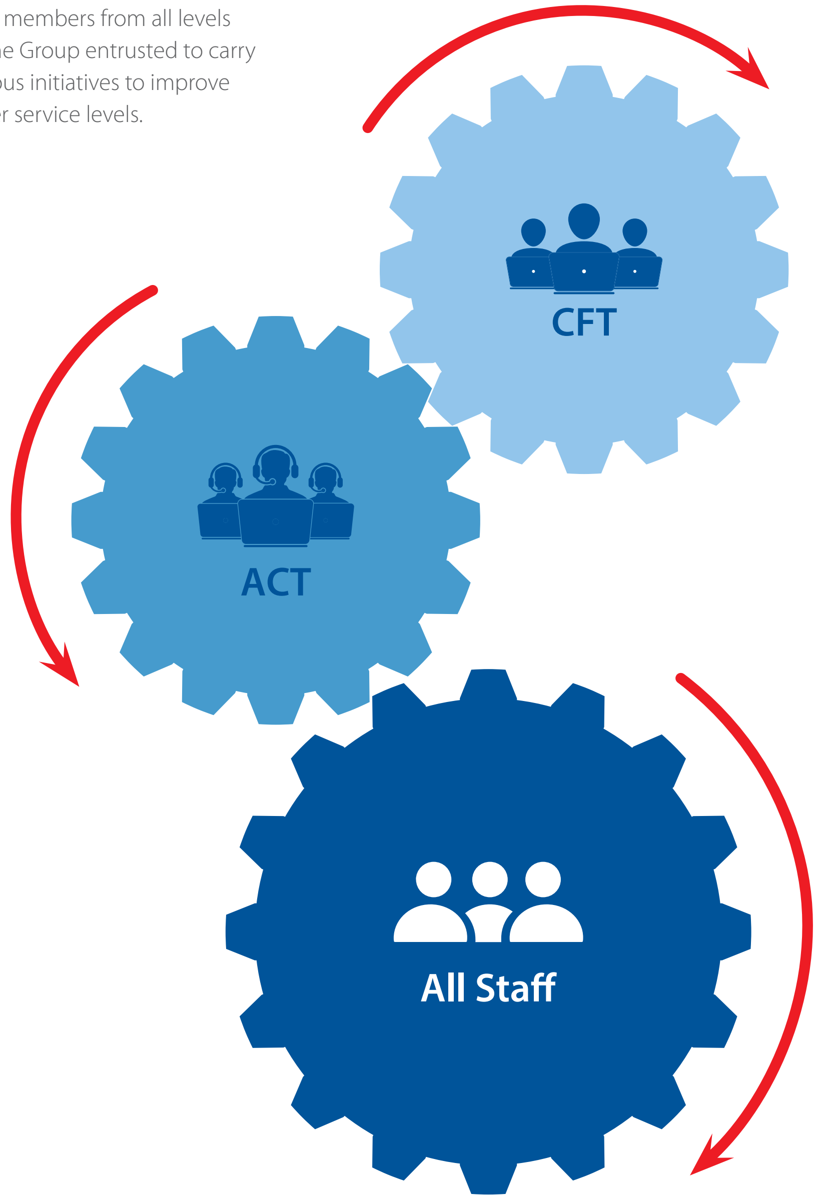
wmUnited to serve for a better customer service

A positive client experience is the most crucial aspect of any Company. The **wmUnited to serve** is an internal marketing programme commenced in 2011 to improve customer service levels and to create a customer-centric culture throughout UML Group.

At UML, expanding and satisfying our customer base is our priority. This programme considers the expectations of today's consumers, particularly after-sales services, which is becoming an increasingly significant differentiating factor in customers' purchasing decisions. Additionally, this programme supports us in a variety of ways in accomplishing the final aim of customer service excellence.

wmUnited to serve driving team - CFT

A Cross Functional Team (CFT) of 24 selected members from all levels across the Group entrusted to carry out various initiatives to improve customer service levels.

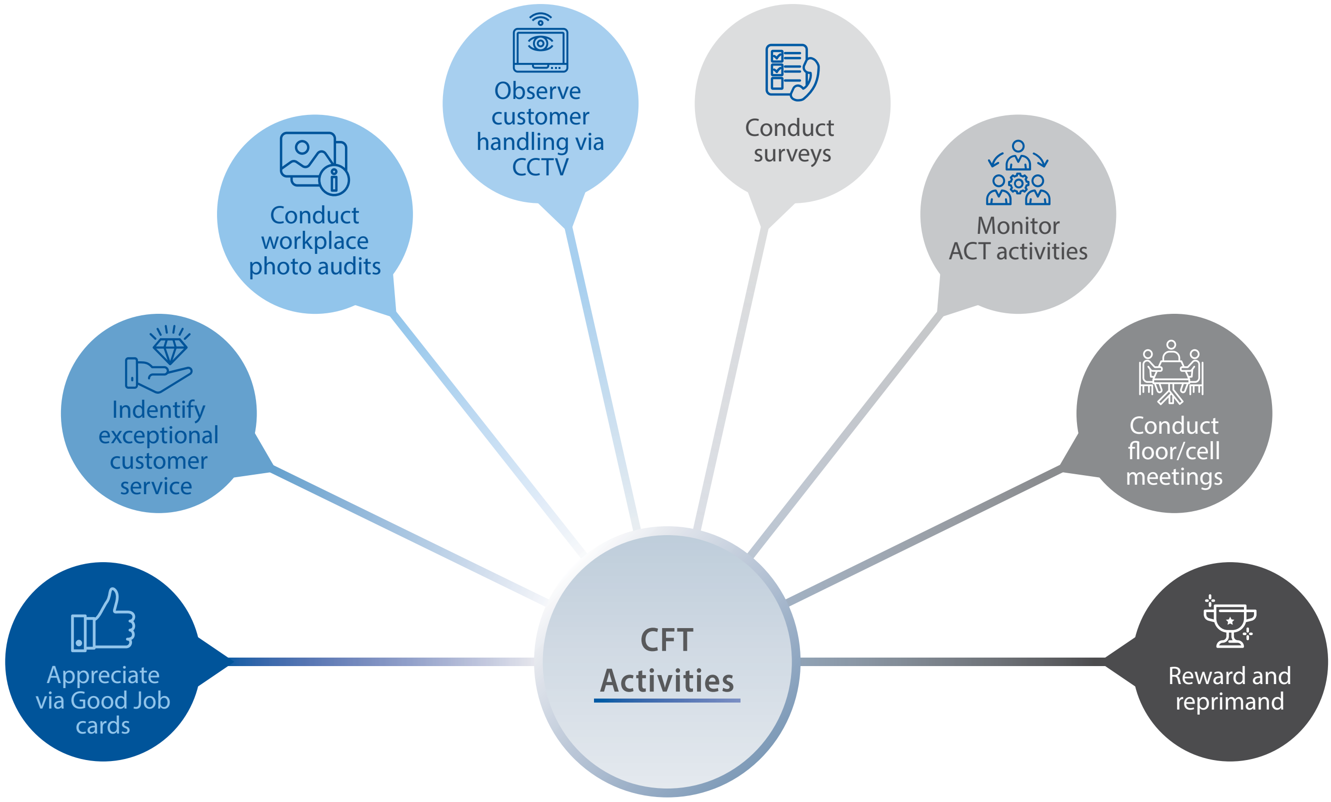


The Accelerated Care Team - ACT

The Accelerated Care Team comprises of 52 members representing the entire Group, nominated as leaders of their cells.

ACT is responsible for implementing and sustaining the customer care initiatives introduced by the CFT in their respective cells.

Social & Relationship Capital



Customer Care-Code of Conduct

The Customer Care Code of Conduct developed and introduced by CFT is a guideline which details the expected customer service levels in all areas of customer-staff interactions and outsourced services. The guidelines specified in the Code of Conduct have been practiced over nine years. By following the Code of Conduct, the management expects all employees to serve the customer promptly, accurately & with care and deliver an exceptional customer experience.

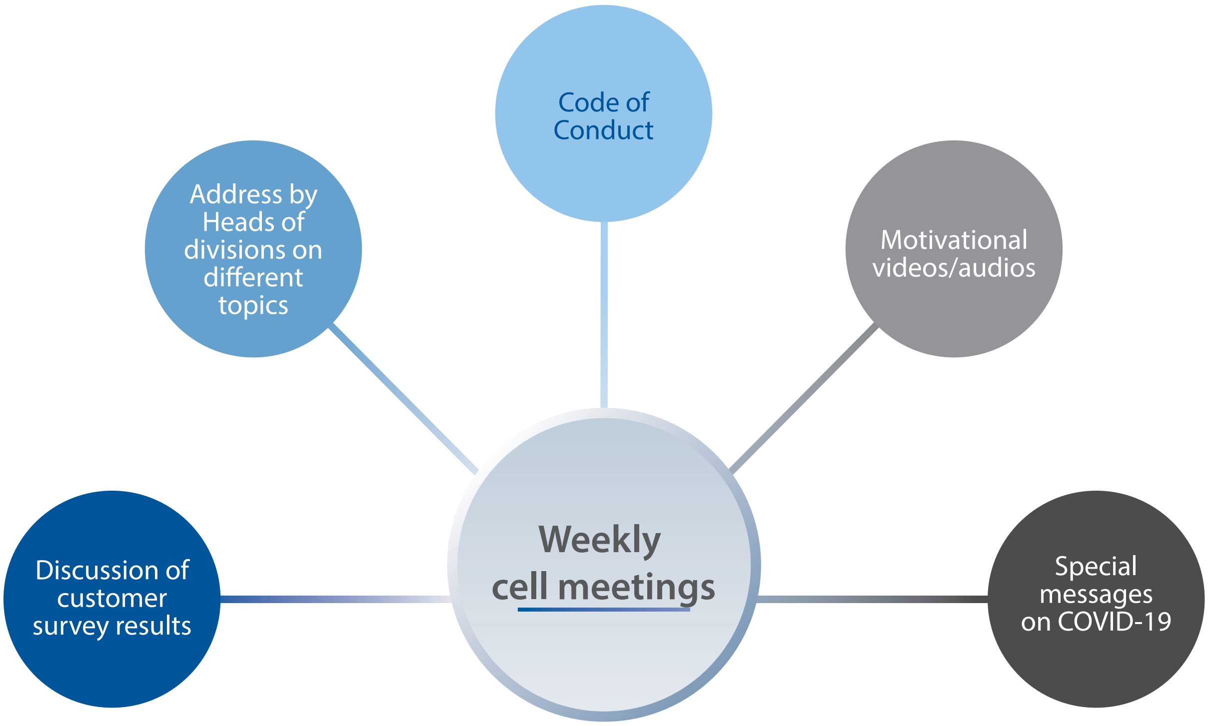
All employees wear the "wmUnited to serve badge" with their names, thus representing their commitment and involvement with the wmUnited to serve concept.

Code of conduct and the wmUnited to serve

Cell meetings

To enhance and maintain the level of service throughout the Group, cell meetings are conducted in all 52 cells every Tuesday by the respective ACT members. At these meetings, the regular agenda is reading of Code of Conduct, questions & answer sessions on Code of Conduct and watching motivational videos on customer service. In addition to that, the cell members also take part in several activities initiated by CFT, such as discussion of customer survey results, experience sharing by Heads of different Divisions and the nominated staff members.

Considering the prevailing situation due to the COVID-19 pandemic and the requirement to follow the safety guidelines, CFT is looking at new ways of conducting these activities in the new normal work.



Improve service through regular observations

Monthly photo audits were conducted by selecting a specific area of customer-centric locations. Based on such photographs, infrastructure gaps were identified and improvements were made to align with CFT guidelines. Employee attitudes towards customers and their behaviour were also observed at regular intervals through CCTV footages and corrective actions were taken to improve the service levels.

Social & Relationship Capital

Customer surveys

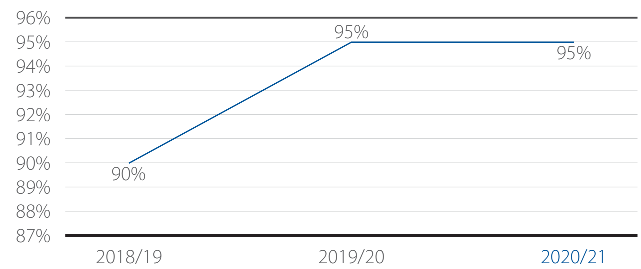
Internal and external customer service surveys were conducted monthly to assess company's customer service levels and to identify improvements required in customer service levels provided by the staff members.

A special team conducted external surveys by contacting each customer after vehicle delivery and after-sales services to get feedback on their satisfaction levels. In addition, internal surveys were carried out within the Group amongst the staff (sales and non-sales teams) to evaluate their service levels.

The staff members who scored high in these surveys were rewarded and recognised within the Group for their performance. Moreover, the overall customer service rating of the individual staff members/the respective cell is considered in the annual appraisal.

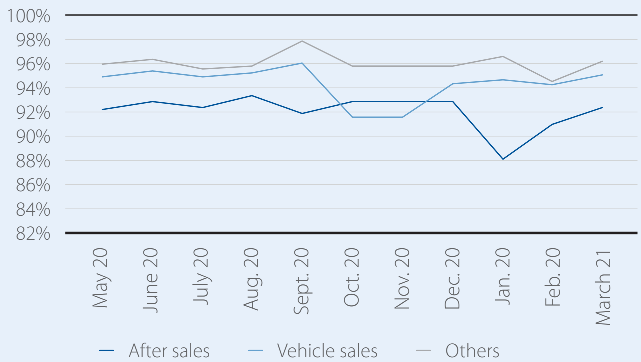
As a result of continued initiatives and activities, the customer care standards improved, as depicted in the customer satisfaction results. At the end of the financial year 2020/21, the Customer Satisfaction Index was 95% against the 86% satisfaction rating at the time of **wmUnited to serve** initiative was re-launched in 2018. The overall Customer Satisfaction Index increased from 2018/19 to 2019/20 by 5% and has remained constant in 2020/21. The team will work towards improving the service standards further by restructuring our process and backend operations.

Overall customer satisfaction index



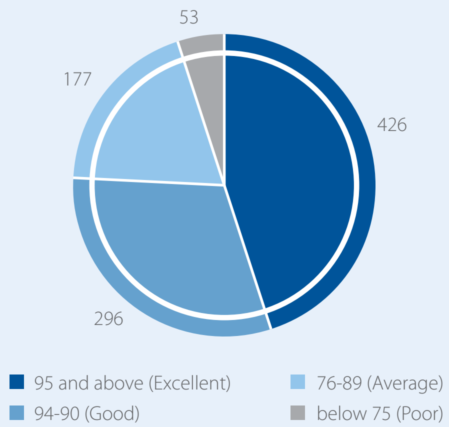
Completed surveys	Satisfaction level
Number of surveys conducted on after sales 8,484	92%
Number of surveys conducted on vehicle sales 1,418	96%
Number of surveys conducted on other products 205	94%

Analysis of external survey results (Product and service wise)



*Vehicle sales: All brands of vehicles represented by UML Group
*After sales: Workshop and Spare parts
*Others: Lubricants/car care and 3D printers

Achievement of survey rating-number of staff



Employee appreciation

Good job cards

Appreciation culture plays a very vital role in an organization. Good Job card is an initiative by the CFT to improve the customer services provided to the internal and external customers by creating a culture of appreciation among employees. A Good Job card is given to an employee by another employee to appreciate the exceptional service provided. The person/cells that receive the highest number of good job cards are recognised regularly for the excellent services rendered by them.

44 staff members were appreciated

Exceptional customer service

Based on the customer feedback we received via exceptional cards, emails and letters, we identified 44 staff members from different divisions who have provided a "Wow" service/exceptional service to their customers. Furthermore, the respective customer feedback and appreciation message for each individual/team, was communicated to all staff members via group emails and through social media platforms within the Group.

Way forward

Due to the pandemic, we are in the process of looking at new ways of practicing several activities to drive home the message of service excellence while ensuring the safety of our employees.

Considering the safety and efficiency, several measures are being evaluated to avoid and minimize the exchange of physical material among the customers and departments. The digital system to evaluate feedback from external and internal customers is also being explored to create a customer-centric culture within the organization.

In the year ahead, United Motors Group will be the benchmark of excellence in customer service by achieving the ultimate goal as the best service organization among others.

With the onset of the COVID-19 pandemic, there has been a rapid shift in customer interactions and delivering goods and services at their doorstep.

While the sales team keep our customers connected via social media, the spare parts team launched a campaign to deliver at customers' doorstep free of charge. The workshop services are also provided by visiting customer's locations.

A special workshop team was formed to handle repairs and services of vehicles related to essential services during the lockdown period.

Social & Relationship Capital

OUR PARTNERS

Partnering with renowned Global Brands to deliver quality products

The UML Group's decades-long operations has, along the way, been strengthened through partnerships with some of the most renowned global brands. UML which has natured and developed affiliations over the years is proud to have selected companies and brands that possess strong core values, product quality and technology.

We take pride in our selection of partners. Through stringent research and studies into their best practices, brand strength, technology, ethics and a host of other criteria, we approach only those Principals who meet our strict standards in delivering high-quality products and customer satisfaction.

UML has thus, gained a wealth of knowledge and best practices from around the world. In maintaining these relationships, the Group has overcome the challenges posed due to overseas travel restrictions during the time of the pandemic, using online platforms to reach an even greater level of timely decision making with our partners.

Key focus areas 2020/21

Expanding product portfolio by seeking new business partner relations to pursue a growth strategy in automotive and non-automotive sectors.

Relationships with our partners	2020/21
No. of principals	17
No. of relationships over 25 years	02
No. of relationships over 15 years	03
No. of relationships over 10 years	03
No. of relationships over 5 years	03
No. of relationships over 1 year	06

Partnering with Local Venders

Our local partners are no different. The Group join hands with suppliers following an in-depth study into their processes and business practices so that our common interests do not compromise on the quality benchmark set by us, in the industry. We consider it of paramount importance that our partners' brands are suitable for the local market.

Automotive	
MITSUBISHI MOTORS	Japan
FUSO	Japan
Valvoline	USA
Prestone	USA
SIMONIZ	USA
PERODUA	Malaysia
DFSK	China
ZOTYE	China
BRILLIANCE	China
JMC	China
YOKOHAMA	Japan

Construction Equipment & Material Handling	
JCB	India
LiuGong	China

Generators	
JCB	India
Greaves Power	India

3D Printing	
formlabs	USA
Ultimaker	Netherlands
Anet	China

Social & Relationship Capital

COMMUNICATION WITH SHAREHOLDERS

UML is committed to promote effective and open communication with all shareholders and to ensure consistency and clarity of disclosure at all times. The Company aims to engage with its shareholders transparently and regularly in order to facilitate mutual understanding of the respective objectives.

The Company follows the practices of good Corporate Governance at all times and conducts its business in a manner that adds value to its shareholders and investors, and manages risks efficiently, as a listed company governed by the regulations of the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange (CSE). As an industry leader UML is bound to deliver maximum value to its investors whilst conforming to the above regulatory procedures.

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

Enhanced shareholder value through increased return on investment

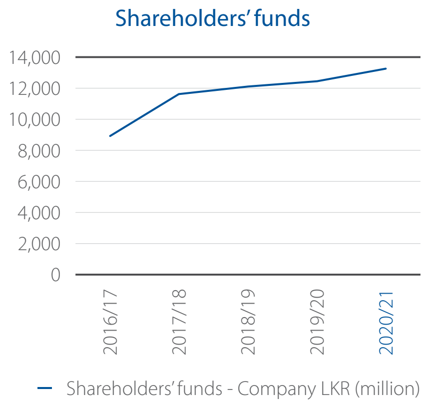
The entire business is modelled to create sustainable value to all stakeholders and the key portion of the value created through business is distributed to our shareholders as its primary stakeholder.

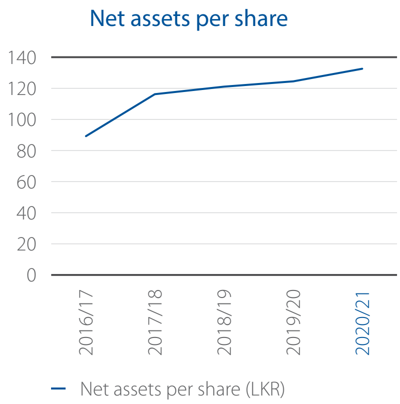
Over the years, UML delivered on its promise to shareholders by ensuring consistent returns on their investments through capital appreciation and dividends.

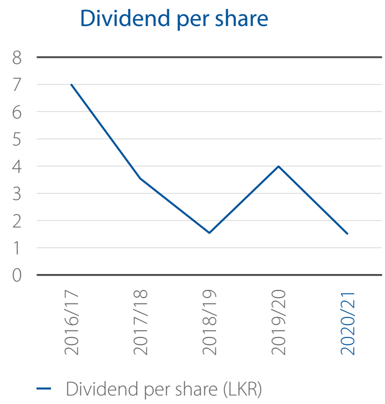
The Company's asset base has grown steadily over the years and supports a strong foundation that enables the Company to withstand the competitive business environment. Prudent corporate strategies have resulted in the delivery of consistent returns on capital employed in the business, which consequently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

	2016/17	2017/18	2018/19	2019/20	2020/21
Shareholders' funds - Company LKR (million)	9,628	11,696	12,159	12,505	13,315
Dividend per share - Company (LKR)	7.00	3.50	1.50	4.00	1.50
Net assets per share - Company (LKR)	88.71	115.91	120.51	123.94	131.96
Market capitalization - Company LKR (million)	7,870	7,668	6,740	4,581	5,822

Dividend per share has been calculated for all periods, based on the divided paid during the year and the number of shares in issue as at year end.







Human Capital

In the midst of the unprecedented conditions of COVID-19, our priority was to ensure the health and safety of our employees while assisting them to adjust to the new normal. Despite this, we have remained steadfast in our commitment to building a team of future-fit people with the right skills and attitudes who can embark on our journey of success in a post COVID economy.

Employee composition-category

40%
Executive

60%
Non-executive

Senior Management composition

85%
Male

15%
Female

Our team

With a diverse team of 996 employees, UML Group is moving forward in the automobile industry with a strong reputation for nurturing talent and developing skills across all sectors. The Group had a total staff strength of 93% comprised of males and 7% females, with 60% of our staff in the non-executive cadre and the balance 40% in the executive cadre as at 31 March 2021. We strive for gender equality at all levels and areas of our operation, however despite this goal, due to the nature of the operations in the Sri Lankan automobile industry, it is a male dominated industry. We always aim to create an environment in which female employees are encouraged to pursue managerial positions within the Group. Female presence in senior management at UML reached 15% in 2020/21, and the Group continues to encourage and create more opportunities for career advancement for female employees.

Retaining talent within the organization is utmost importance in building a strong team. We are proud to say that the employee attrition rate during the period 2020/21 was 13% which was 5% less than the rate recorded in last year. The endless hours our employees have put in especially during the lockdown period as well as their professionalism, have significantly inspired the entire management team. We pride ourselves on our employees' exceptional effort and dedication to make our vision a great success.

Performance indicators of UML	2020/21	2019/20
Total workforce	996	1009
Total attrition%	13	18
New recruitments	128	140
Incidences of child labour (below age 16)	-	-

Performance based culture

At UML, we always encourage active engagement and collaboration to foster a strong performance-based culture that allows our employees to be as productive as possible in their roles. To ensure that our staff perform at optimal levels, we have a well-structured performance management mechanism in place with clear measurement criteria to evaluate a set of Key Performance Indicators (KPIs) set at the commencement of each financial year against organizational objectives.

Building, mobilizing and retaining high-performing employees is one of our priority. In order to meet this we ensure that the employees have the required knowledge, skills and competencies to deal with dynamic changes.

Human Capital

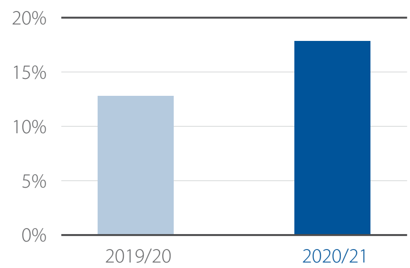
Talent management & development

UML's strategy of talent management is a continuous process which involves employee transformation that goes beyond just the training and development. This procedure is dynamic in nature since it must adapt to the ever changing business environment.

We remained committed to developing our skills, and proposed a variety of unique learning solutions despite travel restrictions, classroom-learning constraints, and other COVID-19 related disruptions. Despite the issues faced in conducting the training sessions for groups of employees in accordance with safety rules, we continued to carry out continuous learning and growth initiatives through innovative learning solutions. During the year, we conducted 1,842 hours of training of which 46% was technical and the rest were competency based.

In light of the COVID-19 pandemic, 696 hours of special training was provided on health and safety using internal resources.

Employee attrition rate

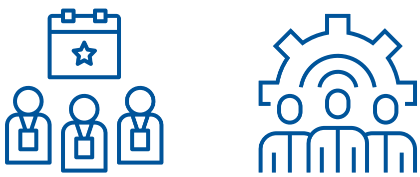


Training hours-2020/21

46% Technical Training

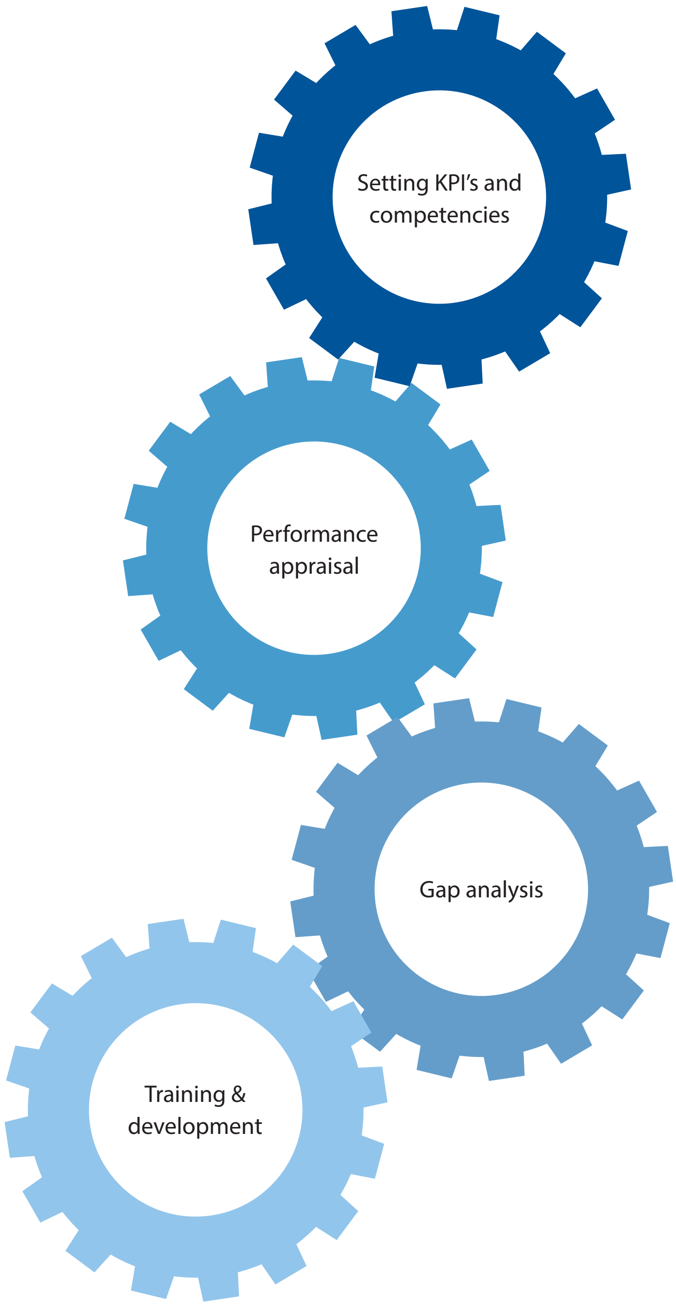
54% Competency Training

Technical training by participants-2020/21



66% Sales Staff

34% Technical Staff



Technical training

Improving on-the-job practical competencies and updating these competencies based on the vehicle and technology upgrades are some of the Key Performance Indicators for technical staff. In-depth product knowledge in order to differentiate our products from those of competitors is a prerequisite for our sales staff. In order to meet this requirement, the technical staff and the sales staff are trained regularly.

Competency based training

Even in the midst of the pandemic, we were able to identify competency-based training needs of our employees and carried out few sessions covering the areas of personal sales management, integrated sales management and legal aspect of sales.

Technical training at Orugodawatte workshop.

Training session on sales management

Human Capital

COVID-19 pandemic action plan

E-flyers with tips, do's & don't, and guidelines on current and critical topics were circulated through WhatsApp groups and social media to raise stakeholder awareness.

During the COVID-19 outbreak, we strengthened safety mechanisms, improved hygiene practices, increased employee awareness and facilitated remote work arrangements for office employees.

A special COVID-19 committee was formed to formulate an action plan in order to support staff during the pandemic and to make sure their issues and grievances were looked into.

Following the pandemic, the Company continued to function under the split-week model, sharing the week between different employees. With a minimum number of personnel, this hybrid strategy helped to ensure business continuity.

Donated safety equipment to MOH offices and Public Health Inspectors to assist their invaluable contribution during this critical period as part of our social responsibility.

Bio-secure bubble concept was implemented within the workplace to prevent the spread of COVID-19.

Social media awareness on COVID-19

COVID-19 safety booklet

Displaying banners on COVID-19

Donating safety equipment

Employee engagement

At UML we believe that, when employees are well-engaged with their job, they go above and beyond what is expected of them and we are always bound to create and maintain such a culture. At the same time we further strengthened our communication channels in order to ensure high degree of engagement under the challenging conditions posed by COVID-19. In this regard, adapting to the latest technology, we were able to continue our engagement activities through webinars, Zoom, social media and e-mails during the lockdown period.

During the year, several programmes were conducted by the Company to uplift the degree of employee engagement. Together with the employees, we included their family members in our employee engagement activities. During the lockdown, we conducted a talent show for our members to display their unique abilities and uplift mental wellbeing among them and their families. Moreover, the Facebook community named "wmUnited" provided a great platform for employees to share their accomplishments, ideas and talents and served as an effective source of communication within the team.

The winner of the UML kid's art competition on COVID-19 -Daughter of Randika Nirodhawardene

UML talent show 2020-winners

1st Place-Daughter of Mr. Janaka Sujeewa

2nd Place-Ms. Fathima Jinnah (staff member)

78 People participated in UML virtual talent show 2020

3rd Place-Family of Mr. Sudantha Perera

Human Capital

Awarding token of appreciation

At a time when the entire economy was in a recession and with import restrictions in the face of the COVID -19 pandemic, as a company we also had to focus on the ways of reducing cost and generating revenue.

In order to get the insights of our employees, we devised a competition where employees were able to suggest ideas on cost reduction or profit generation via e-mail or WhatsApp. From a total of 85 suggestions submitted, 16 were selected as top ideas. The winners were rewarded and recognized for their enthusiasm and high level of engagement. The selected ideas were implemented within a shortspan span of time and the cost benefits were monitored regularly.

Recognition and rewards

At UML, we believe that our employees are our inspiration. While other organizations are struggling with employee retention, we are proud to say that employee retention rate of UML for the year 2020/21 was reported as 87% (an improvement by 5% compared to last year). To earn employee trust and loyalty, we follow an open door policy to encourage openness and transparency with the employees to promote mutual respect between them and the top management.

During the year, all retired staff received a service appreciation award at a special event for their invaluable contribution to organizational growth and development. Moreover, on International Women's Day we organized a special programme to appreciate the contribution and the dedication of the women at UML who never cease to inspire. Our leaders have ensured to be specific, relevant and most importantly timely when recognizing employees for the work they have done, since every recognition has the power to impact employee engagement and morale. We identify the value of recognizing people who are demonstrating excellence in a variety of ways, even during a pandemic, and we assure that they will be supported, appreciated, and rewarded for their efforts. We are proud that the management ensured continuity of employment, salary and perks throughout the Group, despite the impact of COVID-19 pandemic and the Government restrictions on the import of vehicles from March 2020.

Industrial relations

The Company has established extensive policies and procedures designed to promote and maintain harmonious working relationships between management and staff. Policies and procedures like the whistle blowing policy, share trading policy, non-disclosure agreement, conflict of interest and code of business conduct and ethics are in place to ensure that all duties and responsibilities are performed ethically, professionally and with minimal disruption to work.

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

Child labour

We have zero tolerance to child labour and comply with the principles set out by the International Labour Organization (ILO) on this requirement. We oppose any forms of coerced or compulsory labour anywhere in our operations and are committed to eliminate all forms of underage labour by supporting initiatives on eliminating it.

Code of Business Conduct, Ethics and Integrity

Every UML employee must follow the rules and regulations outlined in the Code of Business Conduct and Ethics, the employee handbook and the Customer Care Code of Conduct throughout their employment with the Group. These documents govern the relationship between the employees, the Company and its other stakeholders and are designed to ensure transparency, integrity and ethical behaviour in all interactions.

Natural Capital

In Natural capital, we consider natural resources that are needed by an organisation including items such as timber, fish, water and fossil fuels in addition to natural processes that make pollutants and wastes safe such as natural cycles. Organisations must therefore operate within the limits of enhancement or regeneration of the natural environment and not cause its depletion.

Efficient use of electricity, water and waste disposal management are the key components in our natural capital strategy.

EFFICIENT USE OF ELECTRICITY

Making our environment a priority and considering the high electricity consumption across the Group a strategic decision was taken in 2018/19 to set up a 2Mw roof top solar power plant. With a considerable investment we completed the establishment of the plant within 2018/19. We successfully completed the second full year operation of the solar power project in 2020/21.

Year	MWh Generated	MWh Consumed	MWh to national grid	Revenue LKR '000	Profit LKR '000
2019/20	2,405	609	1,796	52,780	41,451
2020/21	2,982	495	2,487	55,221	43,486

During the year under review, we generated 2,982 MWh out of which 495 MWh were consumed by the Company and 2,487 MWh were supplied to the national grid. This is a 24% increase in total generation and a 38% increase in the energy generated to the national grid in comparison to the previous year. Considering the high returns we had up to now we are looking at expanding our solar power generation in the coming year.

Further to efficiently manage electricity consumption UML has made a conscious decision to replace all air-conditioning units which are running more than 10 hours per day with energy-efficient inverter based units.

EFFICIENT USE OF WATER

We at UML are always concerned about the efficient use of water especially in our workshops. All workshops have water treatment plants which are well maintained ensuring that waste water is disposed of responsibly, or recycled for other purposes. Both workshops in Orugodawatte and Ratmalana recycle their waste water for gardening. Further regular monitoring is done across all our premises to ensure that water is not wasted.

WASTE DISPOSAL MANAGEMENT

Management of technological waste is also rigorously carried out throughout the Group, and disposal complies with the environment standards in the country. Hazardous and technological waste is provided to licensed contractors who supply usable portions of this waste for use in other industries and dispose of the balance according to the requirements of the regulatory bodies. Both workshops in Orugodawatte and Ratmalana have an agreement with a specialised service provider for the safe disposal of by-products like burnt oil, used oil filters and other unusable components generated from vehicles serviced.

Intellectual Capital

It is the sum of employee expertise, organizational systems and processes and other intangibles that contributes to the Company's. bottom line though not included in the financial statements. Our intellectual capital defines our corporate identity, determines our markets comparativeness and creates economic value for stakeholders.

EMPLOYEE EXPERTISE

Knowledge is a key component of our intellectual capital and we continuously invest-in and add to our pool of expertise and experience. We have on board a committed, professional and productive team motivated to achieve our goals. Our staff has been our strength over the years and we invest substantially in upgrading their technical and professional skills at all levels. Most employees have worked with the Company for over number of years during which time they have accumulated a vast repertoire of knowledge in their areas of specialty.

OUR SYSTEMS & PROCESSES

We have systems and processes that have stood the test of time. These systems are regularly looked at and modified according to new business dynamics. We use outside consultants to benchmark our systems and processes on a regular basis. The findings of these consultants are being used to improve systems and processes currently in place. The situation that prevailed in the country in 2020/21, due to pandemic, created a lot of strain on some systems and processes. Management looked at these issues arising due to COVID-19 pandemic and necessary measures were taken to address those issues.

The decision to move into a new ERP was also taken in 2018/19 after a benchmarking study by an outside consultant. The specific selection of SAP which is a world class ERP system was made to align the business with the world class best practices. Though the investment was high the Company was well aware that the benefits will outweigh the investment in a short period of time. The rollout happened in May 2019 and as of now we are using the new system for all our information needs. We are very satisfied with the capabilities of the SAP system and are in the process of obtaining the best out of the system. We have joined hands with Neovatic Technologies (Private) Limited a reputed implementation partner from India.

Considerable emphasis was placed on working from home due to restrictions placed as a result of COVID-19 pandemic. Working from home created a considerable threat to the IT systems of companies across the country. We at UML were also well aware of the possible threats that could come up. As a result, we invested in improving the security of our IT system during the year by bringing in two factor authentication and end point security software.

UML BRAND

United Motors brand which is built on strong ethics and operational excellence are one of the key attributes that help the Group achieve its targets. Nurturing client loyalty that has transcended a generation, United Motors Group remains one of Sri Lanka's most respected corporate entities today.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How We Govern

The Board is responsible to stakeholders for creating and delivering sustainable stakeholder value and to fulfil this, a robust Corporate Governance Framework is critical in maintaining investor trust and business integrity and for driving the Company towards sustainable growth. The Board of Directors of United Motors Lanka PLC (UML) is strongly committed to maintaining the highest standards in Governance for the creation of long term shareholder value and sustainable growth. The trust we have earned over the years as a reputed automobile company clearly reflects on our adherence to the highest standards in Governance. 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 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 and external regulations comprises of the following;

Internal Governance Framework

- 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

External Governance Framework

- 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 addresses preserving the rights of shareholders.
- Inland Revenue Act No. 24 of 2017 and amendments thereto and other Acts which are applicable for regulatory bodies.
- Shop and Office Act and Wages Board Ordinance, EPF & ETF Acts, Gratuity Act and Termination of Employment of Workmen Act and other Acts and Ordinance which addresses the rights of employees and responsibilities of employers.
- Directions and Circulars issued by the Securities and Exchange Commission of Sri Lanka.

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 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.

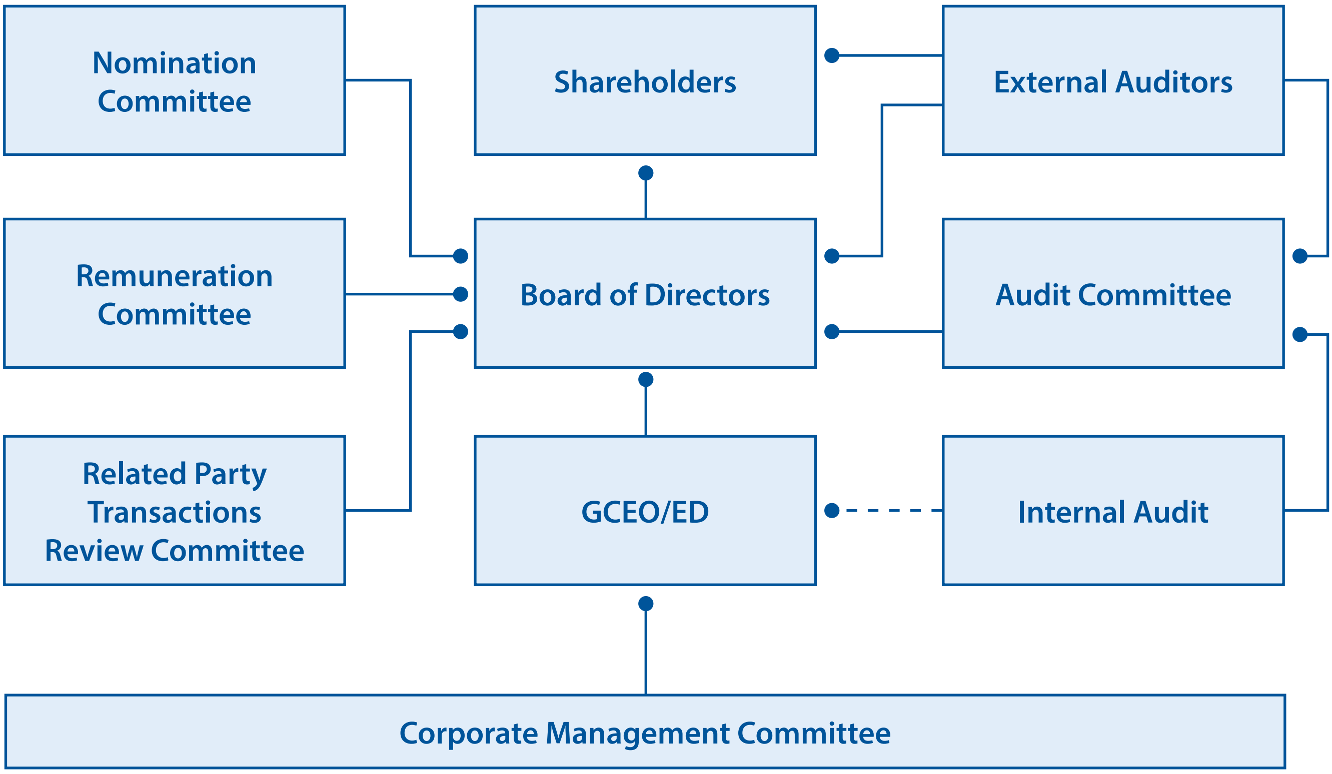
The Company has four Board Sub Committees.

- 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.



BOARD OF DIRECTORS

The Board of Directors, the highest decision making authority with responsibility for the sustainability of the Company, provides leadership by setting strategic direction, defining risk appetite, approving remuneration policies and appointments to the Board. Corporate Management is responsible for the day-to-day operations and for implementing an effective system of internal control. The Board and the Corporate Management have a clear mutual understanding of their respective roles, delegations and boundaries. Board comprised of eight Directors as at 31 March 2021 who are all eminent professionals in their respective fields with the skills and expertise necessary to constructively challenge the Management and enrich deliberations on matters set before the Board. Board of Directors comprises members with expertise in the automobile industry, accounting, banking, management and finance, engineering and marketing. Profiles of Board members including their qualifications, memberships in Board Committees and other significant appointments and the profile of the Company Secretary are given on pages 20 to 23.

BOARD BALANCE AND INDEPENDENCE

The Board comprised of eight Directors of whom six including the Chairman held office in a Non-Executive capacity as at 31 March 2021. All Non-Executive Directors are independent except for Ms. 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.

Mr. Yoshisuke Ishii, the nominee Non-Executive Director of Mitsubishi Motors Corporation resigned with effect from 12 May 2021 and Mr. Junya Takami was appointed as the nominee Non-Executive Director of Mitsubishi Motors Corporation with effect from 1 June 2021.

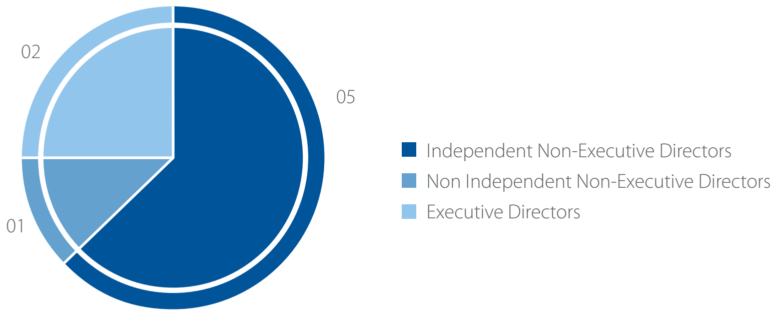
Ms. M. Coralie Pietersz and Mr. Devaka Cooray were appointed to the Board with effect from 1 April 2021 and 4 May 2021 respectively.

The Board members are permitted to obtain independent professional advice from third parties whenever deemed necessary, at the company's expense. Independent professional advice was sought on matters in accordance with the above provision. The Company has obtained a Directors' and Officers' liability insurance policy.

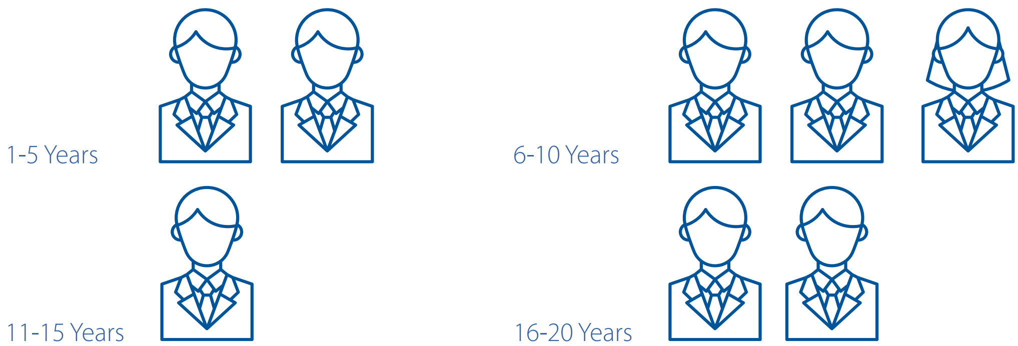
How We Govern

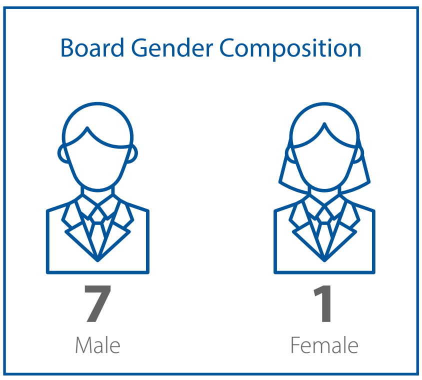
COMPOSITION OF THE BOARD AS AT 31 MARCH 2021

Executive, Non-Executive Directors



Tenure of the Board Members (Years)





BOARD MEETINGS AND SUB COMMITTEE MEETINGS

The Board agrees on a schedule of meetings at the beginning of each year and meets at least once a month. Additional meetings are also convened if the circumstances so require. 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. Board members too can request items to be included in the agenda for discussion. The agenda is circulated to the members of the Board by the Company Secretary together with the accompanying Board papers one week in advance of the meetings, allowing adequate time for Board members to study, call for additional information if required, and be prepared for productive deliberations.

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. After the end of each quarter heads of those companies make presentations to the Board on company performance and strategies against the annual plan. The Directors are provided with comprehensive 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. Urgent Board papers are submitted at short notice or tabled at the meetings on an exceptional basis.

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. Although the outbreak of COVID-19 had many challenges, all meetings of the Board and Board Committees were conducted adapting to the new normal conditions by having via virtual platforms. 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 80.

ROLE OF THE BOARD

The Board has provided strategic direction for 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 the performance of the individual business units against the budget on a monthly basis.

ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER/ EXECUTIVE DIRECTOR

The positions of the Chairman and the CEO have been separated in line with best practice 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 while 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 a 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 a balance of power and authority in strategic and operational decisions.

ROLE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has a strong element of independence on the Board, with five of the eight Directors as at 31 March 2021, being Independent Non-Executive Directors. The presence of Independent Non-Executive Directors is expected to complement the skills and experience of the other members of the Board by conveying an objective and independent view on matters, challenging the Board and the Management constructively using their expertise and assisting in providing guidance on strategy.

APPOINTMENTS OF DIRECTORS

Nomination Committee has set in place a formal and transparent procedure for nomination of candidates for appointment as Directors.

How We Govern

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 the 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 GCEO/ED 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 Ms. 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 performance. Executive Directors terms of employment are governed by the contract of service.

Non-Executive Director's fee is 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 are in place which addresses conflict of interest and outside activities, privacy/confidentiality, gifts and entertainment, personal investments, know your customers, anti-money laundering, accuracy of company records and reporting, protecting UML Group's assets, workplace responsibilities, raising ethical issues, responsibilities of superiors and managers, compliance with laws, rules and regulations, key irregularities and disciplinary procedures. Further, policies specifically address share trading policy, whistleblowing policy, conflict of interest and confidentiality policy.

The Code of Conduct and the policies in place is in compliance with the requirements of 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 includes the adoption of Annual Report and Accounts, 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 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 shareholders.

Notice of the meeting is circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM, fifteen workings days in advance. A summary of the procedures that govern voting is indicated in the form of proxy.

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 financial statements, 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 to comply with safety guidelines of the health authorities, it was decided to conduct a virtual meeting and the Annual Report has been uploaded on the CSE website and the Company website.

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 elements 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 have 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 system 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 enterprise risk management report.

The Audit Committee comprise of four Independent Non-Executive Directors and one Non Independent Non-Executive Director as of year-end.

It is supported by the Internal Audit Division who directly reports to the Audit Committee. A summary of its responsibilities and activities are given in the Audit Committee Report.

ASSURANCE

The "Assurance" element is the supervisory role of the Corporate Governance Framework. A range of assurance mechanisms such as Internal audits, independent audits 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.

COMPLIANCE

Status of compliance with the Continuing Listing Regulations 7.10 of the Colombo Stock Exchange, compliance with Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and status of compliance with the information required to be disclosed as per Companies Act No. 07 of 2007 are given in Annexure 1, Annexure 2 and Annexure 3 respectively.

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 which we hope to comply in future.

How We Govern

Name of Director	Capacity	Status of independence	Board meeting attendance	
			Eligible to attend/ attended	Mode of participation
Mr. Sunil G. Wijesinha	Chairman - Non-Executive Director	Independent	19/19	4 15
Mr. Chanaka Yatawara	GCEO/Executive Director	Non Independent	19/19	4 15
Mr. Ananada Atukorala	Non-Executive Director	Independent	19/19	4 15
Mr. Ramesh Yaseen	Executive Director	Non Independent	4/19	0 4
Ms. Hiroshini Fernando	Non-Executive Director	Non Independent	19/19	4 15
Prof. Malik Ranasinghe	Non-Executive Director	Independent	19/19	4 15
Mr. Stuart Chapman	Non-Executive Director	Independent	19/19	4 15
Mr. Yoshisuke Ishii (Resigned w.e.f. 12 May 2021)	Non-Executive Director	Independent	0/19	0 0

C- Chairman M - Member BI - By Invitation

Ms. M. Coralie Pietersz and Mr. Devaka Cooray were appointed to the Board with effect from 1 April 2021 and 4 May 2021 respectively.

Mr. Junya Takami was appointed to the Board with effect from 1 June 2021.

Board Sub Committee membership				No. of Board seats held in listed companies (excluding UML)		No. of Board seats held in unlisted companies	
Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transactions Review Committee	Executive capacity	Non-Executive capacity	Executive capacity	Non-Executive capacity
M	M	M	BI	-	2	-	7
BI	M	BI	BI	-	-	3	1
M	M	M	C	-	1	-	7
				-	-	1	-
M	M	M	M	1	1	-	3
C Till 5 May 2021	M	C	M	-	3	-	-
M	C	M	M	-	1	-	1
				-	-	-	-

How We Govern

Annexure 1 - Status of compliance with the continuing listing regulations 7.10 of Colombo Stock Exchange

Reference	CSE Rule	Details of Compliance	Compliance Status
7.10 Compliance			
a/b/c	Confirmation of compliance with the Corporate Governance rules of CSE.	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.	Six out of eight Board members were Non-Executive Directors as at 31 March 2021.	✓
7.10.2 Independent Directors			
a	2 or 1/3 on Non-Executive Directors whichever is higher shall be 'independent'.	Out of six Non-Executive Directors, five are independent as at 31 March 2021.	✓
b	Each Non-Executive Directors to submit a signed and dated declaration of his/her independence/ non–independence.	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.	Refer page 80 for details.	✓
b	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met.	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.	Refer Board of Directors profiles on pages 20 to 23.	✓
d	Provide a resume of new Directors appointed to the Board along with details.	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.	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. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Remuneration Committee at the year-end consists of four Independent Non-Executive Directors and one Non Independent Non-Executive Director. An Independent Non-Executive Director is the Chairman of the Remuneration Committee at the year end.	✓
b	Functions Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Remuneration of Group Chief Executive Officer/ Executive Director is recommended by the Remuneration Committee.	✓

Reference	CSE Rule	Details of Compliance	Compliance Status
c	**Disclosure in the annual report**		
	Names of Remuneration Committee members.	Refer Remuneration Committee report for the names of the Committee members.	✓
	Statement of remuneration policy.	Refer Remuneration Committee report for the remuneration policy.	
	Aggregate remuneration paid to Executive Directors and Non-Executive Directors.	Aggregate remuneration paid to Executive and Non-Executive Directors are disclosed in Note 13.1 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.	Audit Committee consists of four Independent Non-Executive Directors and one Non Independent Non-Executive Director as at 31 March 2021.	✓
	A Non-Executive Director shall be the Chairman of the Committee.	Chairman of the Audit Committee is an Independent Non-Executive Director.	
	Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Group Chief Executive Officer/Executive Director, Group Chief Financial Officer and DGM Internal Audit & Monitoring attended meetings by invitation.	
	The Chairman of the Audit Committee or one member should be a member of professional accounting body.	Ms Hiroshini Fernando is a Fellow Member of Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka.	
b.1	**Functions**		
	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS.	The Audit Committee oversees the Company's financial reporting process to ensure the reliability of the information provided to the stakeholders. Appropriateness of the accounting policies adopted, key judgements 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.	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.	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.	✓

How We Govern

Reference	CSE Rule	Details of Compliance	Compliance Status
b.4	Assessment of the independence and performance of the entity's external auditors.	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.	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. Audit Committee shall make a determination of the independence of the external auditors and disclose the basis for such determination. Report on the manner in which Audit Committee carried out its functions.	Names of the Audit Committee members are disclosed in the Audit Committee report. 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. Refer Audit Committee report for functions carried out.	✓

Annexure 2 - Compliance with Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka

Code Reference	Principle, compliance and implementation	Compliance Status
Directors		
A.1	**The Board** The Board of United Motors Lanka PLC as at 31 March 2021 comprised eight eminent professionals drawn from multiple fields. They bring diverse perspectives and independent judgements to the deliberation of matters set before the Board.	✓
A.1.1	**Regular 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 attendance at Board meetings is summarised on page 80.	✓
A.1.2	**Roles and responsibilities of the Board** The roles and responsibilities of the Board are set out in the Board Charter.	✓
A.1.3	**Act in accordance with laws** The Company has complied with all applicable laws and regulations during the year. The Board members are permitted to obtain independent professional advice from third parties whenever deemed necessary, at Company's expense.	✓
A.1.4	**Access to advice and services of Company Secretary** The Company Secretary provides support to the Board ensuring that Directors receive timely and accurate information required to fulfil their roles. She attends all meetings and ensures that minutes are kept for all proceedings at the Board meetings.	✓
A.1.5	**Independent judgement** 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.	✓

Code Reference	Principle, compliance and implementation	Compliance Status
A.1.6	**Dedicate adequate time and effort to matters of the Board and the Company** All Directors are provided with Notice, agenda and Board papers in advance of each meeting to ensure that Directors have sufficient time to review the same and call for additional information or clarifications if required.	✓
A.1.7	**Resolutions** If necessary, in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board.	N/A
A.1.8	**Board induction and training** No new appointments during the year under review. The Directors are regularly updated by the Group CEO/ED on relevant information regarding internal and external environment.	✓
A.2	**Separating the business of the Board from the executive responsibilities for management of the Company** The positions of the Chairman and the Group CEO have been separated in line with best practice to maintain a balance of power and authority.	✓
A.3	**Chairman's role in preserving good Corporate Governance** The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with KMPs, acting as a sound Board on strategic and operational matters.	✓
A.4	**Availability of financial acumen and knowledge to offer guidance on matters of finance** One senior Chartered/Chartered Management Accountant and one Chartered Management Accountant was in the Board who possess the necessary knowledge and competence to guide and advice on matters relating to finance as at 31 March 2021.	✓
A.5	**Board Balance** The Board comprises of eight Directors of whom six including the Chairman hold office in a Non-Executive capacity as at 31 March 2021. All Non-Executive Directors are independent other than Ms. 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. Having taken into account all relevant aspects, the Board determined that Mr. A. W. Atukorala who has served the Board for continuously 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.	✓
A.6	**Provision of appropriate and timely information** The Directors are provided with a comprehensive package of information for the regular Board meetings which is circulated in advance of scheduled meetings.	✓
A.7	**Appointments to the Board** Nomination Committee has set in place a formal and transparent procedure for nomination of candidates for appointment as Directors. There were no new appointments to the Board during the year. The details of the Nomination Committee are given on page 98 and 99.	✓
A.8	**All Directors should submit themselves for re-election at regular intervals** 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.	✓

How We Govern

Code Reference	Principle, compliance and implementation	Compliance Status
A.9	**Appraisal of Board and Committee performance** There is a formal process for appraisal of Board performance.	✓
A.10	**Annual Report to disclose specified information regarding Directors** Brief profiles of the Directors are given on pages 20 to 23. Directors' attendance at Board meetings is given on page 80 and Board Sub Committee meetings are given in the respective reports. The total number of Board positions (excluding directorship in UML) held by each Director is given on page 81.	✓
A.11	**The Board of Directors should at least annually assess the performance of the Chief Executive Officer** An annual evaluation of the performance of the CEO is carried out by Remuneration Committee against pre-agreed targets.	✓
B.	**Directors' remuneration**	
B.1	**Remuneration Committee** Remuneration Committee decides on the Executive Directors' Remuneration. All members of the Remuneration Committee are independent Non-Executive Directors except for Ms. Hiroshini Fernando as of the year end. Details of the Remuneration Committee are given in the Remuneration Committee report on pages 95 to 97.	✓
B.2	**The level and make up of remuneration** The remuneration scheme for Executive Directors is structured to align rewards to their individual and Corporate performance. Non-Executive Directors fees are based on the time commitment and responsibilities of their role taking into consideration prevailing market rates.	✓
B.3	**Disclosures related to remuneration in Annual Report** Details are given in Remuneration Committee Report on pages 95 to 97. The remuneration paid to Executive and Non-Executive Directors is disclosed in aggregate in Note 13.1 to the financial statements.	✓
C.	**Relationships with shareholders**	
C.1	**Constructive use of the AGM and conduct of other general meetings** The AGM provides a forum for all shareholders to participate in decision making matters reserved for the shareholders which includes adoption of Annual Report and Accounts, appointment of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association and the Companies Act No. 07 of 2007.	✓
C.2	**Communication with shareholders** The Shareholder Communication Policy sets out multiple channels of communication for engaging with shareholders.	✓

Code Reference	Principle, compliance and implementation	Compliance Status
C.3	**Disclosure of major and material transactions** In terms of the requirements pertaining to immediate disclosures, the Company notified the Colombo Stock Exchange about the relevant transactions as soon as they are approved by the Board of Directors to ensure dissemination to the public. There were no transactions which would materially change the Company's or Group's net asset base or any major related party transactions apart from those disclosed in the Annual Report of Board of Directors on pages 107 to 112 and Note 40.4 to the financial statements on page 189.	✓
D.	**Accountability and Audit**	
D.1	**Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance, structure, risk management, internal controls, challenges, opportunities and prospects** All efforts are taken to ensure that the Annual Report presents a balanced review of financial position, performance, business model, governance structure, risk management, internal controls, challenges, opportunities, and prospects combining narrative and visual element to facilitate readability and comprehension. In the preparation of interim and annual financial statements, all requirements of Companies Act No. 07 of 2007, Sri Lanka Accounting Standards and reporting requirements prescribed by the regulatory authorities has been complied with. Audit Committee reviews interim and annual financial statements and recommends to the Board prior to publication. The following disclosures as required by the Code are included in this report; » Management Discussion & Analysis on pages 36 to71. » Annual Report of the Board of Directors on pages 107 to112. » Statement of Director's responsibilities in relation to the financial statements of the Company on pages 114 and 115. » Statement on going concern of the Company is set out in the statement of Directors' responsibility and item 7 of the Annual Report of the Board of Directors on page 108. » Directors' statement on internal controls on page 106. » Independent Auditors' report on pages 117 to123. » Group Chief Executive Officer's & Group Chief Financial Officer's statement of responsibility on page 116. » Related party transactions disclosed in Note 40 to the financial statements and process in place is described in the report of the Related Party Transactions Review Committee on pages 100 and 101.	✓
D.2	**Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets** 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 on pages 92 to 94 and Directors' statement on internal controls given on page 106. A comprehensive report on how the Company manages risk is included on pages 102 to 105.	✓
D.3	**Audit Committee** The Audit Committee comprise of four Independent Non-Executive Directors and one Non Independent Non-Executive Director as of year-end. It is supported by the Internal Audit Division who directly reports to the Audit Committee. A summary of its responsibilities and activities are given in the Audit Committee Report on pages 92 to 94.	✓

How We Govern

Code Reference	Principle, compliance and implementation	Compliance Status
D.4	**Related Party Transactions Review Committee** Related Party Transactions Review Committee consists of three Independent Non-Executive Directors and a Non Independent Non-Executive Director. A summary of its responsibilities and activities are given in the Related Party Transactions Review Committee Report on pages 100 and 101.	✓
D.5	**Code of Business Conduct and Ethics** An internally developed Code of Business Conduct & Ethics which is applicable to Directors, other Key Management Personnel and all other employees is in place.	✓
D.6	**Corporate Governance disclosures** The Annual Report deals with the extent to which the Company has complied with the requirements of the Code of Best Practices on Corporate Governance 2017 issued by Institute of Chartered Accountants of Sri Lanka and compliance with regulations of the section 7.10 of the Listing Rules of Colombo Stock Exchange in relation to Corporate Governance.	✓
E.	**Institutional Investors**	
E.1	**Shareholder voting** The Company's performance is well communicated to the shareholders at the AGM. All other formal and informal suggestions and views of shareholders are conveyed to the Board.	✓
E.2	**Evaluation of Governance initiatives** Institutional investors are encouraged to provide any feedback on the Governance related issues.	✓
F.	**Other Investors**	
F.1	**Investing/divesting decisions** The Company's Annual Report provides adequate information to Shareholders to make judgements or to seek clarifications on their investment decisions.	✓
F.2	**Shareholder voting** Notice of Meeting is sent to all shareholders on time to encourage their participation at the Annual General Meeting and exercise their voting rights. The form of proxy and instructions are given in Annual Report for the appointment of proxy.	✓
G.	**Internet of things and cyber security**	
G.1	**Internet of things and cyber security** Internet Security Policy (ISP) is in place. A designated officer has been appointed to independently monitor implementation of the ISP and report to the Board.	✓
H.	**Environment, Society and Governance (ESG Reporting)**	
H.1	**ESG reporting** Although an ESG reporting framework has not been applied, ESG principles are embedded in our business and considered in formulating our business strategy and reported throughout this report. Information required by the Code is given in the Management Discussion & Analysis on pages 36 to 71 Governance report on pages 74 to 89 and Risk management report on pages 102 to 105.	To be complied in future

Annexure 3- 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)	107
ii. Signed financial statements of the Group and the Company for the accounting period completed	Section 168 (1) (b)	125
iii. Auditor's report on financial statements of the Group and the Company	Section 168 (1) (c)	117 to123
iv. Accounting policies and any changes therein	Section 168 (1) (d)	108
v. Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	110
vi. Remuneration and other benefits paid to Directors of the Company and its subsidiaries during the accounting period	Section 168 (1) (f)	110
vii. Amount of donations made by the Company and its subsidiaries during the accounting period	Section 168 (1) (g)	108
viii. Information on directorate of the Company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	109
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)	112
x. Auditor's relationship or any interest with the Company and its subsidiaries	Section 168 (1) (j)	112
xi. Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	112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Report of the Audit Committee

The Board Audit Committee presents its report for the year ended 31 March 2021 which was approved by the Board of Directors.

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, management of risk and compliance.

CHARTER OF THE COMMITTEE

The Charter of the Audit Committee defines the Terms of Reference of the Committee and sets out the authority, composition, conduct of meetings, scope and responsibilities.

Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange regulate the composition and objectives of the Committee.

COMPOSITION OF THE COMMITTEE

The Audit Committee appointed by and responsible to the Board of Directors comprised of four Independent Non-Executive Directors (IND/NED) and one Non Independent Non-Executive Director (NIND/NED) as at 31 March 2021.

The Committee consisted of following members as at 31 March 2021, whose profiles are given on pages 20 to 23.

Prof. Malik Ranasinghe	-	(IND/NED) - Chairman up to 5 May 2021
Mr. Sunil G. Wijesinha	-	(IND/NED)
Mr. Ananda Atukorala	-	(IND/NED)
Ms. Hiroshini Fernando	-	(NIND/NED)
Mr. Stuart Chapman	-	(IND/NED)

Ms. M. Coralie Pietersz was appointed to the Audit Committee w. e. f. 6 May 2021 as the Audit Committee Chairperson. She is an Associate Member of the Institute of Chartered Accountants in England and Wales, Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

Ms. Hiroshini Fernando is a Fellow Member of Institute of Chartered Accountants of Sri Lanka and 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 seven meetings during the financial year ended 31 March 2021.

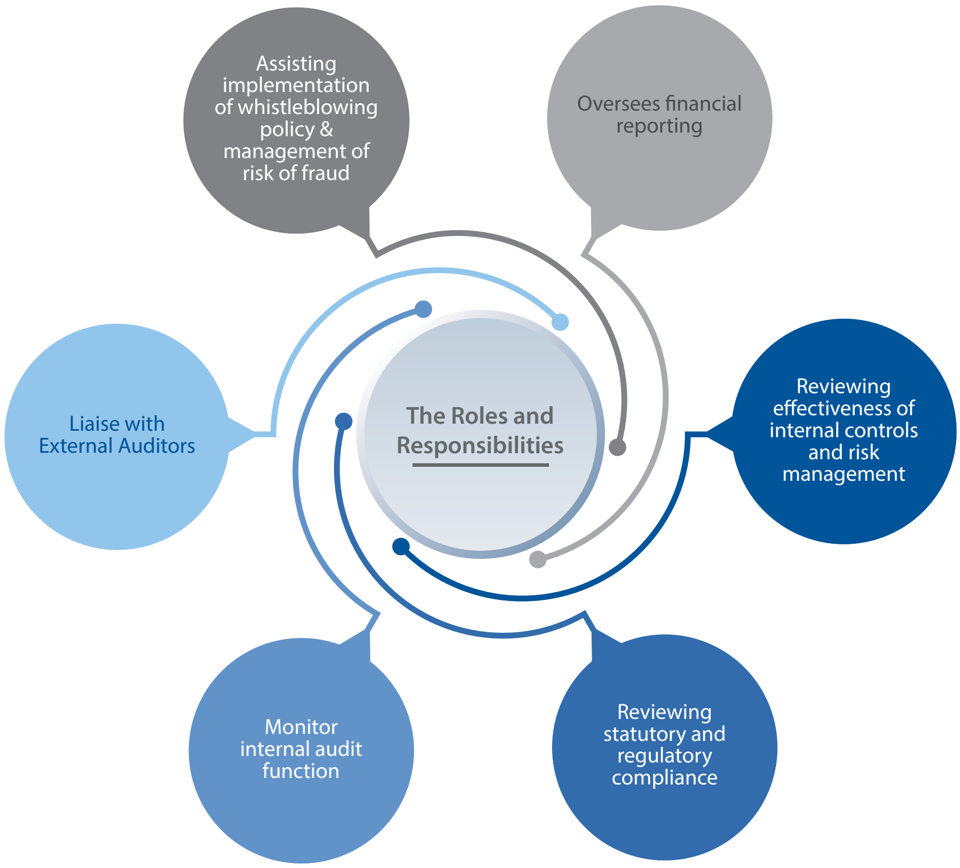
Name	Attendance
Prof. Malik Ranasinghe	07/07
Mr. Sunil G. Wijesinha	07/07
Mr. Ananda Atukorala	07/07
Ms. Hiroshini Fernando	07/07
Mr. Stuart Chapman	07/07

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 DGM (Internal Audit & Monitoring), Ms. Sureshinie Fernando, who independently reports to the Audit Committee attended the regular meetings of the Committee during the year. The Group Chief Financial Officer, Mr. Thushara Jayasekara and other members of the management and the External Auditors were invited to the meetings as and when the Committee required their presence.

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

ROLES AND RESPONSIBILITIES



ACTIVITIES CARRIED OUT DURING 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 recommendation to the Board for approval for publication.

The Committee in exercising its oversight role reviewed, compliance with the Sri Lanka Accounting Standards and other regulatory provisions relating to financial reporting, consistency and appropriateness of the accounting policies adopted, adequacy of disclosures and key judgements and estimates used in the preparation of the financial statements.

The Committee reviewed the effectiveness of the financial reporting systems in place to ensure the accuracy and reliability of the information provided and were of the view that adequate controls are in place to provide reasonable assurance that the financial reporting system is effective and provides 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 controls over financial reporting. A risk-based audit approach is adopted to identify the effectiveness of the internal control procedures in place and all significant risks are 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.

The Committee also reviewed the processes in place for identification, recording, evaluation and management of all significant risks. Formal assurances were obtained from the Management on the mitigating actions taken in respect of the identified risks.

The Audit Committee continuously reviews the risks and potential financial implications from the COVID-19 pandemic. Estimated future cash flows, availability of funding arrangements and profit forecasts were reviewed under different scenarios. The Committee also reviewed the disclosures made in the Annual Report in this regard.

The Directors' Statement on Internal Controls is given on page 106.

Report of the Audit Committee

Statutory and regulatory compliance

The Committee reviewed the procedures established by management to comply with statutory and regulatory requirements. Monthly reports were submitted to the Committee on the extent to which the Group 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, objectivity, extent and effectiveness of the activities of the Internal Audit Division. The annual internal audit plan for the year was prepared on a 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 issues raised and the implementation of recommendations.

The Audit Committee evaluated the independence, effectiveness and competency of the internal audit function, their resource requirements and made recommendations for any required changes.

External audit

Prior to the commencement of the annual audit, the external auditors presented their audit plan, audit approach, audit procedures and matters relating to the scope of audit to the Committee. The audit findings were discussed at the conclusion of the audit.

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. 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. Having reviewed these, the Committee is satisfied that the independence of the external auditors has not been impaired by any event or service that gives rise to a conflict of interest. The fees for the external auditors were approved by the Audit Committee.

The Committee also reviewed the external auditor's management letter for the previous financial year with the management's responses thereto and followed up on actions taken by the management on the auditors recommendations.

The Committee has recommended to the Board. PricewaterhouseCoopers (PwC), Chartered Accountants be re-appointed as statutory auditors for the financial year ending 31 March 2022 subject to the concurrence of its recommendation by the Board and approval of the shareholders at the forthcoming Annual General Meeting.

Whistleblowing and fraud risk management

The whistleblowing 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 Chairperson 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.

CONCLUSION

The Board Audit Committee carried out its responsibilities within as set out in the Charter. The Committee undertook a self-evaluation/appraisal of the effectiveness of executing these responsibilities during the year and conduct of meetings, and was satisfied that the Committee had carried out its responsibilities effectively during the year ended 31 March 2021.

Ms. M. Coralie Pietersz
Chairperson-Audit Committee
10 June 2021

Report of the Remuneration Committee

The Remuneration Committee presents its report for the year ended 31 March 2021 which was approved by the Board of Directors.

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.

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.

Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka further regulate the composition, authority, role and functions of the Committee. The Committee has acted within the parameters sets by its Terms of Reference.

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.

COMPOSITION OF THE COMMITTEE

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 2021.

The Committee consisted of following members as at 31 March 2021, whose profiles are given on pages 20 to 23.

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

Group Chief Executive Officer/Executive Director attends the meeting by invitation.

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

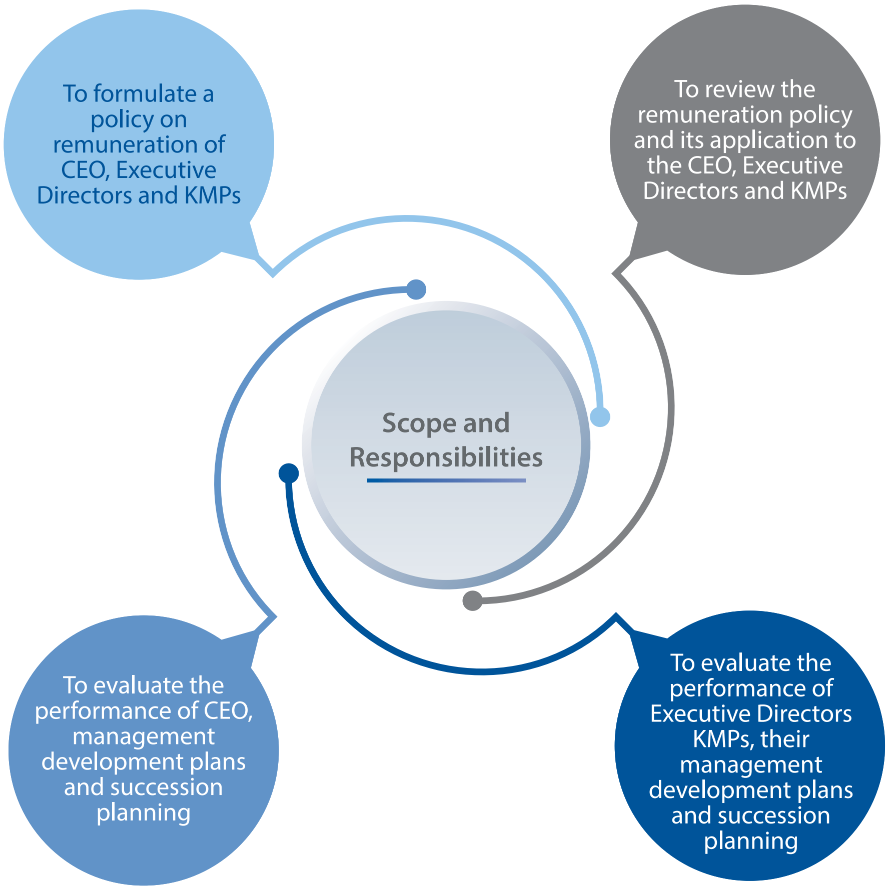
The Committee's composition met the requirements of the Listing Rules of the Colombo Stock Exchange.

Meetings

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

Name	Attendance
Prof. Malik Ranasinghe	01/01
Mr. Sunil G. Wijesinha	01/01
Mr. Ananda Atukorala	01/01
Ms. Hiroshini Fernando	01/01
Mr. Stuart Chapman	01/01

Report of the Remuneration Committee



PROFESSIONAL ADVICE

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

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 linking 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's value.

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 performances. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against predetermined targets.

Surveys are conducted every three to four years 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.

EMPLOYEES

Overall remuneration of employees including the members of the Corporate Management Committee 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.

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 components. 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 is disclosed in Note 13.1 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.

CONCLUSION

The Remuneration Committee carried out a self-evaluation and was satisfied that the Committee had carried out its responsibilities effectively.

Prof. Malik Ranasinghe
Chairman-Remuneration Committee
10 June 2021

Report of the Nomination Committee

The Nomination Committee presents its report for the year ended 31 March 2021 which was approved by the Board of Directors.

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.

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.

COMPOSITION OF THE COMMITTEE

The Nomination Committee comprises four Independent Non-Executive Directors (IND/NED), one Non-Independent Non-Executive Director (NIND/NED) and the Group Chief Executive Officer/Executive Director (GCEO/ED).

The Committee consisted of following members as at 31 March 2021, whose profiles are given on pages 20 to 23.

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

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

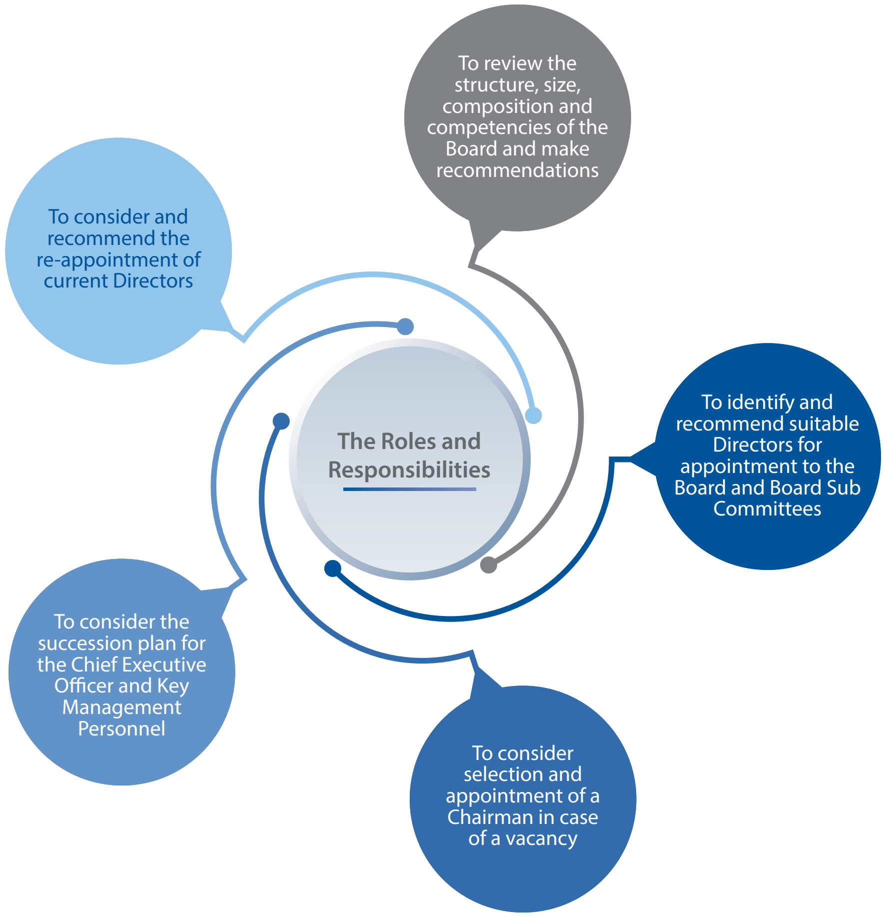
Meetings

The Committee held four (04) meetings during the year, attended by all members of the Committee.

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.

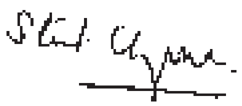
Name	Attendance
Mr. Stuart Chapman	04/04
Mr. Sunil G. Wijesinha	04/04
Mr. Ananda Atukorala	04/04
Mr. Chanaka Yatawara	04/04
Ms. Hiroshini Fernando	04/04
Prof. Malik Ranasinghe	04/04

ROLES AND RESPONSIBILITIES



ACTIVITIES

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



Stuart Chapman
Chairman-Nomination Committee
10 June 2021

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) report for the year ended 31 March 2021 explains how the Committee worked towards discharging its responsibilities. This Report was approved by the Board of Directors.

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 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 (TOR)

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 responsibilities are set out in accordance with requirements stipulated by the Code, the Rules and LKAS 24 on "Related Party Disclosures."

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee (RPTRC) comprises of three 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 2021, whose profiles are given on pages 20 to 23.

Mr. Ananda Atukorala - (IND/NED) – Chairman
Ms. Hiroshini Fernando - (NIND/NED)
Prof. Malik Ranasinghe - (IND/NED)
Mr. Stuart Chapman - (IND/NED)

The Company Secretary functions as the Secretary to the Committee.

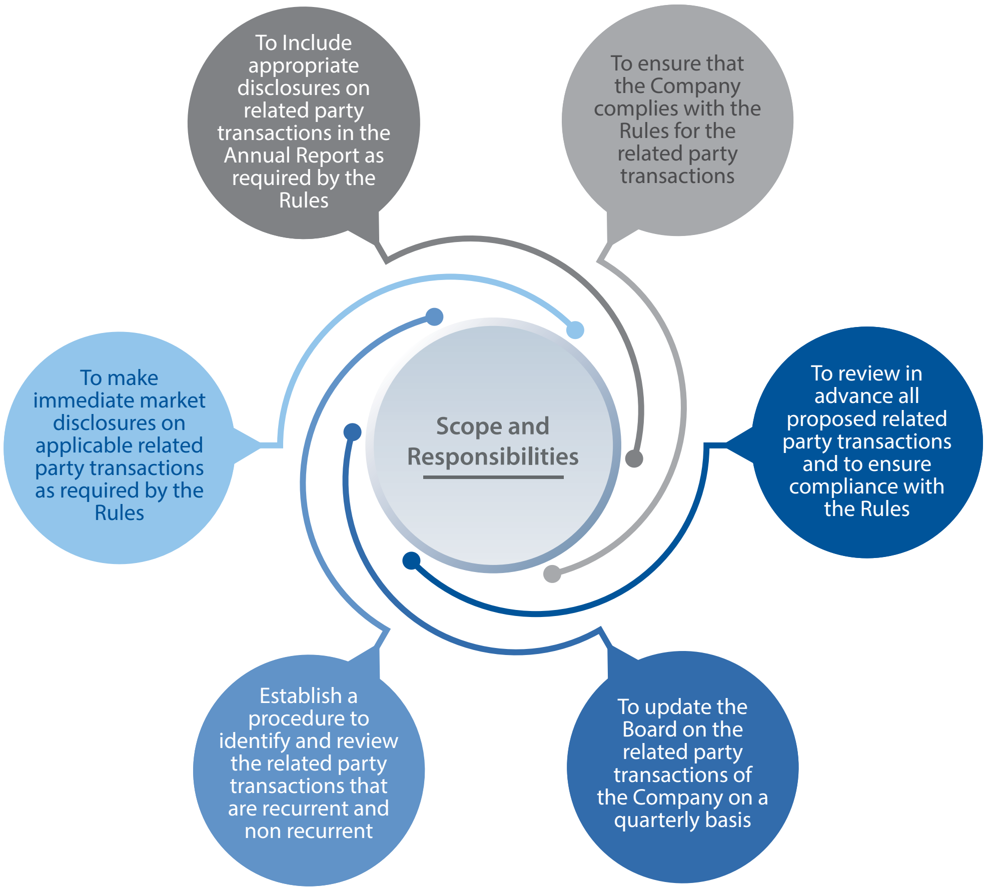
Meetings

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

The proceedings of the Committee meetings were regularly communicated to the Board of Directors.

Name	Attendance
Mr. Ananda Atukorala	04/04
Ms. Hiroshini Fernando	04/04
Prof. Malik Ranasinghe	04/04
Mr. Stuart Chapman	04/04

SCOPE AND RESPONSIBILITY



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

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 were taken place during the year ended 31 March 2021 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 quarterly.

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 2021 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 in 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 2021 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 111 of this Annual Report.

Ananda Atukorala
Chairman-Related Party Transactions Review Committee
10 June 2021

Enterprise Risk Management

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

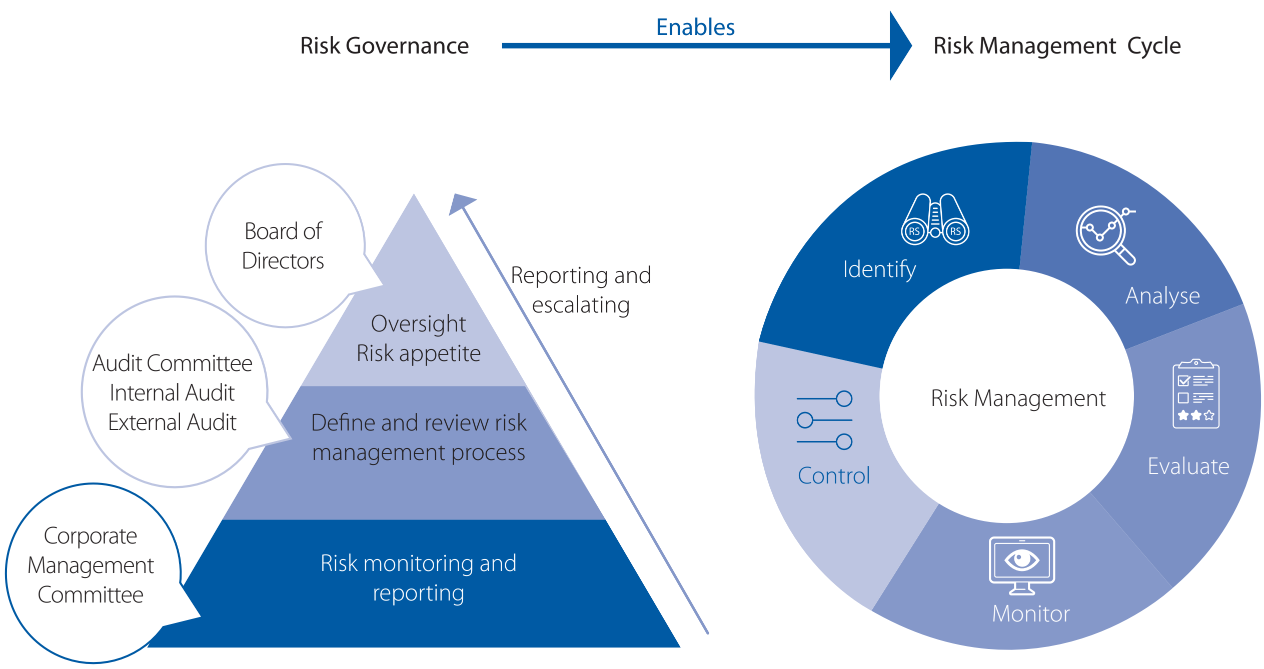
Our risk management framework enables management to identify and effectively deal with uncertainties and associated risks and enhances the capacity to build stakeholder value. Risk management process looks at implementing various policies, procedures and practices to identify, analyse, evaluate and monitor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

RISK MANAGEMENT STRUCTURE AND PROCESS

Risk Management Structure

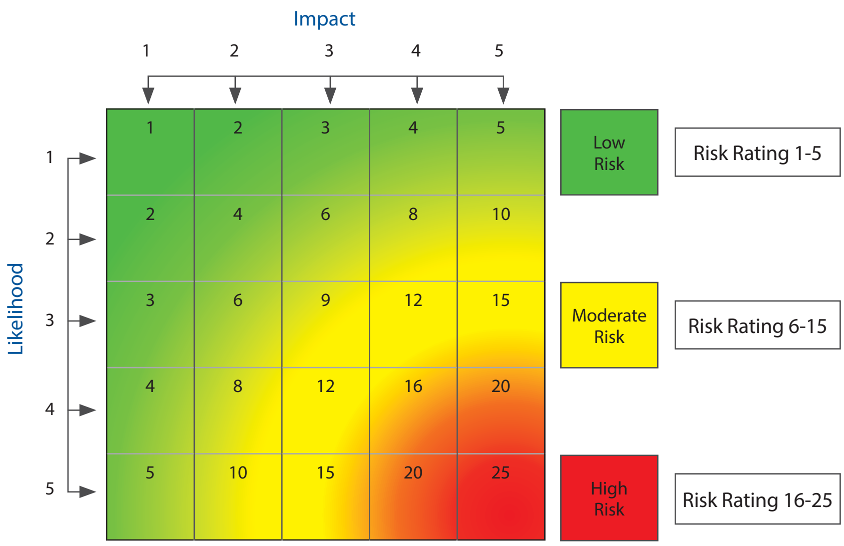
The Board is primarily responsible for overseeing that risks are identified and appropriately managed and also to identify risks that do not match the risk appetite. The Audit Committee, to which this function has been delegated, reviews the effectiveness of the risk management process, including the 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 management process

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



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. COVID-19 pandemic resulted uncertainties across global economies as countries were forced to close down boarders, enforce lockdowns and ensure social distancing to minimise the spread.

While all risks associated with the COVID-19 pandemic and its resultant effects are still ongoing with most of the countries experiencing the third wave, the Group has ensured business continue while ensuring that all health and safety guidelines have been adhered to.

Import restrictions by the Government, had an impact on the results for the year under review and will have an impact in the future as well with import restrictions still in force. We had a negative impact on our revenue from vehicle sales since the stocks that were available at the beginning of the year under review were exhausted. We implemented a variety of other measures including increasing the vehicle assembly production, limiting all capital expenditure, seize new recruitments and curtailing discretionary expenses to reduce cash outflows. The Group was able to demonstrate resilience against the challenging times and successfully weather the vulnerable and uncertain operating environment during the year. With the import restrictions still in force, 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

RISK MAPPING

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	
		2020/21	2019/20
Business environment		High	High
A majority of the Group's revenue is generated by the vehicle sales segment. COVID-19 has resulted in Government implementing a 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 the current situation in the country and supply of vehicles can have an impact due to interruptions to the global supply chain due to COVID-19 pandemic. This makes the Group's revenue highly vulnerable due to uncertain import regulations and tariff policy by the Government, which negatively affects our business.	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 mainly the assembly operation. We have already put in place a 2MW roof top solar system. We are looking for opportunities to diversify into non related business segments.		
Risk of employee safety		High	High
With the spread of second and third waves 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 to and guidelines are given to employees. Employees work on roster basis.		
Credit risk		Moderate	Moderate
Adverse economic conditions as a result of COVID-19 pandemic and due to lockdowns can result in a drop in credit worthiness of 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.		

Risk	Risk management actions	Change in risk profile	
		2020/21	2019/20
Exchange rate risk		High	Moderate
Due to depreciation of Rupee against the other currencies purchasing costs becomes higher.	Import bills are negotiated at the most favourable time to get the best exchange rate for the Company. Selling prices are based on expected exchange rate movements.		
Liquidity risk		Low	Moderate
Unavailability of sufficient funds as a result of curtailed business operations. Excess borrowings may impact the smooth functioning of the Company's day-today operations due to inability to service loans.	Preparation of cash flows ensures that the 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.		
Obsolescence of inventory/high stock holding		Moderate	Moderate
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 reviews of inventory age analysis, strategies are implemented to increase sales and to reduce inventory levels. Obsolete and damaged items are identified during physical inventory verification and actions are taken to dispose them.		
Cyber risk		Moderate	High
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, working from home has increased substantially. This has increased the 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. During the year implemented end point security and dual authentication.		

Directors' Statement on Internal Controls

RESPONSIBILITY

The Board of Directors presents this statement on internal controls as per the requirements of the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the system of internal controls. It is designed to manage the key areas of risk in the organization within an acceptable risk profile and does not eliminate the risk of failure to achieve the business objectives. Accordingly, the system of internal controls can only provide 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. This process includes enhancing the system of internal controls as and when there are changes to the 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.

The management assists the Board in the implementation of the Board's policies and procedures on risks and controls by identifying and assessing the risks faced, and in designing, implementing and monitoring of suitable internal controls to mitigate and control these risks.

The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY INTERNAL CONTROL PROCESSES

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

» Group Chief Executive Officer/Executive Director along with the Corporate Management Committee assists 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 verifies compliance with policies and procedures and effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance through Audit Committee to the Board. 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, 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 are monitored by the Internal Audit Division for suitability of design and effectiveness on an on-going basis. The assessment includes subsidiaries as well.

» The recommendations made by the external auditors through the management letters 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 is closely monitoring the impact of COVID-19 on the business operations and particularly 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 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), statutory and regulatory requirements.

By order of the Board

Ms M. Coralie Pietersz
Chairperson-Audit Committee

Chanaka Yatawara
Group Chief Executive Officer/ Executive Director

Sunil G. Wijesinha
Chairman
10 June 2021

Annual Report of the Board of Directors

1. OVERVIEW

The Directors have pleasure in presenting the Thirty Second Annual Report of your Company together with the Audited Financial Statements of the Group and the Company for the year ended 31 March 2021 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 Board of Directors approved the Annual Report of the Company including the Annual Report of the Board of Directors on 10 June 2021. 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 89 forms part of this Annual Report of the Board of Directors.

2. REVIEW OF BUSINESS

2.1 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.
- UML also imports and distributes LiuGong concrete mixing trucks and material handling equipment from China.
- The Company continues to market Valvoline Lubricants, Prestone auto chemical products from USA and Simoniz car care products from USA.
- It also import and distribute of Formlabs, Creality, Ultimaker 3D printing equipment, 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 Limited (UEL)

- The Company is engaged in the import and distribution of Perodua vehicles from Malaysia, JMC commercial vehicles, from China, Yokohama Tyres from Japan.
- The Company is also engaged in the assembly and marketing of DFSK 580 and DFSK i -Auto SUVs from Indonesia, DFSK Glory multipurpose vehicles (MPV) & Z100 vehicles from China.
- The Company also import and distribute Greaves power generators from India.

U M L Property Developments Limited

- Development of Company owned properties. This Company has constructed a warehouse and has leased it to United Motors Lanka PLC.

U M L Heavy Equipment Limited

- The Company is engaged in the import and distribution of JCB earth moving equipment and power generators from India.

There were no 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.

2.2. Review on operations of the Company and the Group

The "Chairman's Message" and the "Group Chief Executive Officer's Review of Operations" which forms an integral part of this report provides an overall assessment on the financial performance and financial position of the Company , its subsidiaries and describes in detail its affairs and important events for the year.

2.3. 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 114 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 section on "How we govern" on page 74 to 89.

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 125 of the Annual Report.

5. AUDITORS' REPORT

The Company's auditors, PricewaterhouseCoopers' Report on the financial statements is given on page 117 to 123 of the Annual Report.

Annual Report of the Board of Directors

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 131 to 145 of the Annual Report.

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

7. GOING CONCERN

The Board of Directors has made an assessment of the ability of the Group to continue as a going concern and 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. The assessment took into consideration existing and potential implications from COVID-19 pandemic on the business operation and performance and also the impact on the import restrictions on vehicles that is still in force.

8. REVENUE

The Company achieved revenue of LKR 7.2 billion during the year ended 31 March 2021. The details of the revenue by segment are given in Note 10 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	2021 LKR'000	2020 LKR'000
Profit for the year before taxation	905,876	120,969
Income tax expenses	(139,237)	(3,642)
Profit after tax	766,639	117,327
Other comprehensive income	(13,066)	14,009
Un-appropriated profit brought forward		
from previous years	5,952,596	6,224,863
Profit available for appropriation	6,706,169	6,356,199
Appropriations		
Dividend paid		
2018/19 – LKR 4.00 per share (First & Final)	-	(403,603)
2020/21 – LKR 1.50 per share (Interim)	(151,351)	-
Un-appropriated profit to be carried forward	6,554,818	5,952,596

Dividends

An interim dividend of LKR 1.50 per share was paid on 22 January 2021 and a final dividend of LKR 1.00 per share has been recommended by the Board of Directors for payment on 16 August 2021.

The Board of Directors provided the statement of solvency to the External Auditors and obtained the certificate of solvency from the External Auditors in respect of the interim dividend and would ensure compliance of solvency test after the payment of the final dividend.

Reserves

The total revenue reserves of the Company as at 31 March 2021 amounted to LKR 7,961 million and the capital reserves of the Company as at 31 March 2021 amounted to LKR 5,018 million. Details of reserves are shown in the statement of changes in equity on page 128 to 129.

10. PROVISION FOR TAXATION

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

11. CORPORATE DONATIONS

The Company made donations to the value of LKR 51,000 (LKR 412,150 in 2019/20) to charities. Out of the aforementioned sum, the donations made by the Company/ Group to Government approved charities amounted to LKR 50,000 (LKR 120,000 in 2019/20).

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 using fair value method.

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

13. 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 2021 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 3,828 registered shareholders as of 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 193 to 196.

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 page 194 to 195.

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 198.

Substantial shareholdings

The details of the top twenty shareholders and the percentage holding of the public are given under "Share Information" on page 193 to 195.

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 the Institute of Charted Accountants of Sri Lanka, and also the Listing Rules of the Colombo Stock Exchange. The level of conformance is given in the section on "How we govern" on pages 74 to 89

The Company maintains and practices high principles of good Corporate Governance. A separate report on "How we govern" is given on pages 74 to 89 in the Annual Report.

18. BOARD OF DIRECTORS

Names of the Directors who held office during the financial year are as follows:

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.
Ms. 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. Yoshisuke Ishii	NED/IND	Director since July 2020.

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 page 5.

New appointments and resignations of Directors

Ms. Coralie Pietersz was appointed to the Board as an Independent Non-Executive Director with effect from 1 April 2021 and was appointed as the Chairperson of the Audit Committee with effect from 6 May 2021.

Mr. Devaka Cooray was appointed to the Board as an Independent Non-Executive Director with effect from 4 May 2021.

Annual Report of the Board of Directors

Mr. Yoshisuke Ishii, Director representing Mitsubishi Motors Corporation, resigned from the Board with effect from 12 May 2021 and Mr. Junya Takami representing Mitsubishi Motors Corporation was appointed to the Board as an Independent Non-Executive Director with effect from 1 June 2021.

Re-election/re-appointment and retirement of Directors

1. In terms of Article 83 of the Articles of Association of the Company, Prof. Malik Ranasinghe, 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.
2. In terms of Article 89 of the Articles of Association of the Company;
   a. Ms. Coralie Pietersz retires and being eligible offer herself for re-election
   b. Mr. Devaka Cooray retires and being eligible offer himself for re-election
   c. Mr. Junya Takami retires and being eligible offer himself for re-election

on the unanimous recommendation of the Board Nomination Committee and the Board of Directors.

3. Mr. Ananda Atukorala, who has reached the age of 70 vacates his office, in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act). In compliance with Section 211 of the Act, the following ordinary resolution is proposed with the unanimous recommendation of the Board 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 72 years of age and that he be re-appointed a Director of the Company."

In terms of Section 210 of the Companies Act No. 07 of 2007, the Chairman Mr. Sunil G. Wijesinha, who has reached the age of 70 vacates his office, at the conclusion of the Annual General Meeting. On 10 June 2021, Mr. Wijesinha informed the Board that he will not be seeking re-appointment at the forthcoming Annual General Meeting to be held on 27 July 2021, and accordingly Mr. Wijesinha will cease to be a Director at the conclusion of the Annual General Meeting.

On 10 June 2021, the Board of Directors appointed Mr. Devaka Cooray, Independent Non-Executive Director as the Chairman of United Motors Lanka PLC with effect from 27 July 2021.

Independence of Non-Executive Directors

As at 31 March 2021, the Board comprised of eight Directors of whom six Directors were 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 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 an "Independent" Director has been impaired in any manner due to his tenure in office. Having taken into account all relevant aspects, the Board determined that Mr. Ananda Atukorala continues as an 'Independent Non-Executive Director' of the Company.

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

Directors' meetings

Directors' meetings comprise of Board Meetings and Board Sub Committee meetings of Audit Committee, Remuneration Committee, Nomination Committee, and Related Party Transactions Review Committee. The attendance of Directors at the Board meetings are given on page 80 of the Annual Report, while the attendance at Sub Committee meetings are given in the Sub Committee reports.

Directors' dealings in shares of the Company

Directors' shareholding as of 1 April 2020, disclosure in respect of Directors' dealings in shares of the Company during the year and their shareholding as of 31 March 2021 have been disclosed in "Share Information" on page 193.

Directors' remuneration & other benefits

Details of Directors' emoluments and other benefits paid in respect of the Company during the financial year under review are 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 interests 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 that could be classified as related party transactions in terms of LKAS 24 – "Related Party Disclosures" 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% or 5% of the total assets whichever is lower of the Company as per audited financial statements of 31 Mach 2021.

The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on related party transactions.

Board Sub Committees

The Board while assuming the overall responsibility and accountability in the management of the Company has also appointed Board Sub Committees to ensure oversight and control over certain affairs of the Company. They are Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee.

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 are 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 2021 and the details of the attendance by Directors at meetings are given on page 80 and while the reports of these Sub Committees are given on pages 92 to 101.

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 102 to 105 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 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 106.

20. COMPLIANCE WITH LAWS AND REGULATIONS

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

21. STATUTORY PAYMENTS

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

22. OUTSTANDING LITIGATIONS

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

23. RESPONSIBLE CORPORATE BEHAVIOUR

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

24. ENVIRONMENTAL PROTECTION

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

25. EMPLOYMENT

The Company continues to invest in human resource development and implement effective HR practices to ensure optimum contribution towards the achievement of its corporate goals. The number of persons employed by the Company, its subsidiaries as at the year-end was 996 (2019/20-1009).

26. INDUSTRIAL RELATIONS

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

27. EMPLOYEE SHARE OWNERSHIP PLANS

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

Annual Report of the Board of Directors

28. AUDITORS

Auditors' remuneration

The fees paid to the auditors, 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 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, PricewaterhouseCoopers and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting to be held on the 27 July 2021.

29. 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 Second Annual General Meeting (AGM) via audio-visual means on 27 July 2021 at 9.30 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 201.

30. 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

10 June 2021

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Financial Information

Financial Calendar

Financial Statements 2020/21	
First quarter released on	14 August 2020
Second quarter released on	03 November 2020
Third quarter released on	09 February 2021
Fourth quarter released on	25 May 2021
Annual Report and Accounts	
2019/20	07 August 2020
Meetings	
Thirty First Annual General Meeting	31 August 2020
Thirty Second Annual General Meeting	27 July 2021
Dividends	
First interim dividend 2020/21	22 January 2021
Final dividend 2020/21 (Proposed, subject to shareholder approval)	16 August 2021 (Recommended)

Statement of Directors' Responsibility

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 2021 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, 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, 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 pages 117 to 123.

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, the Annual Report has been prepared as required by section 166(1) and 167(1) of the Companies Act No. 07 of 2007.

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

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

COMPLIANCE

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.

RHisham

Ms. Rinoza Hisham
Company Secretary
10 June 2021

GCEO and GCFO's Responsibility Statement

The financial statements of United Motors Lanka PLC and Consolidated Financial Statements of the Group as at 31 March 2021 are prepared and presented in compliance with the following;

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

We confirm that the accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, except where otherwise stated in the notes accompanying the financial statements. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The significant Accounting Policies and estimates that involved a high degree of judgement and complexity were discussed with the Audit Committee. The significant accounting policies adopted in the preparation of the financial statements of the Group and the Company are given on pages 133 to 145 of the Annual Report.

We confirm, that to the best of our knowledge, the financial statements and other financial information included in this Annual Report, fairly present in all material aspects, the financial position, results of the operations and cash flows of the Company and the Group as of and for the periods presented in this Annual Report.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgements relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs.

It is confirmed that the Company has adequate resources to continue its operation in the foreseeable future. Therefore, the Company will continue to adopt the "going concern" basis in preparing these financial statements.

We are responsible for establishing and maintaining internal controls and procedures and have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us and for safeguarding the Company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this Annual Report.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls. No fraud that involved management or other employees was reported in the year under review.

Our internal audit division has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The financial statements were audited by PricewaterhouseCoopers, Chartered Accountants, Independent External Auditors. Their report is given on pages from 117 to 123 of the Annual Report. The Audit Committee of your Company meets periodically with the independent auditors to review the manner in which the auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance with the guidelines for the listed companies where mandatory compliance is required. It is further confirmed that the Company and the Group has complied with all applicable laws, regulations and other guidelines and that there are no known material litigations and claims against the Company other than those arising out of the normal course of business.

Thushara Jayasekara
Group Chief Financial Officer

Chanaka Yatawara
Group Chief Executive Officer/
Executive Director
10 June 2021

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 2021, 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 2021;

» 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.

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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

To the Shareholders of United Motors Lanka PLC (Contd.)

Report on the audit of the financial statements (Contd.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

The Company:

Key audit matter	How our audit addressed the Key audit matter
Valuation of freehold land and investment property (Refer note 18.2 for freehold land revaluation and 19 for investment property in the financial statements) The Company engaged an independent valuer to determine the fair value of its freehold land captured under property, plant and equipment, and the investment property comprising land and buildings located at Colombo 2. As at 31 March 2021, the freehold land portfolio was carried at a revalued amount of LKR 6.058 Bn and the investment property was carried at a fair value of LKR 521 Mn. The gain on revaluation of freehold land amounting to LKR 126 Mn and the fair value gains on investment property of LKR 8.2 Mn had been recognised in the financial statements for the year ended 31 March 2021. The valuation of both freehold land and investment property were based on significant judgement made using a number of assumptions, including prices at which comparable properties are transacted adjusted for differences in key attributes such as, property size, shape, legal restrictions, access to main roads, the physical condition of buildings and replacement cost per square foot. The valuation of freehold land and investment property was considered a key audit matter due to the significant judgements involved in the estimation of fair value and the magnitude of the value of these assets in the financial statements.	Our audit approach included the following procedures: » assessed the competence and independence of the external valuer engaged by the management; » checked the completeness and accuracy of the data provided by management to the valuer; » obtained the valuation report and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with the methods generally, used in practice for the valuation of similar properties; » evaluated the relevance and reasonableness of the significant assumptions used in the valuation by applying our knowledge and the publicly available information on the real estate market such as range of prices for real estate of similar nature and location; and » 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 valuation methodology and assumptions used in the determination of fair value of both freehold land and investment property as at 31 March 2021 to be appropriate and reasonable.

To the Shareholders of United Motors Lanka PLC (Contd.)

Report on the audit of the financial statements (Contd.)

Key audit matters (Contd.)

Key audit matter	How our audit addressed the Key audit matter
Recoverability of investment in subsidiaries (Refer note 23.1 in the financial statements) The carrying value of the investments in subsidiaries, shown at cost, in the Company's separate financial statements amounted to LKR 222 Mn as at 31 March 2021, and it included LKR 100 Mn invested in the fully owned subsidiary, U M L Heavy Equipment Limited ("UML Heavy"). As at 31 March 2021, UML Heavy financial statements indicated a negative net asset position of LKR 41 Mn and a loss of LKR 27 Mn for the year then ended. At year end the Company assessed its investment in UML Heavy for impairment and concluded that it has not impaired as the recoverable amount based on the cashflow projections exceeded its carrying amount. The assessment of the recoverable amount is judgmental and required significant estimations and assumptions by management, in particular with respect to the timing and quantum in projection of cash flows. Accordingly, we considered determination of the recoverable amount of the investment in UML Heavy as a key audit matter.	Our audit approach included the following procedures: » obtained an understanding of the process by which management evaluates the recoverability of its investments in subsidiaries; » inquired management and those charged with governance on the current market condition and business prospects of UML Heavy, and corroborated the explanations received thereof against our knowledge on the industry and economy in general; » obtained management's impairment assessment and checked the appropriateness of the selected impairment testing technique, and mathematical accuracy of the calculations; » tested the reasonableness of the key assumptions used in the discounted cash flow model based on which recoverable amount had been determined, as detailed below: - agreed the forecasted cash flow information to approved budgets and business plans; - checked the reliability of management's cash flow projections, by comparing those to after year-end sales volumes and historic actuals. - assessed the likelihood of achieving the planned cost reductions by checking the reasonableness of key assumptions used based on our knowledge of the business and the economy. - checked the appropriateness of the discount rate used and assessed its reasonableness by comparing with market interest rates. - re-performed the sensitivity analysis carried out by management to assess the estimation risk involved in the key assumptions. Based on the worked performed, we found the determination of recoverable amount of the investment in UML Heavy by management was based on appropriate methodology and reasonable assumptions.

Independent Auditor's Report

To the Shareholders of United Motors Lanka PLC (Contd.)

Report on the audit of the financial statements (Contd.)

Key audit matters (Contd.)

The Group:

Key audit matter	How our audit addressed the Key audit matter
Valuation of freehold land (Refer notes 18.1, 18.2, 18.3 ,18.4 and 18.5 in the financial statements) An independent valuer had been engaged to determine the fair value of freehold land captured under property, plant and equipment. As at 31 March 2021, the freehold land portfolio was carried at a revalued amount of LKR 6.57 Bn and the gain on revaluation for the year amounted to LKR 135 Mn. The valuation of freehold land was based on significant judgement made using a number of assumptions, including prices at which comparable properties are transacted adjusted for differences in key attributes such as, property size, shape, legal restrictions, and access to main roads. The valuation of freehold land was considered a key audit matter due to the magnitude of the amount in the Statement of Financial Position and significant judgement made in the use of number of assumptions in the valuation methodology.	Our audit approach mainly included substantive audit procedures as follows: » assessed the competence and independence of the external valuer engaged by the management; » checked the completeness and accuracy of the data provided by management to the valuer; » obtained the valuation report and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with the methods generally used in practice for the valuation of similar properties; » evaluated the relevance and reasonableness of the significant assumptions used in the valuation by applying our knowledge and publicly available information on the real estate market such as range of prices on real estates of similar nature and location; and » 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 valuation methodology and assumptions used in the determination of fair value of freehold land as at 31 March 2021 to be appropriate and reasonable.
Valuation of inventory (Refer note 25 in the Group financial statements) As at 31 March 2021, the Group held LKR 3.4 Bn 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 make 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. Accordingly, we consider this as a key audit matter.	Our audit approach included the following procedures: » 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 its present location had been recorded accurately; » checked the accuracy of the inventory aging reports by agreeing a sample of inventory items to movement records such as goods received notes and issue/delivery notes; » tested on a sample basis the reasonability of the net realisable value of vehicles by reference to recent selling prices; » checked the mathematical accuracy of the inventory provisioning calculations; and » for spares, lubricants and tyres, evaluated the aging based write down applied with reference to recoveries on slow moving inventories. Based on our work performed, we found management judgement and estimates on arriving at the net realisable value of slow-moving inventory to be appropriate.

To the Shareholders of United Motors Lanka PLC (Contd.)

Report on the audit of the financial statements (Contd.)

Key audit matters (Contd.)

Key audit matter	How our audit addressed the Key audit matter
Management's assessment of the impact of the COVID-19 related events on the business operations (Refer notes 2.9.1, 2.10 and 42 in the financial statements) 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, following the import restrictions imposed by the Government from beginning of last financial year and the general slowdown in the automobile industry due to lockdowns and the resulting curtailments in business operations are described in the above notes. Management's 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 that are dependent on significant management judgement.	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 accuracy of the opening cash position; » obtained the Group's 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 checking the assumptions against external and internal sources as necessary, including recent sales volumes, historic actuals and approved budgets. » assessed the likelihood of achieving the planned cost reductions by checking the reasonableness of key assumptions used based on our knowledge of the business and the economy. » inspected the availability of credit facility arrangements for the Group to adequately manage its cash flow requirements arising in the foreseeable future; 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 Group's operations has been considered satisfactorily, and disclosed adequately in the financial statements.

Independent Auditor's Report

To the Shareholders of United Motors Lanka PLC (Contd.)

Report on the audit of the financial statements (Contd.)

Other information

Management is responsible for the other information. The other information comprises the Annual Report 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 controls 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 controls.

» Obtain an understanding of internal controls 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 controls.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

To the Shareholders of United Motors Lanka PLC (Contd.)

Report on the audit of the financial statements (Contd.)

Auditor's responsibilities for the audit of the financial statements (Contd.)

» 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.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number: 4084

Colombo
10 June 2021

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2021 LKR '000	Group 2020 LKR '000	Company 2021 LKR '000	Company 2020 LKR '000
Revenue from contracts with customers	11	13,537,657	9,845,621	7,187,553	5,752,104
Cost of sales		(10,832,471)	(7,796,897)	(5,101,072)	(3,976,254)
Gross profit		2,705,186	2,048,724	2,086,481	1,775,850
Distribution expenses		(415,467)	(401,463)	(217,356)	(222,737)
Administrative expenses		(1,641,737)	(1,818,094)	(1,332,040)	(1,509,118)
Other income	12	138,415	94,025	306,949	194,579
Profit/(loss) from operations	13	786,397	(76,808)	844,034	238,574
Finance income	14.1	224,829	31,878	277,477	209,553
Finance cost	14.1	(364,834)	(502,952)	(223,845)	(344,578)
Net finance (cost)/income		(140,005)	(471,074)	53,632	(135,025)
Change in fair value of investment property	19	-	-	8,210	17,420
Profit/(loss) before income tax expenses		646,392	(547,882)	905,876	120,969
Income tax (expense)/credit	15	(142,717)	138,207	(139,237)	(3,642)
Profit/(loss) for the year		**503,675**	**(409,675)**	**766,639**	**117,327**
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	123,891	(62,557)	97,414	(43,673)
Re-measurements of post employment benefit obligations	32.6	(23,663)	17,828	(20,502)	15,986
Deferred tax on re-measurements of post employment benefit obligations	33.3	4,301	(2,490)	3,662	(1,977)
Revaluation of land	18	135,210	780,927	126,000	734,877
Deferred tax on gains on revaluation of land	33.2	(13,521)	(78,093)	(12,600)	(73,488)
Other Comprehensive Income for the year, net of tax		226,218	655,615	193,974	631,725
Total Comprehensive Income for the year		**729,893**	**245,940**	**960,613**	**749,052**
Profit/(loss) attributable to:					
Owners of United Motors Lanka PLC		503,675	(409,675)	766,639	117,327
		503,675	**(409,675)**	**766,639**	**117,327**
Total Comprehensive Income attributable to:					
Owners of United Motors Lanka PLC		729,893	245,940	960,613	749,052
		729,893	**245,940**	**960,613**	**749,052**
Earnings per share (LKR)	16	4.99	(4.06)	7.60	1.16
Dividend per share (LKR)	17	-	-	1.50	4.00

Notes from pages 131 to 192 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March	Note	Group 2021 LKR '000	Group 2020 LKR '000	Company 2021 LKR '000	Company 2020 LKR '000
Assets					
Non-current assets					
Property, plant and equipment	18	7,836,020	7,942,818	7,190,990	7,279,449
Investment property	19	-	-	521,260	513,050
Intangible assets	20	220,119	236,492	216,992	233,037
Right-of-use assets	21	265,208	250,125	212,415	279,325
Investments in subsidiaries	23.1	-	-	222,400	222,400
Financial assets at fair value through other comprehensive income	23.3	258,864	208,256	211,519	168,485
Reimbursable right	32.2	46,833	67,210	41,885	62,788
Deferred tax assets	33.1	507,080	477,549	189,714	182,926
Total non-current assets		**9,134,124**	**9,182,450**	**8,807,175**	**8,941,460**
Current assets					
Inventories	25	3,383,961	7,105,025	1,427,937	3,969,655
Trade and other receivables	26	2,065,783	3,469,036	764,046	2,791,963
Amounts due from related parties	27	-	-	380,206	135,744
Current tax receivables	37.2	8,657	66,378	-	57,718
Financial assets at fair value through profit or loss	24.1	3,309,783	54,924	3,309,783	54,924
Cash and cash equivalents	28	851,744	261,960	644,512	208,790
Total current assets		**9,619,928**	**10,957,323**	**6,526,484**	**7,218,794**
Total assets		**18,754,052**	**20,139,773**	**15,333,659**	**16,160,254**
Equity and liabilities					
Equity					
Stated capital	29	336,335	336,335	336,335	336,335
Capital reserve	30	5,380,532	5,258,843	5,017,658	4,904,258
Other components of equity		1,364,572	1,245,227	1,405,852	1,312,212
Retained earnings		6,218,547	5,881,039	6,554,818	5,952,596
Total equity attributable to the equity holders of the parent		**13,299,986**	**12,721,444**	**13,314,663**	**12,505,401**
Non-current liabilities					
Interest-bearing borrowings	31.1	3,150	-	-	-
Employee benefit obligations	32.1	282,299	239,546	251,995	214,145
Lease liabilities	34	180,985	109,514	74,651	153,539
Deferred tax liabilities	33.2	315,655	322,866	291,749	323,505
Total non-current liabilities		**782,089**	**671,926**	**618,395**	**691,189**
Current liabilities					
Interest-bearing borrowings	31.1	2,103,829	5,662,003	500,411	2,096,853
Trade and other payables	35	2,319,162	747,615	619,915	500,810
Lease liabilities	34	100,363	138,801	152,423	132,918
Amounts due to related parties	36	-	-	2,841	64,796
Current tax liabilities	37	76,941	-	76,454	-
Bank overdrafts	28	71,682	197,984	48,557	168,287
Total current liabilities		**4,671,977**	**6,746,403**	**1,400,601**	**2,963,664**
Total liabilities		**5,454,066**	**7,418,329**	**2,018,996**	**3,654,853**
Total equity and liabilities		**18,754,052**	**20,139,773**	**15,333,659**	**16,160,254**
Net assets per share (LKR)		131.81	126.08	131.96	123.94

Notes from pages 131 to 192 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 10 June 2021.

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

Sunil G. Wijesinha
Chairman

Chanaka Yatawara
Group CEO/Executive Director

Colombo
10 June 2021

Statement of Changes in Equity

Group	Stated Capital LKR '000	Capital Reserve LKR '000
Balance as at 01.04.2019	336,335	4,556,009
Loss for the year		
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of post employment benefit obligations		
Deferred tax on re-measurements of post employment benefit obligations		
Net change in equity investments at fair value through Other Comprehensive Income		
Revaluation of land		780,927
Deferred tax on revaluation of land		(78,093)
Total comprehensive income for the year	-	702,834
Transactions with owners in their capacity as owners:		
Final dividend paid for 2018/19		
Balance as at 31.03.2020	336,335	5,258,843
Profit for the year		
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of post employment benefit obligations		
Deferred tax on re-measurements of post employment benefit obligations		
Net change in equity investments at fair value through Other Comprehensive Income		
Net gain on disposal of equity investments at fair value through Other Comprehensive Income		
Revaluation of land		135,210
Deferred tax on revaluation of land		(13,521)
Total comprehensive income for the year	-	121,689
Transactions with owners in their capacity as owners:		
Interim dividend paid for 2020/21		
Balance as at 31.03.2021	336,335	5,380,532

Notes from page 131 to 192 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

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
785,400	308,900	466,250	(252,766)	6,678,979	12,879,107
				(409,675)	(409,675)
				17,828	17,828
				(2,490)	(2,490)
			(62,557)		(62,557)
					780,927
					(78,093)
-	-	-	(62,557)	(394,337)	245,940
				(403,603)	(403,603)
785,400	308,900	466,250	(315,323)	5,881,039	12,721,444
				503,675	503,675
				(23,663)	(23,663)
				4,301	4,301
			123,891		123,891
			(4,546)	4,546	-
					135,210
					(13,521)
-	-	-	119,345	488,859	729,893
				(151,351)	(151,351)
785,400	308,900	466,250	(195,978)	6,218,547	13,299,986

Statement of Changes in Equity

Company	Stated Capital LKR '000	Capital Reserve LKR '000
Balance as at 01.04.2019	336,335	4,242,869
Profit for the year		
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of post employment benefit obligations		
Deferred tax on re-measurements of post employment benefit obligations		
Net change in equity investments at fair value through Other Comprehensive Income		
Revaluation of land		734,877
Deferred tax on revaluation of land		(73,488)
Total comprehensive income for the year	-	**661,389**
Transactions with owners, recognised directly in equity		
Final dividend paid for 2018/19		
Balance as at 31.03.2020	**336,335**	**4,904,258**
Profit for the year		
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurements of post employment benefit obligations		
Deferred tax on re-measurements of post employment benefit obligations		
Net change in equity investments at fair value through Other Comprehensive Income		
Net gain on disposal of equity investments at fair value through Other Comprehensive Income		
Revaluation of land		126,000
Deferred tax on revaluation of land		(12,600)
Total comprehensive income for the year	-	**113,400**
Transactions with owners in their capacity as owners:		
Interim dividend paid for 2020/21		
Balance as at 31.03.2021	**336,335**	**5,017,658**

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.

Property, plant and equipment replacement reserve represents profits reserved by the Company for the replacement of capital assets that have either completed their economic life or whose technologies are out-dated and thus require replacement.

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

General reserves are profits held in the reserve to fund future needs of the business which have not been specified.

Fair value through Other Comprehensive Income comprises the cumulative net change in the fair value of equity instruments until the investments are derecognised or impaired.

Notes from page 131 to 192 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

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
785,400	308,900	466,250	(204,665)	6,224,863	12,159,952
				117,327	117,327
				15,986	15,986
				(1,977)	(1,977)
			(43,673)		(43,673)
					734,877
					(73,488)
-	-	-	(43,673)	131,336	749,052
				(403,603)	(403,603)
785,400	308,900	466,250	(248,338)	5,952,596	12,505,401
				766,639	766,639
				(20,502)	(20,502)
				3,662	3,662
			97,414		97,414
			(3,774)	3,774	-
					126,000
					(12,600)
-	-	-	93,640	753,573	960,613
				(151,351)	(151,351)
785,400	308,900	466,250	(154,698)	6,554,818	13,314,663

Statement of Cash Flows

For the year ended 31 March	Group 2021 LKR '000	Group 2020 LKR '000	Company 2021 LKR '000	Company 2020 LKR '000
Cash flows from operating activities (Note 38.1)	7,879,796	(1,203,833)	5,443,610	(1,232,186)
Interest paid	(361,628)	(476,711)	(225,808)	(319,615)
Taxes paid	(54,018)	(90,685)	(52,547)	(88,563)
Contribution paid and received from investment plan (net)	(3,888)	(484)	(40)	(398)
Net cash in inflow/(outflow) generated from operating activities	**7,460,262**	**(1,771,713)**	**5,165,215**	**(1,640,762)**
Cash flows from investing activities				
Investments in shares/unit trusts	(5,707,571)	(14,403)	(5,707,571)	(14,403)
Proceeds from disposal of investments/unit trusts	2,623,513	180,187	2,604,610	180,187
Acquisitions of property, plant and equipment and intangible assets	(44,240)	(258,194)	(26,167)	(224,674)
Proceeds from disposal of property, plant and equipment	84,710	2,640	84,406	2,640
Interest received	93,349	12,806	148,870	199,840
Dividend received	15,157	9,240	164,803	95,188
Net cash (outflow)/inflow from investing activities	**(2,935,082)**	**(67,724)**	**(2,731,049)**	**238,778**
Cash flows from financing activities				
Dividend paid	(151,351)	(403,603)	(151,351)	(403,603)
Principal element of lease payments	(120,865)	(110,576)	(137,939)	(122,875)
Loans obtained	41,142,168	57,928,165	28,495,850	36,841,759
Loans paid	(44,679,046)	(55,881,728)	(30,085,274)	(35,188,693)
Net cash (outflow)/inflow from financing activities	**(3,809,094)**	**1,532,258**	**(1,878,714)**	**1,126,588**
Net increase/(decrease) in cash and cash equivalents	716,086	(307,179)	555,452	(275,396)
Cash and cash equivalents at the beginning of the year	63,976	371,155	40,503	315,899
Cash and cash equivalents at end of the year (Note 28)	780,062	63,976	595,955	40,503

Notes:
Notes from page 131 to 192 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 2021 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, equipment & machinery, sale of used vehicles (trade-in) and related services.
Subsidiaries	
Unimo Enterprises Limited (UEL)	Importation and sale of vehicles, accessories, power generators, tyres, assembling of vehicles and sale of used vehicles (trade-in).
U M L Heavy Equipment Limited (UML Heavy)	Importation and sale of heavy equipment and power generators, spare parts and after sales services.
U M L Property Developments Limited (UMPDL)	Renting of premises.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared 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 107 to 112, 114 to 115 and 125 respectively of this Annual Report.

2.3 Approval of financial statements

The financial statements for the year ended 31 March 2021 were approved and authorised for issue by the Board of Directors in accordance with the resolution of directors on 10 June 2021.

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.

2.9 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future year affected. More information on significant areas of estimates, uncertainty and significant judgements in applying accounting policies that have the most significant effects on the amounts recognised in these financial statements are included in the following:

Accounting Policies	Accounting judgements, estimates and assumptions	Note
Classification of financial assets and liabilities	Assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics	3.3.1
Impairment of financial assets	Estimation of amount and timing of future cash flows	3.3.4
Useful lives of property, plant and equipment	Judgement is exercised in estimating the residual value, rates and method of depreciation	3.5.1
Fair value of investment properties	Judgement regarding market based evidence for estimating fair value of investment properties	3.5.2
Impairment of non financial assets	Judgement regarding impairment indicators, business outlook, industry & Company performance, future projections & cash flows and discount rates	3.5.7
Fair value of freehold land	Judgement regarding market based evidence for estimating fair value of land	3.5.1
Defined benefit obligation	Key actuarial assumptions on discount rates, expected rates of return on assets, future salary increases and mortality rates	3.6.5.3
Useful life of intangible assets	Judgement regarding useful life of intangible assets	3.5.4
Accounting for leases	Determination of the lease term for lease contracts with renewal and termination options and estimation of incremental borrowing rate to measure the lease liabilities	3.6.6
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	6.2

2.9.1 Estimation uncertainty in preparation of financial statements due to COVID-19 pandemic

COVID-19 outbreak which affected the global economy have impacted operations and Group performance. Since early March 2020 continue to evolve and change as its effects are far-reaching. Accordingly, in preparing the financial statements, the management has considered the impact of COVID-19.

COVID-19 pandemic 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

Potential economic outcomes and probable impacts from COVID-19 may impact future businesses and consumers respond to same. 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

The Directors have made an assessment of the ability of the Group to continue as a going concern and are satisfied that it has the resources to continue in business for foreseeable future. The assessment took into consideration existing and potential implications from COVID-19 pandemic on the business operation and performance of the Group and the impact from continuing ban on import of vehicles. Furthermore, the Board is in not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements of the Group continue to be prepared on a going concern basis.

2.11 Fair value of financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented 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.

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 at 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 gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2 Subsidiaries

Subsidiaries are investees that are controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power to govern the financial and operating policies over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date 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.

Notes to the Financial Statements

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 losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.1.5 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any 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

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.

3.3.4 Impairment

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, refer 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 in 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.

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.

Notes to the Financial Statements

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 U M L 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 U M L 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 Right-of-use asset

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 economic implications of COVID-19 pandemic and does not anticipate discontinuation of any asset for which the Group/Company possesses the right to use.

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

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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 statements.

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 ("Cash Generating Unit" or CGU) for the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the Group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

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. 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 and 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

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12% and 8% respectively to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

b) Employees' Trust Fund

The Company and the Group contribute 3% of the salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

Contributions to defined contribution plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

3.6.5.3 Defined benefit plans - retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits under the Payment of Gratuity Act No. 12 of 1983. The liability for the gratuity payment to an employee arises only on the completion of five years of continued service with the Company and calculated based on half a month's wages or salary for each year of completed service. 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. Remeasurement 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 789 employees of the Company as at 31 March 2021.

All the subsidiaries have adopted actuarial valuation method in line with the 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 Accounting for leases - where the Company is the lessee

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.

Lease liabilities

On adoption of SLFRS 16 in the previous year, 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 at the time of initial application. 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.

According to the amendments of SLFRS 16, COVID-19 Related Rent Concessions, lease liabilities are not reassessed by the Group. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. COVID-19 related rent concessions are disclosed in page 185.

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.

4. 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.

5. STATEMENT OF COMPREHENSIVE INCOME

5.1 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.

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 11 of the financial statements.

5.2 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.

5.3 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.

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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.

5.4 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.

5.5 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.

5.6 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.

6. 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.

6.1 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.

6.2 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 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.

As per the guidance issued by CA Sri Lanka on 23 April 2021 the Group has computed deferred tax at proposed tax rates, considering rates are substantively enacted as the bill was placed on the order paper of the parliament for the first reading on 26 March 2021.

6.3 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.

6.4 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.

7. 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.

8. 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 130.

9. NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP

a) The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2020:

   i. Definition of Material - Amendments to LKAS 1 and LKAS 8
   ii. Definition of a Business - Amendments to SLFRS 3
   iii. Revised Conceptual Framework for Financial Reporting
   iv. COVID-19-related Rent Concessions - Amendments to SLFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

i) Definition of material - Amendments to LKAS 1 and LKAS 8

The amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout Sri Lanka Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in LKAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

This amendment is effective for the annual periods beginning on or after 1 January 2020.

ii) Definition of a Business - Amendments to SLFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

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This amendment is effective for the annual periods beginning on or after 1 January 2020.

iii) Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- » increasing the prominence of stewardship in the objective of financial reporting
- » reinstating prudence as a component of neutrality
- » defining a reporting entity, which may be a legal entity, or a portion of an entity
- » revising the definitions of an asset and a liability
- » removing the probability threshold for recognition and adding guidance on derecognition
- » adding guidance on different measurement basis, and
- » stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

This amendment is effective for the annual periods beginning on or after 1 January 2020.

iv) COVID-19-related Rent Concessions - Amendments to SLFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. According to the amendment to SLFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

This amendment is effective for the annual periods beginning on or after 1 June 2020.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

i) Classification of Liabilities as Current or Non-current - Amendments to IAS 1

The narrow-scope amendments to IAS 1 "Presentation of Financial Statements" clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

ii) Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

iii) Reference to the Conceptual Framework - Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

iv) Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalised in May 2020:

» IFRS 9 "Financial Instruments" - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

» IFRS 16 "Leases" - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

» IFRS 1 "First-time Adoption of International Financial Reporting Standards" - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

Notes to the Financial Statements

10. OPERATING SEGMENT

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Chief Executive Officer/Executive Director to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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, generators & machinery
3D Printers & services	Sale of 3D printers, filaments, spare parts and related services
Tyres	Sale of tyres
Lubricants & other services	Sale of lubricants & hiring of vehicles

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 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.

Segment information
Group

In LKR '000	Spare parts & workshop		Vehicles		Equipment & machinery		3D Printers & services		Tyres		Lubricants & other services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment revenue	2,025,999	1,967,562	9,455,365	6,469,732	667,815	266,584	23,058	14,904	261,731	207,740	1,180,174	973,310	13,614,142	9,899,832
Inter segment revenue	(55,670)	(40,849)	(8,300)	(6,160)	(1,192)	-	-	-	(1,947)	(1,686)	(9,376)	(5,516)	(76,485)	(54,211)
Revenue from external customers	**1,970,329**	**1,926,713**	**9,447,065**	**6,463,572**	**666,623**	**266,584**	**23,058**	**14,904**	**259,784**	**206,054**	**1,170,798**	**967,794**	**13,537,657**	**9,845,621**
Revenue from contracts with customers														
Goods transferred at a point in time	1,559,353	1,423,976	8,956,285	6,167,510	666,623	266,584	23,058	14,904	259,784	206,054	1,170,798	967,794	12,635,901	9,046,822
Services rendered	410,976	502,737	490,780	296,062	-	-	-	-	-	-	-	-	901,756	798,799
Total revenue from contracts with customers	**1,970,329**	**1,926,713**	**9,447,065**	**6,463,572**	**666,623**	**266,584**	**23,058**	**14,904**	**259,784**	**206,054**	**1,170,798**	**967,794**	**13,537,657**	**9,845,621**
Segment profit/(loss)	**519,596**	**360,095**	**626,077**	**11,192**	**19,990**	**(10,842)**	**(8,353)**	**(15,750)**	**43,683**	**9,696**	**92,964**	**72,955**	**1,293,957**	**427,346**
Unallocated income													138,415	94,025
Unallocated expenses													(645,975)	(598,179)
Profit/(loss) from operations before finance cost													786,397	(76,808)
Finance income													224,829	31,878
Finance cost													(364,834)	(502,952)
Net finance cost													(140,005)	(471,074)
Profit/(loss) before income tax expense													646,392	(547,882)
Income tax expenses													(142,717)	138,207
Profit/(loss) for the year													**503,675**	**(409,675)**
Segment assets	3,021,565	3,145,702	7,107,352	10,806,226	717,662	407,808	22,860	15,832	380,647	420,543	1,257,436	1,219,276	12,507,522	16,015,387
Unallocated assets													6,246,530	4,124,386
Total assets	**3,021,565**	**3,145,702**	**7,107,352**	**10,806,226**	**717,662**	**407,808**	**22,860**	**15,832**	**380,647**	**420,543**	**1,257,436**	**1,219,276**	**18,754,052**	**20,139,773**
Segment liabilities													5,454,066	7,418,329
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,454,066**	**7,418,329**
Segment capital expenditure-allocated	6,439	51,858	30,872	167,165	2,178	7,175	75	401	849	5,546	3,827	26,049	44,240	258,194
Depreciation and amortisation-allocated	55,393	63,641	285,463	253,748	19,235	13,444	1,168	4,527	5,074	6,967	28,290	36,866	394,623	379,193
Non-cash expenses/(income)	(60,310)	42,544	(30,116)	8,144	391	-	690	-	(7,360)	5,674	(3,574)	27,183	(100,279)	83,545

Figures in brackets indicate deductions.

Notes to the Financial Statements

10. Operating segment (Contd)
Segment information

Company

In LKR '000	Spare parts & workshop		Vehicles		Equipment & machinery		3D Printers & services		Lubricants & other services		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment revenue	2,038,117	1,996,197	3,975,438	2,811,005	22,499	-	23,058	14,904	1,180,175	973,309	7,239,287	5,795,415
Inter segment revenue	(51,734)	(43,311)	-	-	-	-	-	-	-	-	(51,734)	(43,311)
Revenue from external customers	**1,986,383**	**1,952,886**	**3,975,438**	**2,811,005**	**22,499**	**-**	**23,058**	**14,904**	**1,180,175**	**973,309**	**7,187,553**	**5,752,104**
Revenue from contracts with customers												
Goods transferred at a point in time	1,534,591	1,417,499	3,484,657	2,514,943	22,499	-	23,058	14,904	1,175,310	968,105	6,240,115	4,915,451
Services rendered	451,792	535,387	490,781	296,062	-	-	-	-	4,865	5,204	947,438	836,653
Total revenue from contracts with customers	**1,986,383**	**1,952,886**	**3,975,438**	**2,811,005**	**22,499**	**-**	**23,058**	**14,904**	**1,180,175**	**973,309**	**7,187,553**	**5,752,104**
Segment profit/(loss)	**578,177**	**427,499**	**491,621**	**141,637**	**3,435**	**-**	**(8,353)**	**(15,750)**	**97,828**	**78,157**	**1,162,708**	**631,543**
Unallocated income											306,949	194,579
Unallocated expenses											(625,623)	(587,548)
Profit from operations before finance cost											844,034	238,574
Finance income											277,477	209,553
Finance cost											(223,845)	(344,578)
Net finance income											53,632	(135,025)
Change in fair value of investment property											8,210	17,420
Profit before income tax expense											905,876	120,969
Income tax expenses											(139,237)	(3,642)
Profit for the year											**766,639**	**117,327**
Segment assets	3,009,310	3,465,202	4,528,895	6,820,753	-	-	32,982	22,920	1,781,142	1,686,739	9,352,329	11,995,614
Unallocated assets											5,981,330	4,164,640
Total assets	**3,009,310**	**3,465,202**	**4,528,895**	**6,820,753**	**-**	**-**	**32,982**	**22,920**	**1,781,142**	**1,686,739**	**15,333,659**	**16,160,254**
Segment liabilities											2,018,996	3,654,853
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,018,996**	**3,654,853**
Segment capital expenditure-allocated	7,254	76,279	14,518	109,796	-	-	84	582	4,311	38,017	26,167	224,674
Depreciation and amortisation-allocated	129,044	147,350	177,244	151,654	-	-	1,543	4,771	47,672	47,874	355,503	351,649
Non-cash expenses/(income)	(61,560)	41,519	(15,727)	(11,884)	-	-	690	-	(3,574)	27,654	(80,171)	57,289

Figures in brackets indicate deductions.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Vehicles	8,956,284	6,167,510	3,484,658	2,514,943
Spare parts, repairs & services	1,970,330	1,926,713	1,986,383	1,952,886
Lubricants & car care products	1,170,797	967,793	1,175,309	968,105
Local charges	490,781	296,062	490,781	296,062
Equipment & machinery	666,623	266,584	22,499	-
Hiring	-	-	4,865	5,204
3D printers & services	23,058	14,904	23,058	14,904
Tyres	259,784	206,055	-	-
	13,537,657	9,845,621	7,187,553	5,752,104

11.1 The detailed segmental review is given under note 10 to the financial statements.

11.2 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 the 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.

11.3 Warranty obligation

A standard warranty period/mileage 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 given 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.

11.4 Liabilities related to contracts with customers

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Advances received from customers	303,346	112,148	45,910	57,701
Free service contracts	22,456	12,520	7,257	7,453
Extended warranty provided for 3D printers	875	1,038	875	1,038
	326,677	125,706	54,042	66,192

11.5 Timing of revenue recognition

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Revenue recognised at a point in time	13,537,657	9,845,621	7,187,553	5,752,104
	13,537,657	9,845,621	7,187,553	5,752,104

Notes to the Financial Statements

11.6 Revenue by nature of transactions

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Sale of goods	12,635,901	9,046,822	6,240,115	4,915,450
Rendering of services	410,976	502,737	451,792	535,387
Service support income	490,780	296,062	495,646	301,267
	13,537,657	**9,845,621**	**7,187,553**	**5,752,104**

11.7 Accounting policies and significant judgements

Sale of goods and services

The Group sells a range of brand new and used motor vehicles, spare parts, lubricants, tyres, heavy machinery & equipment, generators, 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 trade/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 the market practices.

12. OTHER INCOME

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Rent income	-	-	23,128	23,068
Profit on disposal of property, plant and equipment	37,897	2,640	37,772	2,640
Awards received from principal	5,034	6,450	5,034	6,450
Incentives received from principal	8,537	1,497	8,537	1,497
Facilitation fee	23,551	17,151	23,551	17,151
Dividend income from investments in subsidiaries	-	-	150,000	88,500
Income from solar PV system	44,625	39,521	44,625	39,521
Commission on insurance	9,111	5,617	9,111	5,617
Valuation fee	35	21	35	21
Sundry income (Note 12.1)	9,625	21,128	5,156	10,114
	138,415	**94,025**	**306,949**	**194,579**

12.1 Sundry income

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Scrap sales	3,114	7,465	3,114	7,465
Miscellaneous	6,511	13,663	2,042	2,649
	9,625	**21,128**	**5,156**	**10,114**

13. PROFIT/(LOSS) FROM OPERATIONS

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

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Directors' emoluments (Note 40.2.1)	82,606	78,756	66,264	63,629
Auditors' remuneration (Note 13.1.1)	6,579	6,587	5,786	5,776
Tax compliance/consultancy charges	704	508	520	413
Depreciation on property, plant & equipment (Note 18)	227,510	216,739	182,067	175,835
Amortization of intangible assets (Note 20.2)	28,298	25,447	27,970	25,119
Amortization of right of use assets (Note 21)	138,815	119,783	145,466	133,469
(Reversal)/write-down of inventory to lower of cost or NRV (Net Realisable Value)	(90,637)	31,543	(75,270)	6,712
Net impairment (gains)/losses on allowances for trade and other receivables	(9,642)	52,002	(4,901)	50,577
Employee benefit expense (Note 13.1.2)	1,017,742	972,188	796,776	789,719
Donations	51	412	51	412
Legal fees	283	921	115	852

13.1.1 Auditor's remuneration

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Audit and related services	3,979	4,087	3,186	3,276
Non audit services	2,600	2,500	2,600	2,500
	6,579	**6,587**	**5,786**	**5,776**

13.1.2 Employee benefit expense

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Salaries and bonus	819,475	769,066	637,066	621,946
Contributions to defined contribution plan	110,782	110,205	86,507	89,535
Retirement benefit obligation	44,141	40,593	38,252	36,122
Others	43,344	52,324	34,951	42,116
	1,017,742	**972,188**	**796,776**	**789,719**
Number of employees at the end of the year	996	1,009	789	801

Notes to the Financial Statements

14. FINANCE INCOME AND FINANCE COST

14.1 Recognised in profit or loss

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Finance income				
Income from unimpaired financial assets:				
Interest on call deposits	4,102	10,858	2,812	10,138
Interest on amounts due from related parties	-	-	82,042	187,754
Income from unit trust investments	89,247	1,948	64,016	1,948
Foreign exchange gains	18,810	9,832	16,291	3,025
Net gains on disposal of				
Financial assets at fair value through profit or loss	70,183	-	70,183	-
Dividend income on				
Financial assets at the fair value through profit or loss	9,543	2,447	9,543	2,447
Financial assets at fair value through Other Comprehensive Income	5,614	6,793	5,260	4,241
Net change in fair value of financial assets at				
Fair value through profit or loss - equity investments	17,725	-	17,725	-
Fair value through profit or loss - unit trusts	9,605	-	9,605	-
Total finance income	224,829	31,878	277,477	209,553
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(306,453)	(442,162)	(176,899)	(271,114)
Interest on lease liabilities	(36,492)	(36,129)	(41,875)	(49,089)
Interest on overdrafts	(537)	(2,558)	(16)	(2,272)
Net change in fair value of financial assets at				
Fair value through profit or loss	-	(14,359)	-	(14,359)
Foreign exchange losses	(21,352)	(7,744)	(5,055)	(7,744)
Total finance cost	(364,834)	(502,952)	(223,845)	(344,578)
Net finance (cost)/income recognised in profit or loss	(140,005)	(471,074)	53,632	(135,025)

14.2 Recognised in Other Comprehensive Income

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Net change in the fair value of equity investments at fair value through Other Comprehensive Income	123,891	(62,557)	97,414	(43,673)
	123,891	(62,557)	97,414	(43,673)

15. INCOME TAX EXPENSE/(CREDIT)

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Current tax expense				
Current tax on profit for the year	130,764	14,742	128,803	12,754
Adjustments in respect of prior years	(441)	(465)	(441)	(465)
Total current tax expense	**130,323**	**14,277**	**128,362**	**12,289**
Deferred tax expense				
Deferred tax asset reversed/(charged) during the year	33,126	(259,539)	55,231	(120,067)
Deferred tax liability (reversed)/charged during the year	(20,732)	107,055	(44,356)	111,420
Total deferred tax expense/(reversal)	12,394	(152,484)	10,875	(8,647)
Income tax expense/(credit) (Note 15.1)	**142,717**	**(138,207)**	**139,237**	**3,642**

The Department of Inland Revenue issued income tax assessments on the Company for the year of assessment 2010/11 disallowing 2/3rd of the NBT expenses claimed by the Company. Additional assessment (excluding penalty) amounts to LKR 18,317,599. The determination of CGIR for the year of assessment 2010/11, dated on 21 January 2016 was appealed against with Tax Appeals Commission.

On 12 June 2018 the Tax Appeals Commission issued their determination in favour of the Company dismissing the assessment issued by CGIR for 2010/11. However, CGIR has since filed action in the Court of Appeal against the said determination of the Tax Appeals Commission. The case is still pending in court. 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/(loss) 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Profit/(loss) before income tax expense	646,392	(547,882)	905,876	120,969
Tax calculated at effective tax rate of 24% (2020-28%)	155,134	(153,407)	217,410	33,871
Tax effect of income tax liable at concessionary rates	(9,666)	(27,679)	(15,905)	(12,754)
Tax effect on income tax not liable for tax	(38,941)	(12,895)	(38,743)	(12,895)
Tax effect on expenses not deductible	175,728	247,146	103,153	150,211
Tax effect on allowable deductions	(120,869)	(154,238)	(97,739)	(128,966)
Utilisation of previously unrecognised tax losses	(41,365)	(63,854)	(39,373)	(63,854)
Adjustments in respect of prior periods	(441)	(465)	(441)	(465)
Tax losses	-	151,804	-	47,141
Deferred tax charge/(reversal)	12,394	(152,484)	10,875	(8,647)
Tax effect of adjustments on consolidation	10,743	27,865	-	-
Tax charge	**142,717**	**(138,207)**	**139,237**	**3,642**

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 24% and 18% (2020-28%) except for the 'taxable profit' of U M L Property Developments Ltd (UMPDL) which is liable at 2% on turnover in accordance with an agreement entered in to with the Board of Investments of Sri Lanka under Section 17 of the BOI Act No.4 of 1978 and will be liable at the said rate till the year 2022.

b) Income Tax rates of Corporates have been revised to 24% from 28% effective from 1 January 2020 and the Act was passed in the Parliament on 4 May 2021.

Notes to the Financial Statements

15.2 Income tax expenses/credits (Contd.)

c) According to the revised Inland Revenue Act, manufacturing operations are taxed at 18%. Accordingly, Unimo Enterprises Limited which involves in assembly of motor vehicles is tax at 18% for the profits arising from vehicle assembly operation.

d) As per the Inland Revenue Act No. 24 of 2017, tax losses can be deducted in full and the remaining losses can be carried forward only up to six years.

The tax losses carried forward by the Group entities as at 31 March 2021 amounts to LKR 1,158 million (LKR 1,060 million in 2020).

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Tax losses at the beginning of the year	1,060,562	723,576	148,726	231,905
Tax losses for the year including disallowed finance cost	99,163	588,526	-	168,361
Adjustment in respect of previous year	181,848	(23,490)	15,326	(23,490)
Tax losses set off during the year	(182,630)	(228,050)	(164,052)	(228,050)
Tax losses at the end of the year	**1,158,943**	**1,060,562**	**-**	**148,726**

e) Group has computed current tax and deferred tax based on the substantively enacted rates as per the guideline issued by CA Sri Lanka on 23 April 2021. 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Amount used as numerator				
Profit/(loss) attributable to equity holders of the parent company (LKR '000)	503,675	(409,675)	766,639	117,327
Amount used as denominator				
Weighted average number of ordinary shares ('000)	100,901	100,901	100,901	100,901
Earnings per share (LKR)	4.99	(4.06)	7.60	1.16

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	2021		2020	
	Dividend Per share LKR	Dividend LKR '000	Dividend Per share LKR	Dividend LKR '000
Final dividend paid for 2018/19	-	-	4.00	403,603
Interim dividend paid for 2020/21	1.50	151,351	-	-
	1.50	**151,351**	4.00	403,603

As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, prior to recommending dividend and has obtained a certificate from the auditors, prior to distribution.

18. PROPERTY, PLANT AND EQUIPMENT

18.1 Group

	Free hold land	Buildings	Furniture & fittings	Office equipment	Electrical fixtures & fittings	Machinery & tools	Motor vehicles	Solar PV system	Computers	Capital work in progress	Total 2021	Total 2020
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost or revalued amount												
At the beginning 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
Additions	-	-	643	1,449	460	4,327	19,882	-	4,773	781	32,315	194,265
Gains from revaluation of land	135,210	-	-	-	-	-	-	-	-	-	135,210	780,927
Disposals	-	(4,202)	-	(48)	-	(280)	(73,175)	-	(265)	-	(77,970)	(3,170)
Reclassifications and adjustments	-	-	-	-	-	-	-	-	-	-	-	(266)
Transferred from capital work-in-progress	-	1,731	-	66	-	25	-	-	-	(1,822)	-	-
At the end of the year	6,573,760	1,035,507	70,136	61,281	141,553	393,290	585,036	226,444	176,522	791	9,264,320	9,174,765
Accumulated depreciation												
At the beginning 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
Charge for the year	-	47,861	4,159	5,487	10,573	32,219	104,968	11,322	10,921	-	227,510	216,739
Disposals	-	(4,103)	-	(12)	-	(122)	(26,655)	-	(265)	-	(31,157)	(3,170)
At the end of the year	-	336,079	60,150	51,308	103,351	236,596	467,785	22,644	150,387	-	1,428,300	1,231,947
Carrying amount as at 31 March 2021	6,573,760	699,428	9,986	9,973	38,202	156,694	117,251	203,800	26,135	791	7,836,020	-
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

Details of land and buildings owned by the Group as of 31 March 2021 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	3,849,969	3,926,760
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,105,164	1,173,500
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	468,684	666,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	21,419	96,500
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	235,360	678,500
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	19,877	32,500
Total	68	311,232	20	2	37.08	873,287	5,700,473	6,573,760

Notes to the Financial Statements

18. Property, plant and equipment (Contd.)

18.2 Company

	Free hold land	Buildings	Furniture & fittings	Office equipment	Electrical fixtures & fittings	Machinery & tools	Motor vehicles	Solar PV system	Computers	Capital work in progress	Total 2021	Total 2020
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost or revalued amount												
At the beginning 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
Additions	-	-	502	665	460	2,030	5,900	-	3,904	781	14,242	153,940
Gains from revaluation of land [Note 18.3 (viii)]	126,000	-	-	-	-	-	-	-	-	-	126,000	734,877
Disposals	-	(4,202)	-	-	-	(15)	(73,175)	-	-	-	(77,392)	(3,170)
Reclassifications and adjustments	-	-	-	-	-	-	-	-	-	-	-	(126)
Transferred from capital work-in-progress	-	1,731	-	66	-	25	-	-	-	(1,822)	-	-
At the end of the year	6,058,000	899,753	58,227	41,520	145,357	325,419	562,367	226,444	164,020	69	8,481,176	8,418,326
Accumulated depreciation												
At the beginning of the year	-	225,948	48,230	32,554	95,366	169,958	425,726	11,322	129,773	-	1,138,877	966,212
Charge for the year	-	35,452	3,199	3,660	10,573	26,824	81,333	11,322	9,704	-	182,067	175,835
Disposals	-	(4,103)	-	-	-	-	(26,655)	-	-	-	(30,758)	(3,170)
At the end of the year	-	257,297	51,429	36,214	105,939	196,782	480,404	22,644	139,477	-	1,290,186	1,138,877
Carrying amount as at 31 March 2021	6,058,000	642,456	6,798	5,306	39,418	128,637	81,963	203,800	24,543	69	7,190,990	-
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

Details of land & buildings owned by the Company as of 31 March 2021 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	3,386,000	3,411,000
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,105,164	1,173,500
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	468,684	666,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	21,419	96,500
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	235,360	678,500
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	19,877	32,500
Total	67	300,962	20	2	0.24	821,496	5,236,504	6,058,000

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 2002/03.

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 Mr. 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 Mr. 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 Mr. 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 Mr. 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.

viii) In March 2021, a revaluation was carried out by Mr. J.M.S. Bandara, a qualified independent valuer on the 31 March 2021 to reflect market value of land. The resultant surplus of LKR 126,000,000 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 2021 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.

Notes to the Financial Statements

18.5 Significant unobservable inputs and relationships to fair value

The following table shows the valuation technique used in measuring the fair value of land (Group), as well as the significant unobservable inputs used.

Professional valuer	Location of properties	Method of valuation	Extent A=Acre R= Rood P= Perch	Range of estimated prices for unobservable inputs	Total revalued amount (LKR'000)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
Mr. J.M.S. Bandara	100 & 100A, Hyde Park Corner, Colombo 2	Market Approach	1A 3R 0.54P	LKR 14,000,000 per perch	3,926,760	Price per perch of land	Estimated fair value would increase (decrease) if; Price per perch increases/ (decreases)
Mr. J.M.S. Bandara	143 & 145, Majeed Place, Orugodawatte	Market Approach	7A 15.14P	LKR 1,000,000 to LKR 1,125,000 per perch	1,173,500		
Mr. J.M.S. Bandara	Vauxhall Street, Colombo 2	Market Approach	1R 10.35P	LKR 13,250,000 per perch	666,000		
Mr. J.M.S. Bandara	Meetotamulla, Orugodawatte	Market Approach	1R 28.86P	LKR 1,400,000 per perch	96,500		
Mr. J.M.S. Bandara	Maligawa Road, Ratmalana	Market Approach	9A 3R 36.5P	LKR 425,000 per perch	678,500		
Mr. J.M.S. Bandara	Navatkuli, Jaffna	Market Approach	1A 25.69P	LKR 175,000 per perch	32,500		

18.6 Fully depreciated assets

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

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Buildings	73,911	70,479	49,705	47,462
Furniture and fittings	41,600	39,781	37,198	36,137
Office equipment	37,635	30,642	29,514	24,694
Electrical fixtures & fittings	56,479	42,629	56,479	42,629
Machinery & tools	50,336	46,395	46,989	43,048
Motor vehicles	316,534	300,788	292,509	289,914
Computers	122,083	112,230	113,620	104,486
Reference books	107	107	107	107
Total	698,685	643,051	626,121	588,477

18.7 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.

18.8 There were no items of property, plant and equipment pledged as security for liabilities.

18.9 There were no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

18.10 There were no capitalized borrowing costs relating to the acquisition of property plant and equipment during the year (2020 - Nil).

19. INVESTMENT PROPERTY

	Company	
	2021 LKR '000	2020 LKR '000
At the beginning of the year	513,050	495,630
Net gain from fair value adjustment	8,210	17,420
At the end of the year	**521,260**	**513,050**

19.1 Amounts recognised in profit or loss for investment property

	Company	
	2021 LKR '000	2020 LKR '000
Rental income from operating leases	19,030	19,030
Fair value gains recognised in profit or loss	8,210	17,420

No direct operating expenses for property that generated rental income.

19.2 Leasing arrangements

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

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

	Company	
	2021 LKR '000	2020 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 2021 is LKR 521 million (March 2020 - LKR 513 million).

Impact of uncertainties arising due to COVID-19 pandemic on the valuation is mentioned under Note 18.3 (viii).

Details of investment property are as follows:

Location/address	Buildings			Land				Fair value of the property
	No. of buildings	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	5,500	-	-	36.84	515,760	521,260

The Company classified part of its land and building as investment property. UML has rented this property to its subsidiary Unimo Enterprises Limited. Hence it does not qualify as an investment property in the consolidated financial statements.

The buildings owned by U M L 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.

Notes to the Financial Statements

19.3 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.

19.4 Significant unobservable inputs and relationships to fair value

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Professional valuer	Location of properties	Method of valuation	Extent	Range of estimates for unobservable inputs	Total revalued amount (LKR'000)	Significant unobservable valuation inputs	Relationship of unobservable inputs to fair value
J M S Bandara	100A, Hyde Park Corner, Colombo 02	Land-Market approach (Price per perch of land)	36.84 perches	LKR 14,000,000 per perch	515,760	Price per perch of land	Estimated fair value would increase (decrease) if; Price per perch increases/(decreases)
		Building-DRC value (replacement cost)	10,270 Sq. Ft	LKR 5200 per Sq. Ft less depreciation at 90%	5,500	Price per square foot for building	Price per square foot increases/(decreases)
						Depreciation rate	Depreciation rate for building (decreases)/ increases

20. INTANGIBLE ASSETS

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Goodwill (Note 20.1)	2,890	2,890	-	-
Computer software (Note 20.2)	217,229	233,602	216,992	233,037
	220,119	**236,492**	**216,992**	**233,037**

20.1 Goodwill

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 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 Enterprise Limited (formerly known as Associated United Motors Limited) which was acquired on 3 October 2002.

There is no impairment of goodwill as at the reporting date.

20.2 Computer software

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cost				
At the beginning of the year	280,593	29,214	278,090	26,711
Additions	11,925	70,734	11,925	70,734
Transfers	-	180,645	-	180,645
At the end of the year	292,518	280,593	290,015	278,090
Accumulated amortisation				
At the beginning of the year	46,991	21,544	45,053	19,934
Amortisation during the year	28,298	25,447	27,970	25,119
At the end of the year	75,289	46,991	73,023	45,053
Carrying amount at the end of the year	**217,229**	**233,602**	**216,992**	**233,037**

20.3 Computer software - capital work-in-progress

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	-	180,645	-	180,645
Transfer to computer software	-	(180,645)	-	(180,645)
At the end of the year	-	-	-	-

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	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Cost				
At the beginning of the year	390,297	-	430,019	-
Reclassification from lease rentals paid in advance	-	35,049	-	20,687
Origination from initial application of SLFRS 16	-	207,641	-	395,502
Advances paid during the year	-	29,074	-	900
Additions during the year	153,898	118,533	78,556	12,930
At the end of the year	544,195	390,297	508,575	430,019
Accumulated Amortisation				
At the beginning of the year	140,172	-	150,694	-
Reclassification from lease rentals paid in advance	-	17,225	-	17,225
Amortisation of capitalised setup cost	-	3,164	-	-
Amortisation for the year	138,815	119,783	145,466	133,469
At the end of the year	278,987	140,172	296,160	150,694
Carrying amount at the end of the year	**265,208**	**250,125**	**212,415**	**279,325**

Notes to the Financial Statements

The Group has lease contracts for properties used for showrooms, workshops and warehouses under different lease terms and conditions. Lease 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 of 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 date of transition.

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group holds the following financial instruments

		Group		Company	
	Note	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Financial assets					
Financial assets at amortised cost					
Trade & other receivables excluding prepayments	26	1,844,614	3,210,485	715,908	2,738,763
Amounts due from related parties	27	-	-	380,206	135,744
Cash & cash equivalents	28	851,744	261,960	644,512	208,790
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)	23.3	258,864	208,256	211,519	168,485
Financial assets at fair value through profit or loss (FVPL)					
Equity shares	24.1	300,178	54,924	300,178	54,924
Investments in unit trusts	24.1	3,009,605	-	3,009,605	-
		6,265,005	3,735,625	5,261,928	3,306,706
Financial liabilities					
Liabilities at amortised cost					
Interest-bearing borrowings	31	2,106,979	5,662,003	500,411	2,096,853
Trade and other payables	35	2,319,162	747,615	619,915	500,810
Amounts due to related parties	36	-	-	2,841	64,796
Lease liabilities	34	281,348	248,315	227,074	286,457
Bank overdrafts	28	71,682	197,984	48,557	168,287
		4,779,171	6,855,917	1,398,798	3,117,203

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 from 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 in the accounting standard. An explanation of each level is given under Note 22.2 of the financial statements.

Investments in equity shares were categorized under level two of the fair value hierarchy in the previous year, as the share market was inactive as at 31.03.2020.

	Note	31.03.2021			31.03.2020		
		Carrying amount LKR '000	Fair value		Carrying amount LKR '000	Fair value	
			Level 1 LKR '000	Level 2 LKR '000		Level 1 LKR '000	Level 2 LKR '000
Group							
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24.1	300,178	300,178	-	54,924	-	54,924
Investments in unit trusts	24.1	3,009,605	-	3,009,605	-	-	-
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	1,844,614	-	-	3,210,485	-	-
Cash and cash equivalents	28	851,744	-	-	261,960	-	-
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)	23.3	258,864	258,864	-	208,256	-	208,256
		6,265,005	**559,042**	**3,009,605**	**3,735,625**	**-**	**263,180**
Financial liabilities at amortised cost							
Interest-bearing borrowings	31	2,106,979	-	-	5,662,003	-	-
Bank overdrafts	28	71,682	-	-	197,984	-	-
		2,178,661	**-**	**-**	**5,859,987**	**-**	**-**
Company							
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24.1	300,178	300,178	-	54,924	-	54,924
Investments in unit trusts	24.1	3,009,605		3,009,605	-		
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	715,908	-	-	2,738,763	-	-
Amounts due from related parties	27	380,206	-	-	135,744	-	-
Cash and cash equivalents	28	644,512	-	-	208,790	-	-
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)	23.3	211,519	211,519	-	168,485	-	168,485
		5,261,928	**511,697**	**3,009,605**	**3,306,706**	**-**	**223,409**
Financial liabilities at amortised cost							
Interest-bearing borrowings	31	500,411	-	-	2,096,853	-	-
Bank overdrafts	28	48,557	-	-	168,287	-	-
		548,968	**-**	**-**	**2,265,140**	**-**	**-**

Notes to the Financial Statements

22.1 Fair values vs carrying amounts (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 unit trusts	Fair value is based on the published unit prices.	Based on published unit prices.	The estimated fair value will increase (decrease) if; The published unit prices are higher (lower)

22.2 Fair value hierarchy

Fair value of financial instruments are based on a fair value hierarchy which is defined below.

Level 1
Inputs that are quoted market prices (unadjusted) in active market for identical instruments. The Company measures the fair value of an instrument using active quoted prices or dealer price quotations without any deductions for transaction cost. Market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions at arm's length basis.

Level 2
Inputs other than quoted prices included within level one that are observable either directly or indirectly. This category includes instruments valued using ; quoted market prices in an active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques in which whole significant inputs are directly or indirectly observable from market data.

Level 3
The input that are unobservable. This category includes all the instruments for which valuation techniques includes input not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

22.3 Overview of financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for identifying, analysing, evaluating and monitoring the risk and the management of capital of the Group. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework
The respective Board of Directors of each company has overall responsibility for the establishment and oversight of the respective company's risk management framework.

Each company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk profile and controls, and to monitor risks and mitigate. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The Audit Committee oversees how management monitors compliance with their risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by each company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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 transactions 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 is 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Public Sector	135,788	163,793	71,369	104,693
Private Sector				
Individual customers	133,967	19,459	-	-
Corporate customers	89,708	399,924	89,708	399,924
Dealers & distributors	409,297	213,143	351,926	155,335
Leasing companies	340,985	133,819	49,478	57,462
	1,109,745	**930,138**	**562,481**	**717,414**

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 settlement pattern of dues over a period of 36 months ended 31 March 2021 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.

Notes to the Financial Statements

22.4 Credit risk (contd.)

COVID-19 outbreak resulted in reduction of income for majority of the Corporates as well as for the individuals which increases the credit risk and the outbreak significantly affected the macro economic 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 2021 was determined as follows for trade receivables.

Group

	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
31 March 2021										
Expected loss rate	1.54%	5.09%	10.88%	22.55%	39.52%	30.10%	100.00%	-	-	-
Gross carrying amount - trade receivables (LKR '000)	462,372	62,928	18,241	12,716	7,273	103	49,911	613,544	-	613,544
Loss allowance - collective model (LKR '000)	(7,103)	(3,205)	(1,984)	(2,867)	(2,874)	(31)	(49,911)	(67,975)	-	(67,975)
Gross carrying amount - trade receivables	453,261	35,633	31,723	20,523	2,703	3,354	21,268	-	568,465	568,465
Loss allowance - specific (LKR '000)	-	-	-	-	-	-	(4,289)	-	(4,289)	(4,289)
Total (LKR '000)	**908,530**	**95,356**	**47,980**	**30,372**	**7,102**	**3,426**	**16,979**	**545,569**	**564,176**	**1,109,745**
31 March 2020										
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)
Total (LKR '000)	673,083	171,995	39,813	28,166	8,334	8,747	-	455,921	474,217	930,138

Company

	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
31 March 2021										
Expected loss rate	1.53%	5.75%	13.39%	24.92%	41.10%	-	100.00%	-	-	-
Gross carrying amount - trade receivables (LKR '000)	425,510	48,776	12,303	10,744	6,807	-	44,983	549,123	-	549,123
Loss allowance - collective model (LKR '000)	(6,509)	(2,806)	(1,647)	(2,677)	(2,798)	-	(44,983)	(61,420)	-	(61,420)
Gross carrying amount - trade receivables (LKR '000)	64,419	1,952	981	1129	567	576	7135	-	76,759	76,759
Loss allowance - specific (LKR '000)	-	-	-	-	-	-	(1,981)	-	(1,981)	(1,981)
Total (LKR '000)	**483,420**	**47,922**	**11,637**	**9,196**	**4,576**	**576**	**5,154**	**487,703**	**74,778**	**562,481**
31 March 2020										
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)
Total (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) When the Group ascertains that no recovery of the amounts due is possible, at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

d) 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).

Notes to the Financial Statements

22.5 Liquidity risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due. The Group manages the liquidity risk by carrying out cash flow forecasts and identifying future cash needs. Investments are planned ensuring money is available for settlements. Adequate banking facilities are approved and kept for use as and when necessary. Strong relationships have been built with banks to ensure that urgent borrowing needs are met at short notice.

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

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
Group							
31 March 2021							
Lease liabilities	281,348	411,961	63,845	49,149	83,432	128,360	87,175
Interest-bearing borrowings	2,106,979	2,107,720	2,098,117	6,426	3,177	-	-
Trade and other payables	2,319,162	2,319,162	2,319,162	-	-	-	-
Bank overdrafts	71,682	71,682	71,682	-	-	-	-
	4,779,171	4,910,525	4,552,806	55,575	86,609	128,360	87,175
31 March 2020							
Lease liabilities	248,315	364,793	44,671	42,953	69,369	116,227	91,573
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	-	-	-	-
	6,855,917	6,972,395	6,652,273	42,953	69,369	116,227	91,573
Company							
31 March 2021							
Lease liabilities	227,074	320,616	31,277	134,541	42,524	39,880	72,394
Interest-bearing borrowings	500,411	500,411	500,411	-	-	-	-
Trade and other payables	619,915	619,915	619,915	-	-	-	-
Amounts due to related parties	2,841	2,841	2,841	-	-	-	-
Bank overdrafts	48,557	48,557	48,557	-	-	-	-
	1,398,798	1,492,340	1,203,001	134,541	42,524	39,880	72,394
31 March 2020							
Lease liabilities	286,457	376,529	25,451	121,156	137,812	42,104	50,006
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	-	-	-	-
	3,117,203	3,207,275	2,856,197	121,156	137,812	42,104	50,006

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 Rupees (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 2021	367	7,286	111	7,286
Trade payables as at 31 March 2021	5,254	127,446	573	127,446

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 are as follows;

	Increase/decrease in exchange rate %	Group effect on profit before tax LKR '000	Company effect on profit before tax LKR '000
As at 31 March 2021			
USD	+ 5	(49,451)	(4,693)
	- 5	49,451	4,693
JPY	+ 5	(11,027)	(11,027)
	- 5	11,027	11,027
As at 31 March 2020			
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 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.

Notes to the Financial Statements

22.6 Market risk (contd.)

The global outbreak of the novel COVID-19 pandemic has resulted in consecutive reductions in policy rates and easing monetary policies by The 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Fixed rate instruments				
Financial assets	-	-	-	-
Financial liabilities	15,750	-	-	-
	15,750	**-**	**-**	**-**
Variable rate instruments				
Financial assets	3,009,605	-	3,009,605	-
Financial liabilities	2,091,229	5,662,003	500,411	2,096,853
	5,100,834	**5,662,003**	**3,510,016**	**2,096,853**

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 exchange rate %	Group effect on profit before tax LKR '000	Company effect on profit before tax LKR '000
31 March 2021 variable rate instruments	+5	144,905	149,230
	-5	(144,905)	(149,230)
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			
	31.03.2021		31.03.2020		31.03.2021		31.03.2020	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Banks	146,283	56.5	124,166	59.6	122,842	58.1	108,066	64.1
Capital goods	31,172	12.0	21,307	10.2	29,060	13.7	16,075	9.5
Diversified financials	10,335	4.0	7,779	3.7	1,352	0.6	1,334	0.8
Beverage, food & tobacco	12,128	4.7	10,101	4.9	-	-	-	-
Power & energy	-	-	1,302	0.6	-	-	-	-
Health care	392	0.2	248	0.1	-	-	-	-
Retailing	58,265	22.5	27,471	13.2	58,265	27.6	27,471	16.3
Utilities	289	0.1	343	0.2	-	-	-	-
Materials	-	-	15,539	7.5	-	-	15,539	9.3
Total	258,864	100	208,256	100	211,519	100	168,485	100

Trading shares

Sector	Group/Company			
	31.03.2021		31.03.2020	
	LKR '000	%	LKR '000	%
Banks	122,417	40.8	7,060	12.9
Diversified financials	27,834	9.3	19,424	35.4
Beverage, food & tobacco	15,288	5.1	17,910	32.6
Capital goods	115,513	38.5	7,270	13.2
Power & energy	15,414	5.1	1,873	3.4
Utilities	-	-	60	0.1
Materials	3,712	1.2	-	-
Automobile & components	-	-	1,327	2.4
Total	300,178	100	54,924	100

Sensitivity analysis

Investments in equity shares are subject to the performance of investee company and the factors that effects the status of the stock market.

The following table demonstrates the sensitivity of the Group and Company's equity to a reasonably possible change in the market prices of the listed equity securities, with all other variables held constant.

	Change in share price of all companies in which the Group/ Company has invested	Group		Company	
		Effect on profit before tax as a result of gains/ losses on equity securities classified as 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 2021	+5%	15,009	12,943	15,009	10,576
- Investments in equity shares	- 5%	(15,009)	(12,943)	(15,009)	(10,576)

Notes to the Financial Statements

22.7 Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance when applicable.

Compliance with set procedures is supported by periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

22.8 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital consistent with others in the industry, capital is monitored on the basis of the gearing ratio.

Further, a strong capital base is maintained for investors, creditors in order to maintain 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 2020 and 31 March 2021. 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	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Interest-bearing borrowings	31	2,106,979	5,662,003	500,411	2,096,853
Bank overdraft	28	71,682	197,984	48,557	168,287
Less: Cash and short term deposits	28	(851,744)	(261,960)	(644,512)	(208,790)
Investments in unit trusts	24.1	(3,009,605)	-	(3,009,605)	-
Net debt		(1,682,688)	5,598,027	(3,105,149)	2,056,350
Equity		13,299,986	12,721,444	13,314,663	12,505,401
Capital and net debt		11,617,298	18,319,471	10,209,514	14,561,751
Gearing ratio		**(0.14)**	**0.31**	**(0.30)**	**0.14**

23. INVESTMENTS - NON-CURRENT

23.1 Investments in subsidiaries

		Group		Company	
	% Holding	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
U M L Property Developments Limited	100	-	-	75,000	75,000
Unimo Enterprises Limited	100	-	-	47,400	47,400
U M L Heavy Equipment Limited	100	-	-	100,000	100,000
	-	-	-	222,400	222,400

Impairment of investments in subsidiaries

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 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	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Equity investments (Note 23.6)	449,322	518,060	366,218	416,826
Decrease in market value	(190,458)	(309,804)	(154,699)	(248,341)
	258,864	208,256	211,519	168,485

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	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Fair value gains/(losses) recognised in Other Comprehensive Income (Note 14.2)	123,891	(62,557)	97,414	(43,673)
Dividends from equity investments held at FVOCI recognised in profit or loss in finance income (Note 14.1)	5,614	6,793	5,260	4,241
	129,505	(55,764)	102,674	(39,432)

Notes to the Financial Statements

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 Company/Group reclassified below gains from FVOCI reserve to retained earnings as a result of disposal of equity investments at fair value through Other Comprehensive Income.

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Net gain on disposal of equity investments at fair value through Other Comprehensive Income	4,546	-	3,774	-
	4,546	-	3,774	-

23.6 Equity securities designated as fair value through Other Comprehensive Income

Group

	31.03.2021			31.03.2020		
	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	31,172	561,648	51,346	17,243
Bairaha Farms PLC	52,251	10,587	7,198	52,251	10,587	4,112
Central Industries PLC	-	-	-	21,000	1,140	689
Ceylon Grain Elevators PLC	-	-	-	5,000	471	201
Citizens Development Business Finance PLC	-	-	-	10	1	1
Commercial Bank of Ceylon PLC - Non voting	310,556	35,623	24,410	295,031	35,623	17,259
Commercial Bank of Ceylon PLC - Voting	274,161	40,302	23,441	267,895	40,302	16,100
DFCC Bank PLC	703,792	106,456	41,946	667,928	106,456	40,477
Diesel & Motor Engineering PLC	109,883	90,211	58,265	109,883	90,211	27,471
Lanka Walltiles PLC	-	-	-	82,116	9,760	3,375
Laugfs Gas PLC	-	-	-	143,049	5,912	1,302
Laugfs Power PLC	32,874	-	289	143,049	-	343
National Development Bank PLC	487,303	54,298	39,374	487,303	54,298	32,259
Nations Trust Bank PLC	254,874	24,689	14,094	254,874	24,689	16,108
People's Leasing & Finance PLC	193,892	4,066	2,288	185,145	4,066	2,258
Renuka Foods PLC	388,211	9,210	4,930	388,211	9,210	5,318
Seylan Bank PLC - Voting	61,590	4,794	3,018	58,609	4,794	1,963
Singer Finance (Lanka) PLC	521,885	11,917	7,150	521,885	11,917	4,488
Softlogic Finance PLC	89,709	5,171	897	89,709	5,171	1,032
The Lanka Hospital Corporation PLC	9,000	652	392	9,000	652	248
Three Acre Farms PLC	-	-	-	5,870	846	470
Tokyo Cement (Lanka) PLC	-	-	-	690,634	50,608	15,539
		449,322	258,864		518,060	208,256

Company

	31.03.2021			31.03.2020		
	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	29,060	523,597	47,570	16,075
Commercial Bank of Ceylon PLC - Non voting	310,556	35,623	24,410	295,031	35,623	17,259
DFCC Bank PLC	703,792	106,456	41,946	667,928	106,456	40,477
Diesel & Motor Engineering PLC	109,883	90,211	58,265	109,883	90,211	27,471
National Development Bank PLC	487,303	54,298	39,374	487,303	54,298	32,259
Nations Trust Bank PLC	254,874	24,689	14,094	254,874	24,689	16,108
People's Leasing & Finance PLC	114,535	2,577	1,352	109,368	2,577	1,334
Seylan Bank PLC - Voting	61,590	4,794	3,018	58,609	4,794	1,963
Tokyo Cement (Lanka) PLC	-	-	-	690,634	50,608	15,539
		366,218	211,519		416,826	168,485

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

24.1 Financial assets mandatorily measured at FVPL include following:

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Investment in equity shares (Note 24.3)	340,923	117,046	340,923	117,046
Decrease in market value	(40,745)	(62,122)	(40,745)	(62,122)
	300,178	54,924	300,178	54,924
Investments in unit trusts (Note 24.4)	3,009,605	-	3,009,605	-
	3,309,783	54,924	3,309,783	54,924

24.2 Amounts recognised in profit or loss

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Fair value gains/(losses) on equity investment at FVPL (Note 14.1)	17,725	(14,359)	17,725	(14,359)
Dividends from equity investments held at FVPL recognised in profit or loss (Note 14.1)	9,543	2,447	9,543	2,447
	27,268	(11,912)	27,268	(11,912)

Notes to the Financial Statements

24.3 Equity securities designated as fair value through profit or loss

	Group/Company					
	31.03.2021			31.03.2020		
	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	9,484	68,849	13,137	5,419
Central Industries PLC	-	-	-	11,796	638	387
Ceylon Grain Elevators PLC	-	-	-	55,470	5,303	2,230
Citizens Development Business Finance PLC - Non voting	54,198	5,269	3,897	54,198	5,269	2,428
Citizens Development Business Finance PLC - Voting	-	-	-	75,216	8,447	5,423
Commercial Bank of Ceylon PLC	818,194	66,170	69,956	-	-	-
Central Finance Company PLC	110,719	13,390	8,935	-	-	-
DFCC Bank PLC	86,940	5,036	5,182	-	-	-
Dipped Products PLC	80,000	5,503	3,712	-	-	-
Hatton National Bank PLC - Voting Shares	301,793	33,775	38,026	-	-	-
Hayleys PLC	60,000	4,505	3,648	-	-	-
John Keells Holdings PLC	753,303	115,202	111,865	-	-	-
Kelani Cables PLC	-	-	-	30,000	4,247	1,560
Kelani Tyres PLC	-	-	-	40,095	3,215	1,327
Lanka IOC PLC	811,240	24,058	15,414	104,100	4,002	1,645
Lanka Walltiles PLC	-	-	-	38,989	4,466	1,603
Laugfs Gas PLC	-	-	-	25,000	885	228
Laugfs Power Ltd	-	-	-	25,000	-	60
Nations Trust Bank PLC	87,415	8,249	4,834	87,415	8,249	5,525
Pan Asia Banking Corporation PLC	100,000	1,790	1,400	-	-	-
People's Leasing PLC	426,936	8,779	5,038	407,676	8,779	4,974
Renuka Foods PLC	457,001	11,398	5,804	457,001	11,398	6,261
Sanasa Development Bank PLC	53,151	5,211	3,019	32,669	4,326	1,535
Singer Finance (Lanka) PLC	679,224	15,683	9,305	679,224	15,683	5,841
Softlogic Finance PLC	65,944	3,768	659	65,944	3,768	758
Three Acre Farms PLC	-	-	-	50,000	7,584	4,000
Vallibel One PLC	-	-	-	310,002	7,650	3,720
		340,923	300,178		117,046	54,924

24.4 Other investments designated as fair value through profit or loss

	31.03.2021			31.03.2020		
	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 LKR '000
Group						
Investments in unit trusts	126,496	3,000,000	3,009,605	-	-	-
	126,496	3,000,000	3,009,605	-	-	-
Company						
Investments in unit trusts	126,496	3,000,000	3,009,605	-	-	-
	126,496	3,000,000	3,009,605	-	-	-

25. INVENTORIES

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Spare parts	1,080,849	1,209,746	699,759	606,968
Vehicles	1,034,700	4,522,193	320,445	2,433,459
Lubricants	251,089	255,438	251,089	255,438
Tyres	97,847	124,775	-	-
Equipment & machinery	194,381	171,836	24,498	4,877
3D Printers	9,143	3,455	9,143	3,455
Others	21,470	23,064	21,470	23,064
Stock-in-trade	2,689,479	6,310,507	1,326,404	3,327,261
Work-in-progress	121,204	81,699	40,360	40,180
Goods in transit (Note 25.1)	573,278	712,819	61,173	602,214
	3,383,961	7,105,025	**1,427,937**	3,969,655

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	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Vehicles	-	685,454	-	602,214
Spare parts and lubricants	573,278	27,365	61,173	-
	573,278	712,819	**61,173**	602,214

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 against security 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	-
U M L Heavy Equipment Limited	Commercial Bank of Ceylon PLC	Overdraft, Short term loans, Letter of Credit	160,000	160,000

Notes to the Financial Statements

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Trade receivables	1,182,009	1,007,729	625,882	785,716
Impairment allowance (Note 26.2)	(72,264)	(77,591)	(63,401)	(68,302)
	1,109,745	930,138	562,481	717,414
Other receivables	229,733	350,428	92,656	91,437
Loans to employees	9,244	16,637	9,244	16,637
Pre-payments	221,169	258,551	48,138	53,200
Advances paid	495,892	1,913,282	51,527	1,913,275
Total trade and other receivables	**2,065,783**	**3,469,036**	**764,046**	**2,791,963**

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.

26.2 Impairment allowance for trade receivables

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Balance at the beginning of the year	77,591	51,289	68,302	44,973
Decrease/(increase) in impairment allowance recognised in profit or loss during the year	(4,391)	55,975	(4,901)	51,262
Receivables written off during the year as uncollectible	(936)	(29,673)	-	(27,933)
At the end of the year	**72,264**	**77,591**	**63,401**	**68,302**

26.3 Loans to employees

There were no loan disbursements during the year and loans granted to employees which exceeded LKR 20,000 are disclosed as follows:

	Group/Company			
	2021		2020	
	No. of employees	LKR '000	No. of employees	LKR '000
At the beginning of the year - non executive employees	199	14,414	195	13,305
Loans disbursed during the year	-	-	-	13,290
Recovered during the year	-	(6,596)	-	(12,181)
At the end of the year-non executive employees	**199**	**7,818**	**199**	**14,414**

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.

26.5 Other receivables mainly consist warranty receivables, deposits and recoverable taxes.

27. AMOUNTS DUE FROM RELATED PARTIES

		Group		Company	
	Relationship	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Unimo Enterprises Limited	Subsidiary	-	-	70,375	103,427
U M L Heavy Equipment Limited	Subsidiary	-	-	308,391	32,317
U M L Property Developments Limited	Subsidiary	-	-	1,440	-
		-	-	380,206	135,744

28. CASH & CASH EQUIVALENTS

Reconciliation to cash flow statement

The below figures reconciled 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	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Favourable balances				
Money market deposits	170,042	-	170,042	-
Call deposits	222,097	3,758	222,097	3,758
Cash at bank	449,228	244,077	244,656	193,242
Cash in hand	10,377	14,125	7,717	11,790
	851,744	261,960	644,512	208,790
Unfavourable balances				
Bank overdrafts used for cash management purposes	(71,682)	(197,984)	(48,557)	(168,287)
Net cash and cash equivalent for the purpose of cash flow statements	780,062	63,976	595,955	40,503

In September 2015 the Department of Inland Revenue issued seizure notice on six bank accounts of Orient Motor Company Ltd (Orient Motor Company Ltd was a fully own subsidiary of United Motors Lanka PLC, then and was amalgamated with United Motors Lanka PLC on 30 November 2019) to recover unpaid NBT of LKR 17,640,485 as per their records. OMCL had set-off this amount against a GST refund that has been approved by Commissioner General of Inland Revenue (CGIR). Orient Motor Company Ltd 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 the latest position is that the Department of Inland Revenue and the Company are in discussion to come to an agreement to settle the case which is acceptable to the Supreme Court. No provision has been made in the financial statements for the year ended 31 March 2021 as the matter has not been finalized by the court.

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.

Notes to the Financial Statements

29. STATED CAPITAL

	No of Shares		Group		Company	
	2021	2020	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 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 the meeting of the shareholders or one vote per share in the case of a poll.

30. CAPITAL RESERVES

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	5,258,843	4,556,009	4,904,258	4,242,869
Revaluation of land	135,210	780,927	126,000	734,877
Deferred tax on revaluation of land	(13,521)	(78,093)	(12,600)	(73,488)
At the end of the year	**5,380,532**	**5,258,843**	**5,017,658**	**4,904,258**

31. INTEREST-BEARING BORROWINGS

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
At the beginning of the year	5,642,677	3,596,240	2,089,424	436,358
Obtained during the year	41,142,168	57,928,165	28,495,850	36,841,759
	46,784,845	61,524,405	30,585,274	37,278,117
Payments made during the year	(44,679,046)	(55,881,728)	(30,085,274)	(35,188,693)
Loans outstanding as at 31 March	2,105,799	5,642,677	500,000	2,089,424
Accrued loan interest	1,180	19,326	411	7,429
At the end of the year	**2,106,979**	**5,662,003**	**500,411**	**2,096,853**

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

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Non-current liabilities				
Long term loans	3,150	-	-	-
Current liabilities				
Short term loans	2,103,829	5,662,003	500,411	2,096,853
	2,106,979	**5,662,003**	**500,411**	**2,096,853**

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:

	Effective interest rate	Year of Maturity	31.03.2021 Face value LKR '000	31.03.2021 Carrying value LKR '000	31.03.2020 Face value LKR '000	31.03.2020 Carrying value LKR '000
Group						
Long term loans-secured	Market rate	2021	15,750	15,750	-	-
Short term loans-secured	Market rate	2021	1,590,818	1,590,818	3,565,150	3,565,150
Short term loans-unsecured	Market rate	2021	500,411	500,411	2,096,853	2,096,853
			2,106,979	**2,106,979**	**5,662,003**	**5,662,003**
Company						
Short term loans-unsecured	Market rate	2021	500,411	500,411	2,096,853	2,096,853
			500,411	**500,411**	**2,096,853**	**2,096,853**

32. EMPLOYEE BENEFIT OBLIGATIONS

32.1 Retirement benefit obligations

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Present value of funded obligations	282,299	239,546	251,995	214,145
Retirement benefit obligations (Note 32.5)	**282,299**	**239,546**	**251,995**	**214,145**

The retirement benefit obligations 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	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Employees joined before 1992/93				
Mutual fund (Note 32.3)	206	246	206	246
Employees joined after 1992/93				
Reimbursable right (Note 32.4)	46,627	66,964	41,679	62,542
	46,833	**67,210**	**41,885**	**62,788**

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 2021 is LKR 205,664 (2020 - LKR 245,887). 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 789 employees of the Company as at 31 March 2021.

Notes to the Financial Statements

32.4 Movement in fair value of reimbursable right

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	66,964	72,486	62,542	68,509
Returns on reimbursable right (Note 32.6)	6,244	7,988	5,817	7,536
Benefits paid by reimbursable right	(18,019)	(15,503)	(18,019)	(15,503)
Benefits payable by reimbursable right	(3,360)	(6,942)	(3,360)	(6,942)
Gains/(losses) in Other Comprehensive Income (Note 32.6)	(5,202)	8,935	(5,301)	8,942
Fair value of reimbursable right at the end of the year	**46,627**	**66,964**	**41,679**	**62,542**

32.5 Movement in the present value of the defined employee obligations

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	239,546	222,547	214,145	203,147
Expenses recognised in profit & loss (Note 32.6)	50,694	48,821	44,068	43,356
Actuarial losses/(gains) in Other Comprehensive Income (Note 32.6)	18,520	(8,893)	15,260	(7,061)
Benefits paid during the year	(25,326)	(22,929)	(21,478)	(22,843)
Adjustment	(1,135)	-	-	(2,454)
Employee benefit obligation at the end of the year	**282,299**	**239,546**	**251,995**	**214,145**

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

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Recognised in profit & loss				
Defined benefit obligations				
Current service costs	28,748	24,330	24,153	20,999
Interest on obligation	21,946	24,491	19,915	22,357
	50,694	48,821	44,068	43,356
Reimbursable right				
Returns on reimbursable right	6,244	7,988	5,817	7,536
	6,244	7,988	5,817	7,536
Recognised in Other Comprehensive Income				
Defined benefit obligations				
Actuarial (losses)/gains recognised during the year	(18,520)	8,893	(15,260)	7,061
	(18,520)	8,893	(15,260)	7,061
Reimbursable right				
(Losses)/gains recognised during the year	(5,202)	8,935	(5,301)	8,942
Dividend adjustment to reimbursable right	59	-	59	(17)
	(5,143)	8,935	(5,242)	8,925
	(23,663)	**17,828**	**(20,502)**	**15,986**

32.7 Actuarial assumptions

Principal actuarial assumptions are as follows:

	Group		Company	
	2021	2020	2021	2020
Rate of discount as at 31 March (%)	8.0 - 8.4	9.3	8.0	9.3
Future salary increases (%)	8.4 - 9	9	8.7	9
Retirement age	55 or 60 years	55 or 60 years	55 or 60 years	55 or 60 years
Staff turnover rate (%)	4 - 22	4 - 9	4	4

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 employee 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 employee benefit obligation (LKR '000)	(16,982)	19,303	(15,005)	17,089
A percentage point change in the salary escalation rate				
Effect on the present value of employee benefit obligation (LKR '000)	20,186	(18,085)	17,891	(16,001)

32.9 Maturity profile of the defined benefit obligation

	Group		Company	
	2021	2020	2021	2020
Within the next 12 months	46,683	22,397	44,640	19,046
Between 1 to 2 years	52,609	50,028	50,190	45,743
Between 2 to 5 years	71,545	56,329	56,878	49,772
Beyond 5 years	111,462	110,792	100,287	99,584
	282,299	**239,546**	**251,995**	**214,145**

Notes to the Financial Statements

33. DEFERRED TAX ASSETS/LIABILITIES

33.1 Deferred tax assets

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	477,549	278,856	182,926	123,192
Tax losses utilised/reversed	(41,643)	(58,356)	(41,643)	(58,356)
Origination of timing differences-recognised in profit or loss	66,873	259,539	44,769	120,067
Origination/(reversal) of timing differences-recognised in Other Comprehensive Income	4,301	(2,490)	3,662	(1,977)
At the end of the year	**507,080**	**477,549**	**189,714**	**182,926**
Composition of deferred tax assets				
Property, plant and equipment	4,386	3,580	-	-
Retirement benefit obligation	66,494	67,644	60,479	60,532
Provisions	120,993	15,026	74,737	543
Lease liability	81,987	80,208	54,498	80,208
Tax losses	233,220	311,091	-	41,643
Net deferred tax assets	**507,080**	**477,549**	**189,714**	**182,926**

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 future profitability of 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	322,866	137,718	323,505	138,597
(Reversal)/charge of timing differences-recognised in profit or loss	(20,732)	107,055	(44,356)	111,420
Origination of timing differences- recognised in Other Comprehensive Income on revaluation of land	13,521	78,093	12,600	73,488
At the end of the year	**315,655**	**322,866**	**291,749**	**323,505**
Composition of deferred tax liability				
Property plant & equipment	147,423	166,562	147,863	165,429
Gains on revaluation of land	91,614	78,093	86,088	73,488
Investment property-buildings	-	-	1,292	1,772
Investment property-land	-	-	5,526	4,605
Leased assets	76,618	78,211	50,980	78,211
Net deferred tax liability	**315,655**	**322,866**	**291,749**	**323,505**

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 135,210,000 related to the land revaluation. Deferred tax of 10% has been provided in the financial statements for the year ended 31 March 2021.

33.3 Expenses recognised in statement of Other Comprehensive Income

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Origination/(reversal) of timing differences-recognised in Other Comprehensive Income (Note 33.1)	4,301	(2,490)	3,662	(1,977)
(Origination)/reversal of timing differences-recognised in Other Comprehensive Income (Note 33.2)	(13,521)	(78,093)	(12,600)	(73,488)
	(9,220)	**(80,583)**	**(8,938)**	**(75,465)**

34. LEASE LIABILITIES

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	248,315	-	286,457	-
Impact from initial application of SLFRS 16	-	207,642	-	395,502
Additions during the year	153,898	118,533	78,556	12,930
Interest expense	36,493	36,155	41,875	49,116
Interest capitalised to set up cost	-	3,642	-	-
Adjustment for rent concessions	(10,644)	-	(5,243)	-
Payments made	(146,714)	(117,657)	(174,571)	(171,091)
At the end of the year	**281,348**	**248,315**	**227,074**	**286,457**
Classified as non-current liabilities	180,985	109,514	74,651	153,539
Classified as current liabilities	100,363	138,801	152,423	132,918
	281,348	**248,315**	**227,074**	**286,457**
Amounts recognised in profit or loss				
Interest on lease liabilities	36,493	36,155	41,875	49,116
Maturity analysis of lease liability - discounted cash-flows				
Less than 2 years	159,032	138,801	187,463	132,918
2-5 years	94,912	55,469	24,089	135,655
6-10 years	22,222	49,633	10,339	13,472
Over 10 years	5,182	4,412	5,183	4,412
	281,348	**248,315**	**227,074**	**286,457**
Maturity analysis of lease payments				
Less than 2 years	196,426	156,993	208,342	284,419
2-5 years	128,361	116,228	39,881	42,104
6-10 years	48,788	79,487	34,007	37,920
Over 10 years	38,386	12,085	38,386	12,086
	411,961	**364,793**	**320,616**	**376,529**

Rent concessions

The Company and the Group have received COVID-19 related rent concessions and have applied the practical expedient introduced in May 2020. As earlier application is permitted Company and the Group have applied the amendment from 01 April 2020. Practical expedient has been applied to all qualifying rent concessions. Accordingly, rent concessions received LKR 10,644,376 to the Group and LKR 5,243,376 to the Company were accounted as gains in profit or loss statements during the year ended 31 March 2021 respectively.

Notes to the Financial Statements

35. TRADE PAYABLES

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Trade payables	1,735,440	378,477	501,691	285,268
Taxes payable	39,467	15,761	489	554
Contract liabilities				
Advances received from customers	303,346	112,148	45,910	57,701
Free service contracts	22,456	12,520	7,257	7,453
Extended warranty	875	1,038	875	1,038
Accrued and other provisions	209,122	151,112	62,933	144,997
Other payables	8,456	76,559	760	3,799
	2,319,162	747,615	619,915	500,810

Trade payables are unsecured and are usually paid within 30-180 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.

Other payables mainly consist statutory contributions/payments and other taxes payable.

36. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Company	
		31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Unimo Enterprises Limited	Subsidiary	-	-	2,040	9,240
U M L Property Developments Limited	Subsidiary	-	-	801	55,542
U M L Heavy Equipment Limited	Subsidiary	-	-	-	14
		-	-	2,841	64,796

37. CURRENT TAXATION

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
At the beginning of the year	(66,378)	68,387	(57,718)	76,911
Income tax on current year profits	130,764	14,742	128,803	12,754
Losses utilised during the year	-	(58,356)	-	(58,356)
	64,386	24,773	71,085	31,309
Under/(over) provisions	57,916	(465)	57,916	(465)
ESC set off against income tax	(16,583)	-	(16,583)	-
Income tax paid	(37,435)	(90,686)	(35,964)	(88,562)
At the end of the year	68,284	(66,378)	76,454	(57,718)

The income tax comprise of:

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
37.1 Current tax liabilities	76,941	-	76,454	-
37.2 Current tax receivable	(8,657)	(66,378)	-	(57,718)
	68,284	(66,378)	76,454	(57,718)

38. CASH FLOW INFORMATION

38.1 Reconciliation of profit/(loss) before tax to cash flows from operating activities

	Group		Company	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Profit/(loss) before income tax expense	646,392	(547,882)	905,876	120,969
Adjustments for;				
Provision for depreciation/amortisation	255,808	242,185	210,037	200,955
Profit on disposal of property, plant and equipment	(37,897)	(2,640)	(37,772)	(2,640)
Net gain on disposal of financial assets at the fair value through profit or loss	(70,183)	-	(70,183)	-
Net change in fair value-financial asset at fair value through profit or loss	(17,725)	14,359	(17,725)	14,359
Change in fair value of investment property	-	-	(8,210)	(17,420)
Interest expense	343,482	480,849	218,790	322,475
Interest income	(93,349)	(12,806)	(148,870)	(199,840)
Dividend income from equity investments	(15,157)	(9,240)	(14,803)	(6,688)
Dividend received from subsidiary	-	-	(150,000)	(88,500)
Impairment on trade receivables and losses on warranty claims	(9,642)	52,002	(4,901)	50,577
Provision for employee benefit obligations	49,599	49,012	44,108	43,547
Amortisation of right-of-use assets	138,815	137,008	145,466	150,694
Return on reimbursable right	(6,244)	(7,988)	(5,817)	(7,536)
(Write back)/write-down of inventory to lower of cost or NRV (net realisable value)	(90,637)	31,543	(75,270)	6,712
Fair value adjustment on unit trusts	(9,605)	-	(9,605)	-
Operating profit before working capital changes	1,083,657	426,402	981,121	587,664
Decrease/(increase) in inventories	3,811,701	(948,811)	2,616,988	(1,142,527)
Decrease/(increase) in trade and other receivables	1,412,895	(487,124)	2,032,818	(395,283)
Increase in amounts due from related parties	-	-	(244,462)	(81,463)
(Decrease)/increase in amounts due to related parties	-	-	(61,955)	8,068
Increase/(decrease) in trade and other payables	1,571,543	(194,300)	119,100	(208,645)
Cash inflow/(outflow) from operating activities	7,879,796	(1,203,833)	5,443,610	(1,232,186)

Notes to the Financial Statements

38.2 Reconciliation of liabilities arising from financing activities

	Group		Company	
	31.03.2021 LKR '000	31.03.2020 LKR '000	31.03.2021 LKR '000	31.03.2020 LKR '000
Bank borrowings				
At the beginning of the year	5,642,677	3,596,240	2,089,424	436,358
Proceeds from borrowings	41,142,168	57,928,165	28,495,850	36,841,759
Repayments of borrowings	(44,679,046)	(55,881,728)	(30,085,274)	(35,188,693)
At the end of the year	**2,105,799**	**5,642,677**	**500,000**	**2,089,424**

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 the Company	Name of the Bank	Facility	Amount pledged as security LKR '000	Outstanding as at 31.03.2021 LKR '000	Outstanding as at 31.03.2020 LKR '000
Unimo Enterprises Limited	Sampath Bank PLC	Letter of credit, overdraft and term loans	325,000	311,158	106,000
	Standard Chartered Bank	Letter of credit, overdraft and term loans	500,000	-	500,000
	Bank of Ceylon	Letter of credit, overdraft and term loans	1,000,000	824,487	813,154
	Nations Trust Bank	Letter of credit, overdraft and term loans	1,000,000	937,056	-
U M L Heavy Equipment Limited	Pan Asia Banking Corporation PLC	Letter of credit, overdraft and term loans	400,000	33,269	-
	Commercial Bank of Ceylon PLC	Letter of credit, overdraft and term loans	100,000	100,000	100,000

Unimo Enterprises Limited has given bank guarantees to Sri Lanka Customs amounting to LKR 1,478.1 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 107.6 million as at the reporting date.

Details relating to certain tax assessments are reflected in Notes 15 and 28.

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

R I L 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	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Short term employment benefits	82,606	78,756	66,264	63,629

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 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 2020/21 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	5,919,000	82%	Market rates

Notes to the Financial Statements

40.4 Recurrent related party transactions (contd.)

Transactions with subsidiaries and related entities.

a) Transaction with subsidiaries

Company	UEL LKR '000	UMPDL LKR '000	U M L Heavy LKR '000	Total 2020/21 LKR '000	Total 2019/20 LKR '000
Sale of spare parts	7,492	-	-	7,492	692
Sale of vehicles	2,400	-	-	2,400	-
Purchase of tyres	1,947	-	-	1,947	1,742
Purchase of spare parts	193	-	-	193	506
Sale of lubricants	-	-	-	-	1,371
Repairs & services provided	73,730	-	5,725	79,455	61,416
Services obtained	1,192	-	-	1,192	-
Purchase of vehicles	5,900	-	-	5,900	6,160
Interest received	73,180	-	8,861	82,041	187,754
Expenses incurred	147,086	1,440	4,961	153,487	61,629
Reimbursement of expenses	14,242	-	10	14,252	12,516
Hiring income received	2,356	-	2,509	4,865	3,575
Hiring rentals paid for vehicles	801	-	-	801	-
Rentals received for premises occupied	23,128	-	-	23,128	22,649
Rentals paid for premises occupied	-	98,043	-	98,043	99,377
Dividend received	-	150,000	-	150,000	88,500
Loans granted	5,919,000	-	480,700	6,399,700	7,374,000
Loans settlements	5,919,000	-	212,021	6,131,021	7,374,000

b) Transactions between subsidiaries

Unimo Enterprises Limited with U M L Heavy Equipment Limited

	Total 2020/21 LKR '000	Total 2019/20 LKR '000
Reimbursement of expenses	2,422	105
Expenses incurred	29	-

c) Transactions with the Parent company-R I L Property PLC

	Total 2020/21 LKR '000	Total 2019/20 LKR '000
Rent paid in advance	-	185
Rentals paid for premises occupied	770	4,598
Refundable rent deposit	-	1,045
Reimbursement of expenses	14	593
Repairs & services provided	1,142	1,131

d) Transactions with other related entities of Parent company-Foodbuzz (Pvt) Ltd

	Total 2020/21 LKR '000	Total 2019/20 LKR '000
Repairs & services provided	140	359

e) The receivables from related companies and payables to related companies on sale/purchase of goods/services are set out in Note 27 and 36 respectively. These receivables and payables are unsecured and have no fixed repayment terms.

41. CONSOLIDATION

The consolidated financial statements of the Company's shareholding as at 31 March 2021 are in the proportions indicated below.

Subsidiary	Ownership interest	
	2021	2020
Unimo Enterprises Limited	100%	100%
U M L Property Developments Limited	100%	100%
U M L Heavy Equipment Limited	100%	100%

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	
	2021 LKR '000	2020 LKR '000
Parent company	766,639	117,327
Subsidiaries	(207,248)	(585,860)
	559,391	(468,533)
Inter-company elimination	(55,716)	58,858
Consolidated profit after income tax expenses	**503,675**	**(409,675)**

Notes to the Financial Statements

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD AND OTHER MATTERS

Change in Directorate

Ms. M. Coralie Pietersz was appointed as an Independent Non-Executive Director to the Board with effect from 1 April 2021 and was appointed as Chairperson of the Audit Committee with effect from 6 May 2021.

Mr. Devaka Cooray was appointed as an Independent Non-Executive Director to the Board with effect from 4 May 2021.

Mr. Yoshisuke Ishii resigned from the Board with effect from 12 May 2021.

Mr. Janya Takami was appointed as an Independent Non-Executive Director to the Board with effect from 1 June 2021.

Mr. Sunil G.Wijesinha, Chairman/Independent Non-Executive Director of United Motors Lanka PLC, will not be seeking reappointment at the forthcoming Annual General Meeting to be held on 27 July 2021,and accordingly will cease to be a Director at the conclusion of the Annual General Meeting.

The Board of Directors at the meeting held on 10 June 2021, resolved to appoint Mr. Devaka Cooray, Independent Non-Executive Director as the Chairman of United Motors Lanka PLC with effect from 27 July 2021.

Impact due to the COVID-19

The COVID-19 outbreak in March 2020 followed by the second and the third waves continues to pose challenges to businesses and industries both locally and globally due to uncertainties, restrictions and limitations associated with the pandemic. Extent and the duration of post-lockdown economic implications are not certain but it will have negative impact on the performance of the Company and Group for the year 2021/22.

The Group has strictly adhered to the COVID-19 related guidelines and directives issued by the Government and the management is closely monitoring the situation to ensure that measures being taken are appropriate and adequate to mitigate the potential impact of this crises on the Company and the Group.

Dividends on ordinary shares

After satisfying the solvency test, in accordance with Section 57 of the Companies Act, No 07 of 2007, the Board of Directors recommended a final dividend of LKR 1.00 per share for the year ended 31 March 2021 amounting to LKR 100,900,626 which is to be approved at the forth coming Annual General Meeting. In accordance with LKAS 10 - " Events after the reporting period" this dividend was not recognised as liability as at 31 March 2021.

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments or disclosures in the financial statements other than those disclosed above.

Other matters

Temporary suspension of Imports

The temporary suspension of vehicle imports brought in through the Gazette Extraordinary No 2176/19 and later amended by Gazette Extraordinary No. 2182/10 is still in force.

Share information

The audited income statement for the year ended 31 March 2021 and the audited statement of financial position as at 31 March 2021 has been submitted to the Colombo Stock Exchange (CSE) within the required deadlines as required by the listing Rule No. 7.5(a) rules of the CSE (the Company duly complied with this requirement for the year 2019/20).

The Company duly submitted the audited interim financial statements for the year 2020/21 to the CSE within applicable statutory deadlines (The Company also duly complied with this requirement for the year 2019/20).

1. STOCK EXCHANGE LISTING

The issued ordinary shares of United Motors Lanka PLC were listed with the CSE on 5 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 2021 was 3,828 (3,753 as at 31 March 2020)

a) Resident/Non-Resident as at 31 March 2021

Range of Shareholdings (No. of Shares)	Resident			Non-Resident			Total		
	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total	No. of share holders	No. of shares	% of total holding
Up to 1,000	2,481	862,753	0.85	29	15,455	0.02	2,510	878,208	0.87
1,001 - 10,000	1,142	4,030,548	4.00	21	82,869	0.08	1,163	4,113,417	4.08
10,001 - 100,000	125	2,843,805	2.82	8	205,849	0.20	133	3,049,654	3.02
100,001 - 1,000,000	12	3,328,389	3.30	-	-	-	12	3,328,389	3.30
Over 1,000,000	8	83,315,305	82.57	2	6,215,653	6.16	10	89,530,958	88.73
Total	3,768	94,380,800	93.54	60	6,519,826	6.46	3,828	100,900,626	100.00

b) Individuals/Institutions

	31 March 2021			31 March 2020		
	No of shareholders	Total holdings (No. of shares)	% of total holdings	No of shareholders	Total holdings (No. of shares)	% of total holdings
Individual	3,683	30,423,999	30.15	3,608	27,720,674	27.47
Institutions	145	70,476,627	69.85	145	73,179,952	72.53
Total	3,828	100,900,626	100.00	3,753	100,900,626	100.00

c) Public shareholding

	31.03.2021	31.03.2020
Percentage (%)	24.57	24.84
No. of shareholders	3,818	3,743
The float adjusted market capitalization (LKR)	1,430,408,445	1,137,965,210

The float adjusted market capitalization of the Company falls under option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Share information

3. SHARE TRADING

	2020/21	2019/20	2018/19	2017/18	2016/17
Market					
Number of transactions	4,762,434	1,255,759	810,331	1,089,473	984,412
Number of shares traded	37,966,240,706	10,255,022,162	4,925,186,283	8,721,432,695	6,846,805,469
Value of shares traded (LKR million)	675,136	186,176	167,420	245,435	177,641
Market days	229	231	240	237	244
Company					
Number of transactions	5,455	1770	1,240	2,707	2,471
Number of shares traded	6,282,463	1,662,689	1,850,189	35,696,069	2,343,611
Value of shares traded (LKR million)	409	109	154	2,788	211
Market days	210	204	189	217	227

4. MARKET CAPITALIZATION AND MARKET PRICES

a) Market capitalization

Year	Shareholders funds LKR (million)	Ordinary share in issue (million)	UML market capitalization LKR (million)	CSE market capitalization LKR (billion)	As a % of CSE market capitalization	Market capitalization Rank
2020/21	13,315	100.90	5,821.97	3,111.26	0.19	99
2019/20	12,505	100.90	4,580.88	2,128.27	0.21	78
2018/19	12,159	100.90	6,740.16	2,605.89	0.26	66
2017/18	11,696	100.90	7,668.45	3,032.70	0.29	65
2016/17	8,951	100.90	7,870.25	2,662.86	0.29	59

b) Market prices

	2020/21	2019/20	2018/19	2017/18	2016/17
Highest (LKR)	83.00	80.00	87.40	90.00	99.80
	(18.12.2020)	(29.07.2019)	(23.07.2018)	(13.07.2017)	(02.08.2016)
Lowest (LKR)	45.00	45.00	66.00	70.30	76.10
	(01.06.2020)	(20.03.2020)	(29.03.2019)	(14.11.2017)	(28.03.2017)
Last traded price (LKR)	57.70	45.40	66.80	76.00	78.00

5. DIVIDENDS PAID

	2020/21	2019/20	2018/19	2017/18	2016/17
Dividend (LKR '000)	151,351	403,603	151,351	353,152	706,303
Profit (LKR '000)	766,639	117,327	730,365	1,456,697	1,066,811
Dividend payout ratio	19.74	344.83	20.72	24.24	66.23
Dividend per share (LKR)	1.50	4.00	1.50	3.50	7.00

6. VALUE CREATION FOR SHAREHOLDERS

	2020/21	2019/20	Change %
Net asset value per share-Company (LKR)	131.96	123.94	6.47%
Earnings per share (LKR)	7.60	1.16	555.17%
Market price per share (LKR)	57.70	45.40	27.09%
Return on equity (%)-After Tax	5.76	0.94	513.71%

7. TWENTY LARGEST SHAREHOLDERS

Shareholder	31 March 2021		31 March 2020	
	No. of shares	%	No. of shares	%
1. R I L Property PLC	51,459,320	51.00	51,459,320	51.00
2. Ms. R.R. Takahashi	11,762,041	11.66	11,762,041	11.66
3. Mr. M.A. Yaseen	11,178,511	11.08	11,178,511	11.08
4. Ms. 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. Mr. C. Yatawara	1,696,193	1.68	1,421,321	1.41
7. Mr. A.M. Weerasinghe	1,552,280	1.54	301,880	0.30
8. Mr. D.G. Wijemanna	1,000,000	0.99	-	-
9. Bank of Ceylon Account No. 1	524,677	0.52	404,478	0.40
10. J.B. Cocoshell (Pvt) Ltd	458,496	0.45	-	-
11. Mr. S.D. Yaseen	243,300	0.24	243,300	0.24
12. Mr. L.E.M Yaseen	200,000	0.20	200,000	0.20
13. Mr. P. Rathnayaka	156,000	0.15	156,000	0.15
14. Mercantile Investments and Finance PLC	150,000	0.15	150,000	0.15
15. Akbar Brothers Pvt Ltd A/C No. 1	136,648	0.14	136,648	0.14
16. Mr. M. Anndreino Yaseen	119,430	0.12	119,430	0.12
17. Mr. V.A. Yaseen	119,427	0.12	119,427	0.12
18. Mr. J.A. Yaseen	119,427	0.12	119,427	0.12
19. Mr. M.H.M. Nazeer	100,984	0.10	100,984	0.10
20. Mr. S.A.C. Keerthisinghe & Ms. D.M.J.S. Dissanayaka	86,410	0.09	-	-
*Others (shareholders under 20 largest shareholders as at 31 March 2020)	-	-	3,450,431	3.43
TOTAL	92,945,757	92.12	93,205,811	92.39

Shareholders included in the twenty largest shareholdings as at 31 March 2020

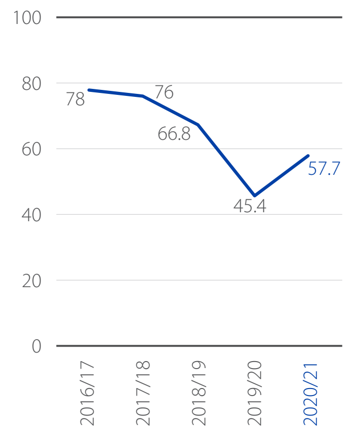
Shareholdings as at March 2020	No. of shares	% of total holding
Sterling Holdings (Pvt) Limited	3,284,637	3.26
Perera & Sons Bakers (Pvt) Limited	100,000	0.10
Ms. I.S. Jayasinghe	65,794	0.07
Total	3,450,431	3.43

Share information

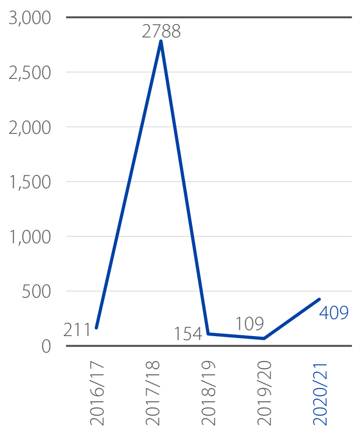
8. DIRECTORS' SHAREHOLDING

Name of Director	Capacity	No of shares as at 31 March 2021	% of total holdings	Movement during the year	No. of shares as at 31 March 2020	% of total holdings
Mr. Sunil G. Wijesinha	Chairman/Non-Executive Director	-	-	-	-	-
Mr. Chanaka Yatawara	Group CEO/Executive Director	1,696,193	1.68	274,872	1,421,321	1.41
Mr. Ananda Atukorala	Non-Executive Director	3,000	0.003	-	3,000	0.003
Mr. Ramesh Yaseen	Executive Director	10,620	0.011	-	10,620	0.01
Ms. Hiroshini Fernando	Non-Executive Director	-	-	-	-	-
Prof. Malik Ranasinghe	Non-Executive Director	-	-	-	-	-
Mr. Stuart Chapman	Non-Executive Director	-	-	-	-	-
Mr. Yoshisuke Ishii	Non-Executive Director	-	-	-	-	-

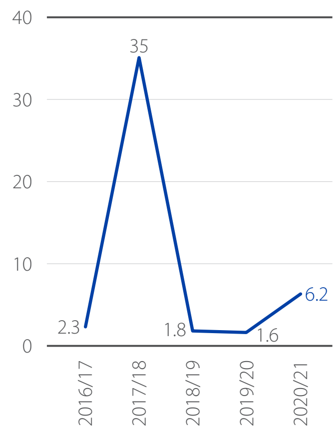
Market price - year end (LKR)



Value of shares traded (LKR Mn)



Number of shares traded (LKR Mn)



Ten Year Summary - Group

(in LKR '000)

Reported as per	SLFRS/LKAS									
For the year ended 31 March	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Turnover	13,537,657	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
Profit before taxation	646,392	(547,882)	423,468	866,458	1,438,602	2,353,603	1,625,881	2,174,345	2,702,651	3,193,694
Income tax	(142,717)	138,207	12,455	(197,558)	(312,495)	(651,380)	(363,549)	(566,624)	(689,737)	(911,162)
Profit for the year	**503,675**	**(409,675)**	**435,923**	**668,900**	**1,126,107**	**1,702,223**	**1,262,332**	**1,607,721**	**2,012,914**	**2,282,532**
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	5,380,532	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
Other components of the equity & retained earnings	7,583,119	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
Shareholders' funds	13,299,986	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
Non controlling interests	-	-	-	-	-	-	-	-	-	10,900
Total equity	**13,299,986**	**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**
Assets employed										
Current assets	9,619,928	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
Non current assets	9,134,124	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
Total assets	18,754,052	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
Current liabilities	(4,671,977)	(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)
Non current liabilities	(782,089)	(671,926)	(360,265)	(252,790)	(212,865)	(181,188)	(181,374)	(173,866)	(148,845)	(155,504)
Total liabilities	(5,454,066)	(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)
Net assets	**13,299,986**	**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**
Profitability										
Earnings per share (LKR)	4.99	(4.06)	4.32	6.63	11.16	16.87	12.51	15.93	19.95	22.62
Net assets per share *										
At the year end (LKR)	131.81	126.08	127.64	125.87	106.46	102.20	103.42	80.25	73.05	57.65
Return on average										
Net assets (%)	3.79	(3.22)	3.38	5.27	10.48	16.51	12.10	19.86	27.31	39.16
Others										
Market price per share (LKR)	57.70	45.40	66.80	76.00	78.00	83.00	88.10	123.00	96.00	108.00
Price earnings ratio	11.56	(11.18)	15.46	11.46	6.99	4.92	7.04	7.72	4.81	3.18
Annual sales growth (%)	37.50	(22.90)	(13.23)	(17.90)	17.13	45.22	(4.55)	(26.10)	(28.22)	90.36
Current ratio (times)	2.06	1.62	2.10	2.39	1.70	1.90	2.88	3.15	3.03	1.74

* 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 2021

Investor Information

Year		Shares at the beginning	Issued during the year	Stated Capital (LKR)	Market Value Per Share (Last Traded Price) (LKR)
1990/91		10,000,000	-	100,000,000	23.75
1991/92		10,000,000	-	100,000,000	53.00
1992/93	Issued through Share Trust Scheme to employees	10,000,000	90,266	100,902,660	35.00
1993/94	Issued through Share Trust Scheme to employees	10,090,266	91,230	-	-
	Bonus issue 1:5		2,036,300	122,177,960	60.00
1994/95		12,217,796	-	122,177,960	27.50
1995/96		12,217,796	-	122,177,960	31.50
1996/97	Issued through Share Trust Scheme to employees	12,217,796	53,319	-	-
	Bonus issue 1:5		2,443,560	147,146,750	32.00
1997/98		14,714,675	-	147,146,750	41.50
1998/99		14,714,675	-	147,146,750	32.50
1999/00		14,714,675	-	147,146,750	31.25
2000/01		14,714,675	-	147,146,750	28.00
2001/02		14,714,675	-	147,146,750	32.00
2002/03	Bonus issue 1:1	14,714,675	14,714,675	294,293,500	31.00
2003/04		29,429,350	-	294,293,500	28.00
2004/05		29,429,350	-	294,293,500	51.75
2005/06		29,429,350	-	294,293,500	80.00
2006/07	Bonus issue 1:7	29,429,350	4,204,192	336,335,420	80.00
2007/08		33,633,542	-	336,335,420	53.75
2008/09		33,633,542	-	336,335,420	33.50
2009/10		33,633,542	-	336,335,420	90.00
2010/11	Subdivision of shares-every existing ordinary share was subdivided into two ordinary shares	33,633,542	33,633,542	336,335,420	152.20
2011/12		67,267,084	-	336,335,420	108.00
2012/13		67,267,084	-	336,335,420	96.00
2013/14		67,267,084	-	336,335,420	123.00
2014/15	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
2015/16		100,900,626	-	336,335,420	83.00
2016/17		100,900,626	-	336,335,420	78.00
2017/18		100,900,626	-	336,335,420	76.00
2018/19		100,900,626	-	336,335,420	66.80
2019/20		100,900,626	-	336,335,420	45.40
2020/21		100,900,626	-	336,335,420	57.70

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
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
Income tax expenses divided by profit from ordinary activities before tax.

EBITDA
Earnings before interest expenses, tax, depreciation and amortisation.

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.

Glossary of Financial Terms

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 PROPERTY

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 (ROU)

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 Second Annual General Meeting of United Motors Lanka PLC will be held at 9.30 a.m. on Tuesday, 27 July 2021, via audiovisual means for the following purposes;

AGENDA

01. To receive and consider the Annual Report of the Board of Directors, the Audited Financial Statements for the year ended 31 March 2021 and Report of the Auditors thereon.
02. i) To re-elect, Prof. Malik Ranasinghe who retires by rotation in terms of Articles 83 of the Articles of Association of the Company.
    ii) To re-elect, Ms. Coralie Pietersz who retires in terms of Articles 89 of the Articles of Association of the Company.
    iii) To re-elect, Mr. Devaka Cooray who retires in terms of Articles 89 of the Articles of Association of the Company.
    iv) To re-elect, Mr. Junya Takami who retires in terms of Articles 89 of the Articles of Association of the Company.
    v) 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 72 years of age and that he be re-appointed a Director of the Company."

03. To declare a final dividend of LKR 1.00 per share for the year ended 31 March 2021 as recommended by the Directors.
04. To re-appoint PricewaterhouseCoopers (PwC), Chartered Accountants, as the Auditors for the ensuing year and to authorize the Directors to fix their remuneration.
05. To authorize the Board of Directors to determine and make donations for 2021/22.
06. To consider any other business of which due notice has been given.

By Order of the Board

Ms. Rinoza Hisham

Company Secretary

Colombo

10 June 2021

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 Second (32nd) 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 audiovisual means in the manner specified below:
   i The Chairman, the Board of Directors, the Company Secretary, the Registrars and the External Auditors will be present for the meeting at 9.30 a.m. on Tuesday, 27 July 2021.
   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 audiovisual means only.
      c The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audiovisual 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 agm2021@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 agm2021@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 agm2021@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 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 2020/21 will be available for perusal on the Company website, the Colombo Stock Exchange website and the social media sites of the Company.

Notes

Form of Proxy

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 or failing him
8) Miriam Coralie Pietersz of Colombo or failing her
9) Mututantrige Parakrama Devaka Cooray of Colombo

as my/our proxy to represent me/us and*...to vote on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held at 9.30 a.m. on Tuesday, 27 July 2021, via audiovisual 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 hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors, the Audited Financial Statements for the year ended 31 March 2021 and Report of the Auditors thereon		
2. To re-elect Prof. Malik Ranasinghe as a Director of the Company.		
3. To re-elect Ms. Coralie Pietersz as a Director of the Company.		
4. To re-elect Mr. Devaka Cooray as a Director of the Company.		
5. To re-elect Mr. Junya Takami as a Director of the Company.		
6. To re-appoint Mr. Ananda Atukorala as a Director of the Company.		
7. To declare a final dividend of LKR 1.00 per share for the year ended 31 March 2021 as recommended by the Directors.		
8. To re-appoint PricewaterhouseCoopers (PwC), Chartered Accountants, as the Auditors for the ensuing year and to authorize the Directors to fix their remuneration.		
9. To authorize the Board of Directors to determine and make donations for 2021/22.		

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

....

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 how the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

Instructions as to completion appear overleaf

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint any person other than Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 66 of the Articles of Association of the Company.
   i) In the case of an individual shall be signed by the Appointer 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 agm2021@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 09 May 1989.

Listed with the Colombo Stock Exchange
05 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
Web: www.unitedmotors.lk

VAT Registration Number
294000038 - 7000

Tax Payer Identification Number
294000038

Auditors
PricewaterhouseCoopers
No. 100, Braybrooke Place, Colombo 02

Lawyers
Julius & Creasy
No. 41, Janadipathi Mawatha, Colombo 01

Registrars
P. W. Corporate Secretarial (Pvt) Ltd,
No. 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
Ms. Hiroshini Fernando
Prof. Malik Ranasinghe
Mr. Stuart Chapman
Mr. Yoshisuke Ishii
(Resigned w.e.f. 12 May 2021)
Ms. Coralie Pietersz
(Appointed w.e.f. 1 April 2021)
Mr. Devaka Cooray
(Appointed w.e.f. 4 May 2021)
Mr. Junya Takami
(Appointed w.e.f. 1 June 2021)

Company Secretary
Ms. Rinoza Hisham

Audit Committee
Chairperson
Ms. Coralie Pietersz

Mr. Sunil G. Wijesinha
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Prof. Malik Ranasinghe
Mr. Stuart Chapman

Remuneration Committee
Chairman
Prof. Malik Ranasinghe

Mr. Sunil G. Wijesinha
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Mr. Stuart Chapman

Nomination Committee
Chairman
Mr. Stuart Chapman

Mr. Sunil G. Wijesinha
Mr. Chanaka Yatawara
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Prof. Malik Ranasinghe

Related Party Transactions Review Committee
Chairman
Mr. Ananda Atukorala

Ms. 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,
Address: No. 100, Hyde Park Corner, Colombo 02, Sri Lanka
Email: rinozah@unitedmotors.lk
Tel.: +94 (011) 4696019/6015

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United Motors

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