DETERMINED

Annual Report 2021 - 2022

United Motors Lanka PLC

DETERMINED

As we experienced Sri Lanka undergo change and adversity, we were undoubtedly thrust into a new normal; one in which dynamism and adaptability were key to cater to our stakeholders in a rapidly challenging environment. While we started adapting our drive was kept in momentum to be one factor that remains unchanged; our limitless spirit, in our enthusiasm to find the positives among the negatives to continue the strengthening of our brands and performance in more ways than one. We will ensure that the values entrenched in us are carried on in everything that we do as we stand strong and are determined to succeed.

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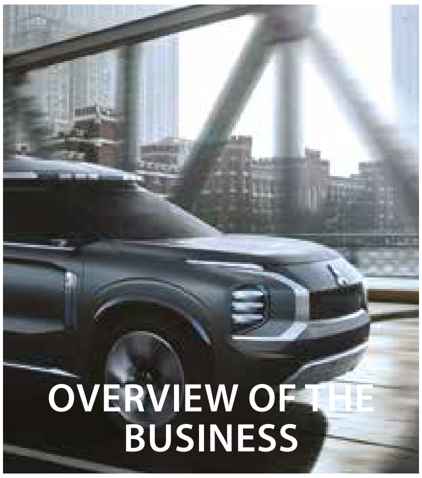

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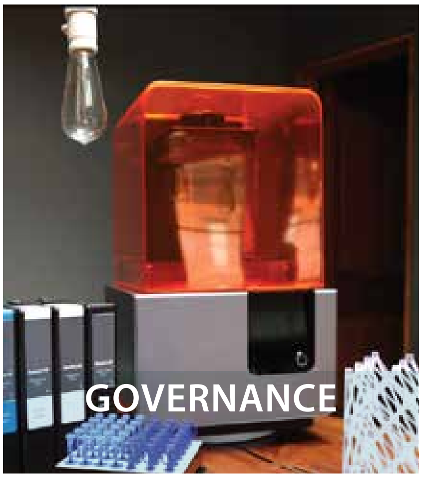

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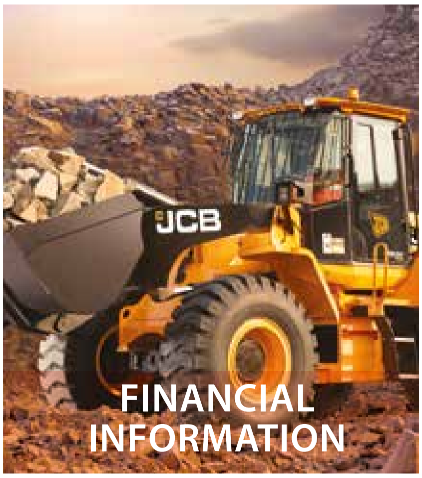

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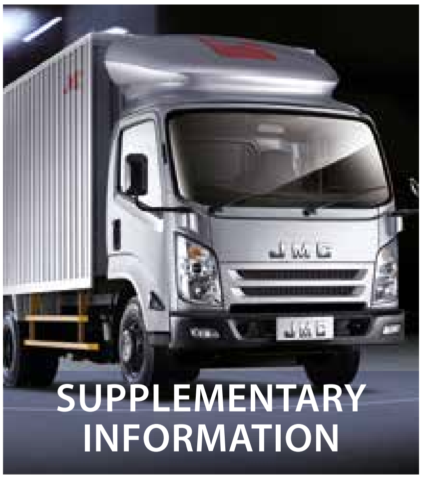

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* Inner Back Cover

About us

Established in 1945, United Motors Lanka PLC is one of the oldest automobile companies in Sri Lanka. We are an organization that has earned our place among the top-tier business entities of the island being continuously recognised thus by LMD in the LMD 100 and Most Respected Entities. Furthermore, the Company stringent adherence to practices of good governance has been consistently rewarded by UML's Annual Report being acknowledged by the Institute of Chartered Accountants of Sri Lanka as the Best Annual Report in the Automotive Sector.

The UML Group markets renown automotive brands such as Mitsubishi passenger and Fuso commercial vehicles from Japan, Perodua compact cars from Malaysia, JMC commercial vehicles, Brilliance vans and Zotye cars from China, and DFSK SUVs from Indonesia. The Company also distributes LiuGong concrete mixing equipment and forklifts from China, Greaves power generators from India, Yokohama tyres from Japan, Valvoline lubricants, Prestone and Simoniz car care products from USA and JCB earth moving equipment and power generators from India. The company's latest range of products in the market include 3D Printers from USA, Netherlands, Singapore and China and Nasiol nano coating products from Turkey. A comprehensive United Motors branch network located in Panchikawatta, Anuradhapura, Kandy, Kurunegala, Matara, Nugegoda, Nuwara Eliya, Ratnapura and Jaffna allows for seamless sales and after sales services that are customer-centric and trustworthy. As such, 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.


United Motors
United Motors

Group Structure

PARENT COMPANY

UNITED MOTORS LANKA PLC

Reg. No. PQ 74 (Incorporated on 09 May 1989)

Automobiles

Vehicles
- 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

Nano-coating products

Directors

Mr. Devaka Cooray
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

Ms. Coralie Pietersz

Mr. Junya Takami

Mr. Ruwindhu Peiris
(Appointed w.e.f. 1 April 2022)

Mr. Thushara Jayasekara
Executive Director - Finance (Appointed w.e.f. 1 April 2022)

Ms. Rinoza Hisham
Company Secretary

SUBSIDIARIES

UNIMO ENTERPRISES LIMITED

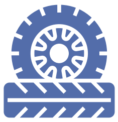
100% Subsidiary
Reg. No. PB 218 (Incorporated on 17 March 1994)

Automobiles

Vehicles
- Assembly
- Sales
- After-sales services

Equipment and machinery

Generators/ Construction Equipment
- Sales
- After-sales services



Tyres

Tyres
- Sales

Directors

Mr. Devaka Cooray
Chairman

Mr. Mahesh Gunatilake
Chief Executive Officer/Executive Director

Mr. Chanaka Yatawara

Mr. Ananda Atukorala

Mr. Ramesh Yaseen

Ms. Hiroshini Fernando

Mr. Thushara Jayasekara

Mr. Raveendra Siriwardene

Ms. Rinoza Hisham
Company Secretary

U M L PROPERTY DEVELOPMENTS LIMITED

100% Subsidiary
Reg. No. PB 253 (Incorporated on 08 October 1993)

Property

Renting of warehouses

Directors

Mr. Devaka Cooray
Chairman

Mr. Chanaka Yatawara

Mr. Thushara Jayasekara

Ms. Rinoza Hisham
Company Secretary

U M L HEAVY EQUIPMENT LIMITED

100% Subsidiary
Reg. No. PB 5403 (Incorporated on 07 July 2017)

Equipment and machinery

Construction equipment
- Sales
- After-sales services

Generators
- Sales
- After-sales services

Directors

Mr. Devaka Cooray
Chairman

Mr. Chanaka Yatawara

Ms. Hiroshini Fernando

Mr. Thushara Jayasekara

Mr. Gihan Pilapitiya

Mr. Buddhika Singhage

Mr. Priyantha Ellepola

Ms. Rinoza Hisham
Company Secretary

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 Orugodawatta.

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 Orugodawatta workshop complex.

2014

Expands its vehicle assembly plant to Ranala.

2016

A dedicated workshop for Mitsubishi and Perodua passenger vehicles, Fuso truck and bus and logistics centre was commenced at a 10 acre property 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 and to provide after-sale services.

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

Forging ahead in its sustained efforts to supply customers with products that are affiliated with the next generation technology, UML adds Nano Coating products to its portfolio.

2022

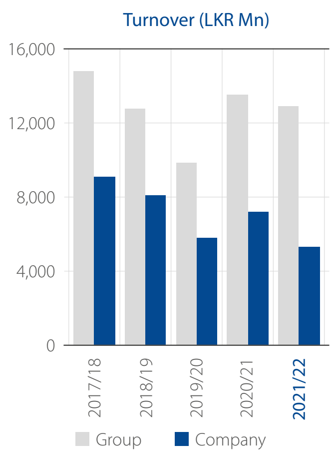
Travelling on our continued journey of discovering new horizons, ever seeking the most efficient products and services to keep customers satisfied in this fast-paced and changing world.

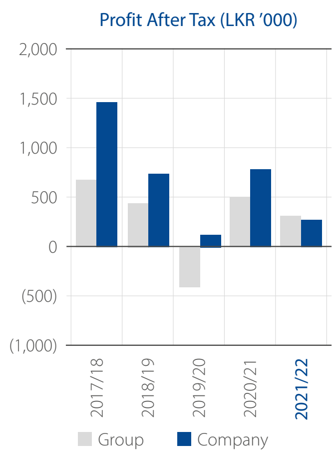
Operational and Financial Highlights

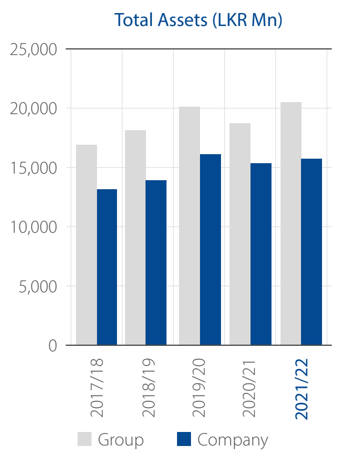
	Group			Company		
	2021/22	2020/21	Change %	2021/22	2020/21	Change %
Profitability (LKR '000)						
Revenue	**12,884,249**	13,537,657	(4.83)	**5,268,274**	7,187,553	(26.70)
Profit before tax	**449,235**	646,392	(30.50)	**352,526**	905,876	(61.08)
Profit attributable to equity holders of the company	**315,018**	503,675	(37.46)	**272,806**	766,639	(64.42)
Financial position (LKR '000)						
Investment in PPE and intangible assets	**110,360**	44,240	149.46	**94,816**	26,167	262.35
Non-current assets	**9,368,539**	9,134,124	2.57	**9,067,704**	8,807,175	2.96
Current assets	**11,030,280**	9,619,928	14.66	**6,547,821**	6,526,484	0.33
Current liabilities	**5,710,279**	4,671,977	22.22	**1,191,266**	1,400,601	(14.95)
Non-current liabilities	**809,258**	782,089	3.47	**612,749**	618,395	(0.91)
Shareholders' funds	**13,879,282**	13,299,986	4.36	**13,811,510**	13,314,663	3.73
Ratio						
Interest cover (times)	**6.85**	2.88	137.15	**11.83**	5.14	130.16
Profit before tax to revenue (%)	**3.49**	4.77	(26.83)	**6.69**	12.60	(46.0)
Return on capital employed (%)	**2.27**	3.79	(40.10)	**1.98**	5.76	(65.63)
Dividend cover (times)	-	-	-	**1.08**	5.07	(78.70)
Borrowings to equity (%)	**14.72**	16.38	(10.13)	**0.60**	4.12	(85.44)
Current ratio	**1.93**	2.06	(6.19)	**5.50**	4.66	17.96
Quick asset ratio	**0.84**	1.33	(36.84)	**3.85**	3.64	5.77
Share Performance						
Number of shares ('000)	**100,901**	100,901	-	**100,901**	100,901	-
Earnings per share (LKR.)*	**3.12**	4.99	(37.47)	**2.70**	7.60	(64.47)
Dividend per share (LKR.)**	-	-	-	**2.50**	1.50	66.67
Dividend yield (%)	-	-	-	**4.54**	2.60	74.62
Dividend payout (%)	-	-	-	**92.47**	19.74	368.44
Net assets per share (LKR.)*	**137.55**	131.81	4.35	**136.88**	131.96	3.73
Market value per share as at 31 March (LKR.)	-	-	-	**55.10**	57.70	(4.51)
Price earnings ratio	-	-	-	**20.41**	7.59	168.36
Market capitalization as at 31 March (LKR.'000s)	-	-	-	**5,559,624**	5,821,966	(4.51)
Highest recorded share price (LKR.)	-	-	-	**110.00**	83.00	32.53

* *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 2022*

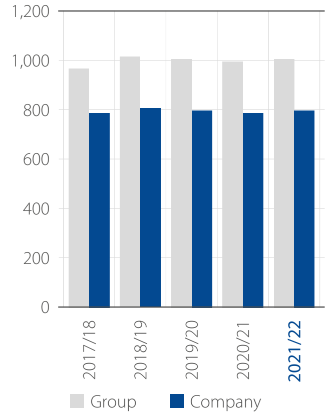
** *Dividend per share represents the per share value at the point of payment*



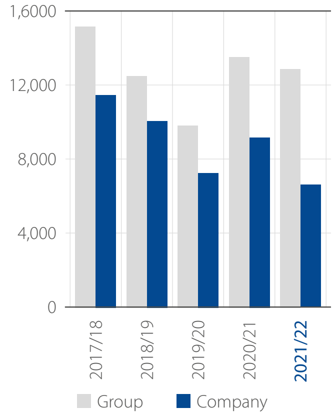




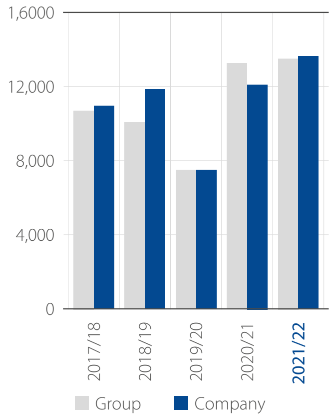
No. of Employees (Nos)



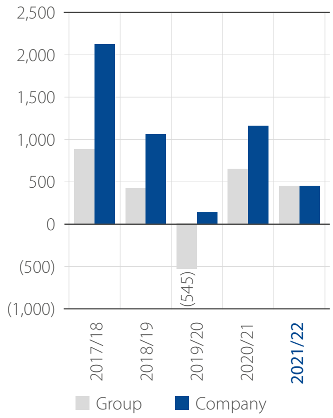
Turnover Per Employee (LKR 000)



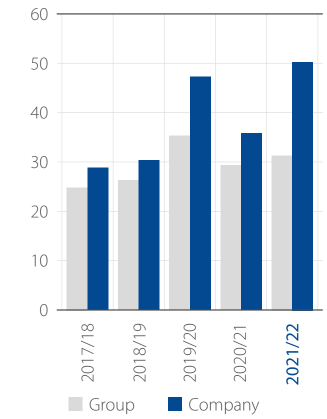
Inventory Turnover (Times)



PBT per Employee (LKR 000)



Debtors Collection Period (Days)



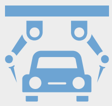
Heavy Equipment

Division recorded the highest ever sale

93

Assembled Vehicles

UML Group accounted for over 50% of the market for new vehicles by the third quarter of 2021/22.



825

Trucks & Buses

Truck and Bus division sold 51 units in a total market of 716

51

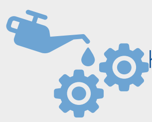
Spare Parts

Spare parts division reported a marginal increase in turnover

LKR 1.6 Bn Revenue

Lubricants

Lubricants division reported a sale of 1.9 Mn liters



LKR 1.4 Bn Revenue


FUSO


CERTINA
PILOT
DEKRA
77
ADAC
Valvoline
OILTECH
PILOT
PIRELLI
CALLAWAY

System

Chairman's Message

This year too, we have surmounted some tough hurdles in a climate of import restrictions, foreign exchange restrictions and depreciation of our currency. Despite these difficulties, your Group was able to achieve a reasonable profit of LKR 315 million, largely due to the strategies adopted by our dedicated team.

Dear Shareholders,

On behalf of the Board of Directors, I am very pleased to welcome you to the 33rd Annual General Meeting of United Motors Lanka PLC (UML) and present you with our Annual Report and audited financial statements for the fiscal year ended 31 March 2022. I am privileged to be here today to address you as your new Chairman.

The year ended 31 March 2022 has been a satisfactory year for your Company, despite the difficult business environment. This year too, we have surmounted some tough hurdles in a climate of import restrictions, foreign exchange restrictions and depreciation of our currency. Despite these difficulties, your Group was able to achieve a reasonable profit of LKR 315 million, largely due to the strategies adopted by our dedicated team.

As we are aware that it has been another challenging year for the nation, which faced its worst economic and political crisis in seven decades, exacerbated by the impacts of the COVID-19 pandemic. We commenced the fiscal year with the third wave of COVID-19 which resulted in a series of lockdowns that extended from late April to May 2021. We concluded the financial year with fiscal and external imbalances and lowered foreign exchange earnings that have substantially reduced the availability of foreign exchange to meet import payments. This has led to a crisis situation that forced the Government to default on its debt repayments for the first time and restrict the importation of non-essential goods as well in order to conserve dwindling foreign reserves. Motor vehicles remain in this category of goods. We trust that the Central Bank's ongoing initiatives to restructure the debt will lead to a positive outcome.

The restrictions on the importation of motor vehicles that continued throughout this year as well, shifted our focus to the buying and selling of used vehicles, of both our flagship Mitsubishi brand as well as other brands. As one of the three companies in Sri Lanka that were given the approval to assemble motor vehicles, we took advantage of the license and commenced to assemble and sell vehicles through our subsidiary, Unimo Enterprises Limited. This has enabled us to not only increase our market share, which is substantial in the area of assembled vehicles, but also helped the Company attain the bottom line results we were striving for. However, although performance in the first three quarters of this financial year was commendable, particularly for the automobile segment, a temporary halt on the assembly of these vehicles in the last quarter of the financial year due to a domestic value addition percentage shortage by a third-party component supplier, resulted in authorities not allowing us to exbond and sell the vehicles. At the time of writing, as we were able to add new component suppliers to our assembly operations and where the earlier component supplier had increased his domestic value addition percentage, the restrictions on the assembly of vehicles was removed other than for a small batch of vehicles still under negotiation. Given the removal of these restrictions, I am confident that we will be able to capitalize on this situation in the forthcoming financial year, as we have a healthy order book in hand.

During the year, your Company and its fully owned subsidiaries made every endeavor to look at and increase, market share both in Sri Lanka and the Maldives, in several areas that include oil, heavy equipment and generators and to also ensure that we put our best efforts into providing prompt maintenance services from our workshops and sourced and sold genuine spare parts to our customers.

We are fully cognizant of the importance of meeting shareholder expectations and that delivering long-term shareholder value is fundamental for a listed company. With this in mind, the Board of Directors is constantly evaluating new business diversification opportunities, either by acquiring a majority stake or through joint ventures, which will complement our existing core businesses and enable us to spread our risk.

FUTURE DIRECTION

For the future, the Board and Management will continue to pursue a strategy of growth and diversification as this has stood us well during lean times in an uncertain environment. We will also continue to focus on our assembly operation and workshop services in order to reduce our dependency on the sale of imported vehicles.

ACKNOWLEDGEMENTS

I wish to express my grateful thanks to my Board of Directors, who comprise senior business leaders and professionals of the highest caliber and whose expertise and wide experience have provided the right balance of executive competency and independent judgement that add tremendous value to the deliberations of the Board.

I take this opportunity to express the Board's deep appreciation of the exceptional contribution rendered to the UML Group by our former Chairman, Mr. Sunil G. Wijesinha, who led the Company as the Chairman for a period of 8 years and whose vision, expertise and foresight steered the Company to many successes. We wish him a happy retirement, which may, unfortunately, be short lived, as he will undoubtedly be called upon to continue to provide his wide and varied expertise to the corporate world.

I also acknowledge with sincere appreciation, the invaluable contribution made by our Group CEO, Mr Chanaka Yatawara and his commitment and professionalism in ensuring that the Company remains profitable in challenging circumstances.

Our team continues to be the wheel by which we navigate the Company. My heartfelt thanks to each one of them for their unwavering commitment in ensuring that we achieve our vision and mission as we journey together through the numerous challenges that beset us. Here, I wish to make special mention of the GCFO/ED, GM's & DGM's who oversee different operations of the business and the CEO/ED of Unimo Enterprises Limited and DCEO of U M L Heavy Equipment Limited together whose diligence and dedication even during the lockdown periods, have contributed substantially to the Group profitability.

Devaka Cooray
Chairman

31 May 2022

Group CEO's Review of Operations

UML's (Group) financial performance in the current financial year is primarily attributable to the vehicle assembly business, after sales and lubricants as completely built vehicle imports have ground to a halt due to the import ban.

GENERAL

The prevailing import ban on vehicles since 2020 coupled with the deteriorating foreign exchange reserves of the country restricting imports resulted in the year 2021/22 as one of the most difficult periods faced by the Automobile industry and the UML Group. Considering that UML Group is completely dependent on imports of almost all its products, such restrictions completely affected the smooth operation of the business. In the absence of completely build vehicle imports, UML's decision to diversify within the automobile space in to assembly of vehicles, enabled the Group to continue to sell its assembled vehicles, expanding market share & also kept the Group profitable under these difficult circumstances.

OPERATING ENVIRONMENT

Import restrictions due to the ban on vehicle imports, difficulty in opening LCs for spares and lubricants, increased freight costs, rupee depreciation and rapidly rising costs, constricted growth opportunities for the country's automobile retail sector. Demonstrating the severity of the state of affairs, the auto retail sector for new vehicles contracted to a mere 2,803 vehicles, from a high of 86,880 new vehicle sales in 2015/16.

The ban on vehicle imports, which is UML's largest source of revenue, affected the key revenue earning segment from Mitsubishi, FUSO & Perodua vehicle sales. This was followed by an increasing shortage of foreign exchange which severely restricted other business activities such as the import and sales of spare parts and lubricants, which is crucial for the after sales operations. UML is the agent for Valvoline lubricants, a leading US lubricant brand. The exchange rate depreciation mentioned above had a severe impact on the profitability of the Group. The sharp rupee depreciation, particularly following the decision to float the rupee, not only caused prices of products to shoot up to unrealistic levels but also caused major exchange losses for imports which had a 3 to 6 months' settlement period.

BUSINESS GROWTH

In the absence of our flagship vehicle imports, UML had to depend on the remaining vehicle stocks and imports of other products to get through the year and stay profitable.

UML's after sales business, although constrained by delays and shortages of imported parts and equipment, reported a robust profit, driven by increased demand for vehicle servicing and maintenance. With new vehicle imports now uncertain for an indefinite period of time, vehicle maintenance has become a priority for both private as well as commercial vehicle owners. We capitalized on this opportunity and increased the inflows of vehicles to our facilities.

The Valvoline lubricants also did extremely well, growing significantly compared to the previous year and becoming one of the fastest growing distributors for Valvoline in Asia during the year.

The vehicles sales divisions changed their strategy from selling brand new imported vehicles to buying and selling of used vehicles. They have done well to attract many different brands of vehicles and to resell them with reasonably healthy margin. In order to accommodate the growing demand, the division launched an online site so that buyers and sellers can both easily buy and sell through the facilitation of the platform.

Fully owned subsidiary, Unimo Enterprises Limited, is only one of a three companies licensed to assemble vehicles in Sri Lanka. It assembles and retails the Glory DFSK i-Auto & the DFSK 580, a high-end SUV brand from DFSK Indonesia. The Company also imports a range of tyres sizes from Yokohama Japan.

U M L Heavy, the second fully owned subsidiary, represents the British heavy equipment brand JCB, and supplies heavy vehicles for the local construction sector. Considering the difficulties in importing, the Company is focusing more towards the opportunities in the Maldives. They have a growing demand for the range of products in the islands due to the increased activity in the construction sector. UMLH plans to have more of a presence in the Maldives in 2022/23.

FINANCIAL PERFORMANCE

UML's (Group) financial performance in the current financial year is primarily attributable to the vehicle assembly business, after sales and lubricants as completely built vehicle imports have ground to a halt due to the import ban. Orders for the assembled DFSK is healthy and booked for several months ahead. With the assembly line booked to capacity, UML group accounted for over 50% of the market for new automobiles by the third quarter of 2021/22, making it the single largest supplier of new vehicles to the market.

Despite the ban on vehicle imports, UML Group reported a LKR 570 million profit within the first nine months of the year, overtaking the LKR 503 million profit of the 12 months of the previous financial year. However, due to accounting for the future payables to foreign suppliers at a very high exchange rate as a result of the devaluation of the currency, UML Group had to account for a LKR 242 million exchange loss against the profits of 31 March. This has resulted in the 31 March profits coming down to LKR 315 million for the Group.

Considering that most of the stock that had to account for the exchange loss is still in stock, the strategy would be to adjust selling prices of the existing stock to reflect the applicable exchange rate and to recover this loss as much as possible once the sale is concluded.

The vehicle assembly business which was running smoothly too got affected due to being temporarily halted by the Ministry in charge due to a shortage of domestic value addition by a third party domestic component supplier. This has resulted in us not being able to invoice a few hundred vehicles where customers

Group CEO's Review of Operations

have booked and paid advances for. Due to the assembly operation its noteworthy that Unimo Enterprises, the largest subsidiary of UML, turned around its loss making operation to profitability after 4 years. We believe Unimo will continue to be profitable and would be the most profitable operation of the Group going forward.

The spare parts and workshop businesses, and Valvoline lubricants have all reported strong results. In addition, investments in solar power generate 2 MWs of power to the national grid, as another source of income. U M L Heavy, too showed 35% growth in the number of Machines sold which doubled its revenue, showing healthy signs of growth prospects, even though they too incurred a high exchange loss at the end of the year.

OUTLOOK AND PROSPECTS

Last year, we emphasized on the importance of the assembly operation. As a result, we have increased production capacity at our existing plant, expanded to a new plant in anticipation of the demand this year and have also got the approvals to assemble a commercial vehicle. we believe that the commercial vehicle segment has a significant need for new trucks as most business's logistic expansions of vehicle fleets have been made by buying used trucks at higher prices since the ban. Brand new trucks from our plant should ease this issue of the shortage and also normalize prices to some extent.

Though the country is going through its worst ever economic crisis after independence, UML maintains a positive outlook for the new financial year backed by plans to recommence vehicle assembly. As mentioned earlier, the team has plans to recover the booked exchange loss in the new year. Prospects for the spare parts and workshop business and lubricants remain strong, and is expected to realize sustained growth as long as the situation relating to imports improve. Meanwhile, the gradual revival of the construction industry is expected to push demand for JCB equipment in the third quarter, adding to Group revenues locally, while demand from the Maldives is expected to contribute foreign currency revenues. While the team is confident in having a good year, it will be critical and dependent on the country situation, especially on the ability to import again by opening LCs.

Considering the challenging year, the Group has experienced in the last few years due to restrictions imposed by policy makers on the automobile industry, UML plans to aggressively explore diversification outside of the automobile industry in 2022/23 across several selected sectors.

APPRECIATION

Finally I want to thank the management team of UML, Unimo & UMLH for putting in their heart and soul during the year and being Determined to do whatever it takes to perform.

I also want to thank the UML Group Chairman Mr. Devaka Cooray and the rest of the Board for their confidence, understanding and support, which was critical for us to be encouraged, motivated and focused. We are even more determined in the next year, to deliver better returns to our shareholders and stakeholders.

Chanaka Yatawara
Group Chief Executive Officer/Executive Director

31 May 2022

Board of Directors

MR. DEVAKA COORAY

Chairman/ Non-Executive Director (Independent)

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

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. ANANDA ATUKORALA

Non-Executive Director (Independent)

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

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.

MS. HIROSHINI FERNANDO

Non-Executive Director (Non-Independent)

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

PROFESSOR MALIK RANASINGHE

Non-Executive Director (Independent)

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

Board of Directors

MR. STUART CHAPMAN
Non-Executive Director (Independent)
Mr. Chapman was appointed to the Board in September 2016.

MS. CORALIE PIETERSZ
Non-Executive Director (Independent)
Ms. Coralie Pietersz was appointed to the Board in April 2021.

MR. RUWINDHU PEIRIS
Non-Executive Director (Non-Independent)
Mr. Ruwindhu Peiris was appointed to the Board in April 2022.

MR. THUSHARA JAYASEKARA
Executive Director Finance
Mr. Thushara Jayasekara was appointed to the Board in April 2022.

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

Not Pictured
MR. JUNYA TAKAMI
Non-Executive Director (Independent)
Mr. Junya Takami was appointed to the Board in June 2021.

MR. DEVAKA COORAY

Chairman/ 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, JAT Holdings PLC and HVA Foods PLC, He also serves on the Board of Life Insurance Corporation (Lanka) Limited and Lanka Tours and Trades (Pvt) Limited.

He is the Managing 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 as a Senior Assurance and Talent Partner.
Mr. Cooray was instrumental in establishing the Ernst & Young Practice in the Republic of Maldives in 1995 and functioned as the Senior 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 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	0.050
Numbers of Directorships in other companies	12

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

Mr. Yatawara 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.

Memberships in Board Sub Committees	Member - Nomination Committee
% of Company shares held	1.681
Numbers of Directorships in other companies	04

Board of Directors

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 possess extensive experience in banking extending for 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 and Arni Holdings & Investments (Pvt) Limited.

Previous appointments

Mr. Atukorala 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.

He 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 member of the Commercial Banking Sector of the Presidential Commission on Finance and Banking, a Committee Member of the Banker's Club of Sri Lanka and a former Director of the Sri Lanka Banks Association (Guarantee) Limited and the Credit Information Bureau of Sri Lanka(CRIB).

Chairman	Related Party Transactions Review Committee
Memberships in Board Sub Committees	Member - Audit Committee Member - Nomination Committee Member - Remuneration Committee
% of Company shares held	0.003
Numbers of Directorships in other companies	07

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
Numbers of Directorships in other companies	01

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 25 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, Panasian Power PLC & some of its subsidiaries, 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.

Memberships in Board Sub Committees	Member - Audit Committee Member - Nomination Committee Member - Remuneration Committee Member - Related Party Transactions Review Committee
% of Company shares held	NIL
Numbers of Directorships in other companies	09

PROFESSOR MALIK RANASINGHE

Non-Executive Director (Independent)
Professor Malik Ranasinghe was appointed to the Board in July 2014.

Prof. Ranasinghe 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.

He 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.

Expertise: Engineering

Other current appointments

Prof. Ranasinghe 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
Memberships in Board Sub Committees	Member - Audit Committee Member - Nomination Committee Member - Related Party Transactions Review Committee
% of Company shares held	NIL
Numbers of Directorships in other companies	03

MR. STUART CHAPMAN

Non-Executive Director (Independent)
Mr. Chapman was appointed to the Board in September 2016.

Mr. Chapman holds an MBA from the University of Colombo, a Diploma in Marketing from the Chartered Institute of Marketing UK, 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 Member of the Chartered Institute of Marketing, UK and the Institute of Management UK. He is also a member of the Institute of Certified Management Accountants, Australia.

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

He 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	Nominations Committee
Memberships in Board Sub Committees	Member - Audit Committee Member - Remuneration Committee Member - Related Party Transactions Review Committee
% of Company shares held	NIL
Numbers of Directorships in other companies	02

Board of Directors

MS. CORALIE PIETERSZ

Non-Executive Director (Independent)
Ms. Coralie Pietersz was appointed to the Board in April 2021.

Ms. Pietersz 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 of 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.

Ms. Pietersz counts over 25 years of senior level experience in corporate finance, accounting and auditing in both private and public sector.

Expertise: Finance and Accounting

Other current appointments

Ms. Pietersz is the Chairperson of Bogala Graphite Lanka PLC. She also serves as Non-Executive Director in a number of listed entities including Seylan Bank PLC, Peoples' Leasing and Finance PLC and R I L Property PLC.

Previous appointments

Ms. Pietersz 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
Numbers of Directorships in other companies	07

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 After-sales, 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
Numbers of Directorships in other companies	Nil

MR. RUWINDHU PEIRIS

Non-Executive Director (Non-Independent)
Mr. Ruwindhu Peiris was appointed to the Board in April 2022.

Mr. Peiris holds an MBA from Edith Cowan University (Australia) and is an Electrical Engineering Graduate from Queen's University (Canada).

He was recognized for his leadership in enabling Sri Lanka's startup ecosystem in Echelon Magazine's 40 under 40, which celebrates the most important risk-takers. job creators and rule-breakers in 2014. Mr. Peiris was also named in the 100 New Establishments of Sri Lanka driving the economy to higher prosperity.

Expertise: Information Technology

Other current appointments

Mr. Peiris is a Managing Director and Head of the Colombo office of Stax, a global strategy consulting firm with offices in Boston, Chicago, New York, and Colombo, Sri Lanka.

Previous appointments

Mr. Peiris served on the National Innovation and IT Steering Committee appointed by the Government Cabinet to position Sri Lanka as the "Island of Ingenuity" and guide the industry towards a $5B export target (2018 - 2021). He also served as the Chairman of SLASSCOM (2017-2018).

He is the former founding board member of the Lankan Angel Network, Sri Lanka's first alliance of Angel investors.

Before joining Stax, Mr. Peiris was Vice President and the Global Head of Operations for Virtusa Corporation (NASDAQ: VRTU). During his tenure at Virtusa, he has successfully implemented multiple complex solutions for Global 500 companies in the Banking, Financial Services, Insurance, and Telecom Industries, transforming their data and information into critical dashboards and decision tools.

Memberships in Board Sub Committees	NIL
% of Company shares held	NIL
Numbers of Directorships in other companies	1

MR. THUSHARA JAYASEKARA

Executive Director - Finance

Mr. Thushara Jayasekara was appointed to the Board in April 2022.

Mr. Jayasekara is also Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He is also an Associate Member of the Chartered Institute of Management Accountants of the United Kingdom. He has over 23 years of post-qualifying experience as a Chartered Accountant.

Expertise: Finance and Accounting

Other current appointments

Mr. Jayasekara also a Director of Unimo Enterprises Limited, U M L Property Developments Limited and U M L Heavy Equipment Limited.

Memberships in Board Sub Committees	NIL
% of Company shares held	NIL
Numbers of Directorships in other companies	03

MS. RINOZA HISHAM

Company Secretary

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

Ms. Hisham is a Fellow 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 Postgraduate Institute of Management of the University of Sri Jayawardenepura.

Senior Management Team

GENERAL MANAGERS

MR. GIHAN PILAPITIYA
General Manager
(New Vehicle Sales)

MR. BUDDHIKA SINGHAGE
General Manager
(Technical/Parts & Accessories)

MR. RAVEENDRA SIRIWARDENE
General Manager
(Human Resources & Administration)

MR. PRIYANTHA ELLEPOLA
General Manager
(Car Care & Lubricants)

HEAD OF DEPARTMENTS/DEPUTY GENERAL MANAGERS

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

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)

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)

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)

Senior Management Team

MR. MANOHARA DISSANAYAKE
Assistant General Manager
(New Vehicle Sales)

MR. SHANAKA PELPOLA
Assistant General Manager
(New Vehicle Sales)

MR. KUMARA ABEYWARDANA
Assistant General Manager
(Branches)

MS. DILINI PIERIS
Assistant General Manager
(Human Resources & Administration)

MR. GAYAN GUNATILLAKE
Assistant General Manager
(Technical)

MR. ASANKA ALWIS
Business Unit Manager
(3D Printing)

SUBSIDIARIES CEO/DCEO

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

SENIOR MANAGEMENT TEAM - UNIMO ENTERPRISES LIMITED

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)

MR. SASANKA FONSEKA
Assistant General Manager (JMC)

MS. THAMALI SAMARATHUNGA
Assistant General Manager (Perodua)

MR. DILIP WEERASINGHE
Assistant General Manager (Yokohama Tyres)

MS. NISHANI PALIHENA
Finance Manager

MR. AMILA PALLIYAGURU
Head of Business Unit (K-Car)

SENIOR MANAGEMENT TEAM - U M L HEAVY EQUIPMENT LIMITED

MR. IROSHAN DHANAPALA
Assistant General Manager-Sales

MR. SUJITH LIYANAGE
Assistant General Manager-Sales


AXIA
STYLE



YOKOHAMA

GLORY i-AUTO


Management Discussion and Analysis

VALUE CREATION MODEL

Our value creation model is visualising how we at UML create outcomes for our shareholders and other stakeholders. Our value creation activities employ resources from six capitals which include Financial Capital, Manufactured Capital, Social and Relationship Capital, Human Capital, Natural Capital, and Intellectual Capital. The transformation process is underpinned by robust Corporate Governance and Risk Management Practices.

Inputs

Financial Capital

All financial resources available to provide goods and services

Shareholders' funds	LKR 13,879 Mn
Debts	LKR 1,857 Mn

(Page 50 for more information)

Manufactured Capital

Physical resources that enable an organisation to produce

Buildings	LKR 657 Mn
Machinery & equipment	LKR 132 Mn
Others	LKR 182 Mn

(Page 52 for more information)

Social & Relationship Capital

The reciprocally beneficial reltionships we have with our stakeholders

(Page 53 for more information)

Human Capital

UML family and their competencies

No. of employees	1,006

(Page 61 for more information)

Natural Capital

Natural resources that are contributing to our business activity

Our investment in 2Mw solar power generation

(Page 66 for more information)

Intellectual Capital

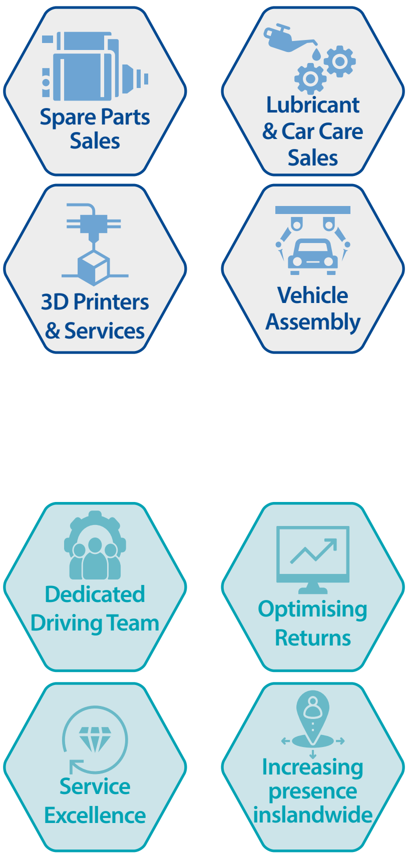
Expertise of our people, brand reputation, systems and procedures in place that ensure the long-term sustainability

(Page 67 for more information)

Our Vision

To be the best Company in Sri Lanka through diversification while maintaining the leadership position in the transport industry

Our strategic plan is prepared considering our value creation model, and a thorough evaluation of industrial and macro environment conditions. We maximise our capacity to leverage our strengths, our industry expertise and our pool of resources to deliver mutual benefit to thousands of stakeholders who place their trust on us.



Outputs
Value Created and Delivered

For Shareholder and Providers of Funds

Profit after tax	LKR 315 Mn
ROCE	2.27%
Dividends	LKR 252 Mn
EPS	LKR 3.12
Interest	LKR 77 Mn

For Customers

Vehicles sold	1,211 Units
Vehicles assembled	810 Units
No of repairs & services done	54,560
Lubricant sales	1.9 Mn Liters
No of Tyres sold	8,752
No of Equipment & Machinery sold	155 Units
No of 3D Printers sold	80 Units
Revenue from Spare Parts	LKR 1,567 Mn
Total revenue	LKR 12,884 Mn
Customer Satisfaction Index	94%

For Employees

Remunerration and rewards	LKR 1,151 Mn
Training hours	2017

For Business Partners and Suppliers

Purchases of goods and services	LKR 11,281 Mn

For Government

Taxes	LKR 3,317 Mn

For Environment

Electricity Generated through Solar PV System	2,559 MWh

Management Discussion and Analysis

CONNECTING WITH OUR STAKEHOLDERS

As a Group, we believe that effective stakeholder engagement is a vital element to enrich and sustain our business. The importance of constant dialog is further necessitated by the pandemic situation and considerable shifts in external circumstances during the recent time period.

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

Stakeholder engagement mechanism

	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 Reports and AGMs	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 relationship » Timely settlement of dues » Ease of working » Growth potential	» Commitment to community upliftment » Ethical business conduct » Environmental performance » Responsible business practices » Minimum negative 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 » on time payment	» Community engagement » Transparency and governance » Efficient/responsible waste management

	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/ Face book	Online
	Corporate Website/ Facebook LinkedIn Instagram Google display ads Conventional media(Press, Radio and TV)	Continuously	Supplier relationship management	As required		
	Sales Promotions	As required	On-site visits and meetings	As required		
	Customer visits	As required	Corporate Website/ Face book	Online		
	Customer workshops	As required				

Management Discussion and Analysis

EXTERNAL ENVIRONMENT

Global Economy

Global economic prospects have worsened significantly from the initial expectations. World Bank had projected global economic recovery strengthening from the second quarter of the 2022 after a short-lived impact of the Omicron variant. Since then, the world economic outlook has deteriorated, largely because of Russia's invasion of Ukraine causing a tragic humanitarian crisis in Eastern Europe, and sanctions aimed at pressuring Russia to end hostilities.

This crisis unfolds while the global economy was on a mending path but had not yet fully recovered from the COVID-19 pandemic, Global growth is projected to slow from an estimated 6.1% to 5.7% in 2026. World bank expects global growth to decrease to 3.2% in 2022 as pent up demand disappears and fiscal and monetary support is unwounded across the world. Further the downgrade largely reflects the war's direct impacts on Russia and Ukraine and global spillovers. The economic effects of the war are spreading far and wide like a wave mainly through commodity markets, trade, and financial linkages. Since Russia is a major supplier of oil, gas, and metals, and, together with Ukraine, of wheat and corn, the current and anticipated decline in the supply of these commodities has already driven their prices up sharply. The food and fuel price increases will impact lower-income households globally including in the America and Asia.

According to IMF, Inflation is expected to remain elevated for longer than in the earlier forecast, driven by war-induced commodity price increases and broadening price pressures. For 2022, inflation is projected at 5.7% in advanced economies and 8.7% in emerging market and developing economies. Although a gradual resolution of supply-demand imbalances and a modest pickup in labour supply are expected in the baseline, easing price inflation eventually, uncertainty again surrounds the forecast. Conditions could significantly deteriorate. Worsening supply-demand imbalances including those stemming from the war and further increases in commodity prices could lead to persistently high inflation, rising inflation expectations, and stronger wage growth. If signs emerge that inflation will be high over the medium term.

Global Value Chains (GVCs) indicated overall resilience after the impacts of the waves of COVID-19. During the period under review, notwithstanding the overall resilience of GVCs, some industries such as automobiles have faced large supply disruptions due to shipping costs remaining elevated along some routes despite having come down from their peaks, and some ports remain congested, paying to continue supply chain disruptions.

Global Automotive Industry

It's been a difficult few years for the automotive industry. After declining growth in global vehicle production in 2019, hopes were high that 2020 would see the industry embark on recovery. But unfortunately, the COVID-19 pandemic and the lockdown measures caused a dramatic slump in production in 2020. However, worldwide automobile production grew to around 80.1 million in 2021 which is a growth of 3% from 77.6 million units recorded in 2020. Recovery in global automotive markets expects to continue in 2022, with new-vehicle production achieving similar growth rates to those of 2021. With the above, next year will take the sector past the 2019 level of 91.7 million units.

However, the extent of the rebound will vary widely by region, depending on the pace of the economic recovery, as well as the depth of the slump they have endured. Indeed, new-vehicle sales in North America and Asia have already regained the ground they lost in 2021. In 2022, it will be the turn of the Middle East and Eastern Europe, but Western Europe and Latin America will have to wait until 2023 to return to pre-pandemic levels. China alone is expected to account for 30% of sales in 2022 (although its share has fallen from 33% since 2020), while the US is expected to take 19%.

The global recovery in vehicle production will be dampened by supply-chain volatility in the automotive industry. A global shortage of semiconductors, a key automotive component, and shortages of magnesium, an essential component for producing aluminum alloys used in vehicles will continue to hit automakers' ability to service rebounding demand. Many vehicle makers will still struggle to meet recovering demand amid continuing supply-chain disruptions. The widening demand-supply gap will push up the prices for new as well as used car models and will result in long waiting periods for customers.

The one bright spot for automotive during the pandemic was electric vehicle (EV) sales, which grew by 42%, even as global automotive markets shrank. Growth accelerated still further in 2021. Experts expect new-EV sales to rise by 51% worldwide, accounting for around 9% of total new car sales. The market will continue to be dominated by China and Europe, accounting for around 80% of sales. A recent announcement of the United States Government reveals their interest in rapid caching up of EV market share.

Sri Lankan Economy

Based on provisional data released by central bank of Sri Lanka in 2021, the Sri Lankan economy grew by 3.7%, after contracting by 3.6% in 2020 due to the COVID-19 pandemic. The economic performance was mixed during the year. Indication of strong recovery was held back by COVID-19's impact on economic activities, especially in the second quarter of the year 2021/22. Economic activity in the fourth quarter of 2021/22, was also impacted by a surge in inflation, weighty depreciation of the Sri Lankan Rupee (LKR) and disruptions to the energy supply.

Amidst the continuous disturbances from outbreaks of the pandemic, just 194,495 tourists visited Sri Lanka in 2021, which brought in only USD 507 million to the country continuing the declining trend that started subsequent to the pandemic. In 2020, USD 682 million was brought to the country by 508,000 tourists who visited the country in that year. During the year 2021, the worker's remittances declined to USD 5,491 million compared to USD 7,104 million remitted in 2020. This is a slowdown of 23% may have been due to central bank maintaining an unofficial peg of 202 to 203 Sri Lankan rupees to dollar since September last year and as a result migrant workers remitted money through informal channels. During the year 2021 Sri Lanka has shown an improvement in export earnings. Exports have grown in 2021 to USD 12.5 billion in comparison to USD 10 billion achieved in 2020. Textiles and garments have given the largest boost by increasing from USD 4.4 billion in 2020 to USD 5.4 billion in 2021. However, large debt repayments, decline in tourism earnings and worker's remittances have inserted pressure on the external position and the current account deficit widened in the last year.

The Sri Lankan rupee witnessed significant volatility during the year, and with the Central Bank defending the dollar by releasing dollars to the market, country's foreign reserves came under severe pressure. The market forces were allowed to determine the exchange rates from mid-March 2022. As a result, rupee fell drastically by over 30% during the last 2 weeks of March, recording a record low of LKR 299 against USD by the end of the financial year 2021/22. The pressure on rupee has continued as a result of lack of tourist arrivals due to tense situations across the country, and lack of worker remittances, rupee has fallen to 366 against a dollar as of the date of this Annual Report.

During the first half of the year, inflation continued in the single digits. However, inflation soared during the second half. The global increase in commodity and fuel prices and adverse movement in exchange rates have driven inflation. Based on The National Consumer Price Index (NCPI) Year-on-year headline inflation was recorded at 21.5% in March 2022 compared to the corresponding 5.10% in March 2021. The NCPI which was at 142.2 index points in April 2021 steadily increased and closed at 172.7 index points by end of March 2022.

To curb the inflationary pressure and encourage savings, from mid-August 2021 CBSL gradually adopted monetary tightening measures. Accordingly, during the year 2021/22, the Standard Deposit Facility Rate (SFDR) and the Standard Lending Facility Rate (SLFR) were raised by 200 basis points and closed at 6.50% and 7.50% respectively as of March 2022. Further, the weekly Average Weighted Prime Lending Rate (AWPLR) increased to 9.71% in March 2022 from 5.75% in March 2021.

Gross Official Reserves of the country declined during the year under review and were estimated at USD 1.9 billion with an import cover of fewer than 2 months at the end of March 2022.

Sri Lankan Auto Industry

To preserve limited foreign currency reserves, the Government restricted most non-essential imports in 2020 subsequent to the COVID-19 outbreak. Gazette Extraordinary No. 2171/5 dated 16 April 2020 restricted non-essential imports including motor vehicles and this decision was continued with Gazette Extraordinary No. 2176/19 dated 22 May 2020. Restrictions continued during the year under review. Though there is a current ban on vehicle imports, vehicle assembly license holders are permitted to import components and assemble vehicles. However, they also faced various challenges including the difficulty to open LCs.

Brand new market only had 2,803 vehicle registrations in the year under review, down from 7,484 vehicle registrations in 2020/21. This is a drastic drop from the peak in 2015/16 where the brand new registrations reached 86,880 units. Meanwhile, players in the auto industry who completely relied on imports have directed their business towards vehicle trade-in operations.

Business Review

Group Performance

	2021/22 LKR'000	2020/21 LKR'000
Revenue	**12,884,249**	13,537,657
Profit after tax	**315,018**	503,675

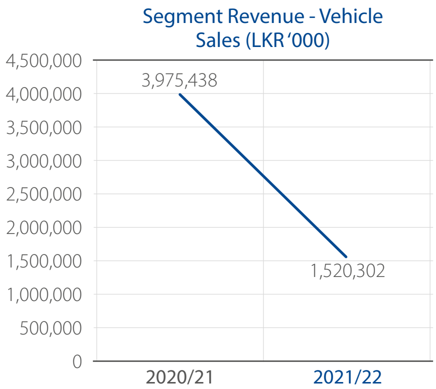
Despite the negative backdrop witnessed during the year, the Group was able to generate a revenue of LKR 12.9 billion in the year under review, which is 4.8% less than LKR 13.5 billion recorded in 2021/22. Group profit after tax declined to LKR 315 million from LKR 504 million in the previous year. The main reason for the drop was the substantial exchange loss accounted in March 2022 due to the rapid depreciation of the Sri Lankan rupee against other currencies.

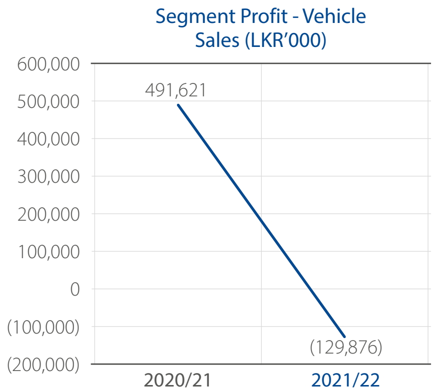
Company Performance-United Motors Lanka PLC

	2021/22 LKR'000	2020/21 LKR'000
Revenue	**5,268,274**	7,187,553
Profit after tax	**272,806**	766,639

The Company accounted for 41% of the Group revenue, which was 73% of last year's revenue. The Company ended up the year recording a profit of LKR 273 million in comparison to the LKR 767 million recorded in the year before.

Vehicle Sales Segment





Though the import ban imposed in March 2020, UML had possessed a significant number of units in stock at that time. Therefore, in 2020/21 we did not have much impact during the first three quarters. However, during 2021/22 we faced the full impact of the import ban. Hence both revenue and profit numbers declined drastically during the year under review. The Government's import ban on vehicles prevented any new import of vehicles other than for a few specific projects. The vacuum created by the ban on vehicle imports had created an artificial demand for vehicles already available in the market.

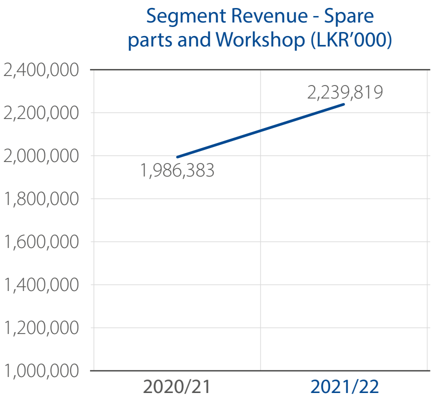
As of the beginning of the year, we had some vehicles that were already manufactured in Japan, Indonesia, and Thailand but could not be imported due to the import ban. However, we managed to find eligible buyers locally for foreign funded projects.

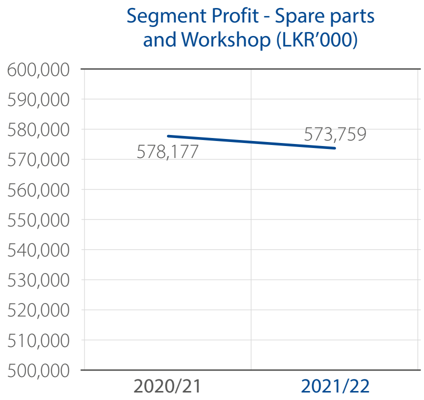
Due to the prevailing import ban, except for the units imported for Government's foreign-funded projects, we were not able to import vehicles throughout the year 2021/22. Under the circumstances, in comparison to 879 units sold in the year before, during the year 2021/22 UML sold 92 units of brand new vehicles. The overall brand new passenger market for vehicles imported on a Completely Build-Up (CBU) basis, was 370 units during the year under review and out of that UML sold 67 units with a market share of 18%.

Further, in the year under review, the Truck and Bus (T&B) segment also sold 51 units in a total market of 716 units. Due to the import ban, Company continued to develop the vehicle trade-in and buy back operation and this segment contributed substantially to divisional performance. The vehicle sales segment accounted for LKR 1,520 million revenue in 2021/22 which was a 62% decline on the LKR 3,975 million achieved in the year before. The segment profit which was LKR 492 million last year declined considerably to a loss of LKR 130 million in the year under review.

The import ban had created a huge vacuum in the market and once the restrictions are lifted there will be a substantial pent up demand. This will be the same for the Truck & Bus and heavy-duty truck range from Fuso as well. In addition to this, there are substantial number of Government permits already issued to be utilized and we are looking forward to concur the market once imports are allowed. Contributing to this MMC has an attractive range of vehicle models to offer including EV & PHEV platform vehicles.

Spare parts and Workshop Segment





Due to COVID-19 and mobility restrictions during the year before, the Passenger kilometer range of private & public transportation significantly reduced. However, with the country on the mending path from the initial COVID-19 waves during the year 2021/22, passenger mobility also started to move back to the regular levels. These circumstances had a positive impact on both spare parts and workshop operations. Meanwhile, nationwide lockdowns which were imposed due to the third and forth waves of COVID-19 had an adverse impact on the smooth functioning of after-sales operations. Even during lockdowns workshop staff attended to breakdowns which helped our loyal customers and also facilitated the country to run essential services without any disruptions.

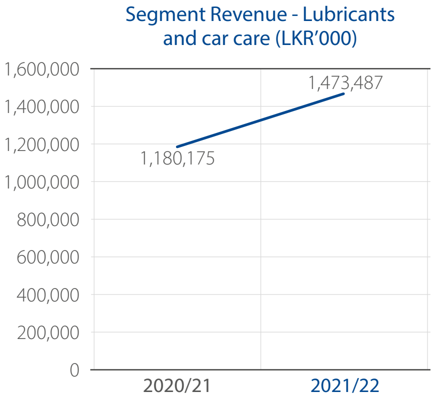
The threat of substitutes for genuine parts business in the country further increased as the consumption of unregulated counterfeit parts and used body parts increased during the past period. However, we strived to retain our customers and increase our market share by offering a better service. Daily 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. It has been identified that the mobile app introduced to vehicle owners of the UML Group was a very useful tool and it is increasing in popularity among our loyal customers. This app includes various additional features including breakdown assistance, checking of spare parts availability, identifying the closest UML branch to the customer's location, and obtaining technical advice from UML Service Advisors.

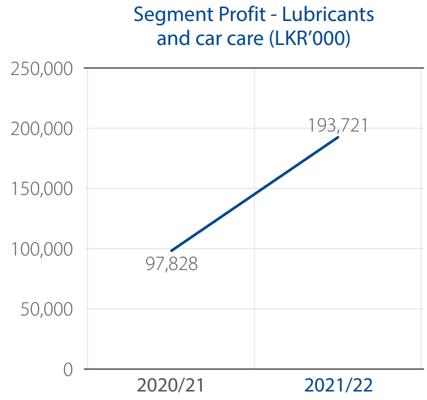
Spare parts and workshop operations generated revenue of LKR 2,240 million during the year under review which was 12.75% higher than last year's revenue of LKR 1,986 million. The profit from the Spare parts and workshop operations reflects a slight drop of 0.76% from LKR 578 million to LKR 574 million due to an increase in operational cost under the circumstances.

Lubricants and Car Care Segment

The year commenced with the total lubricant market contraction of 5% and the automotive lubricant market contraction of 4% in 2020. During the year under review, the division faced several external environmental challenges. One of the main obstacles was supply chain disruptions that arose due to the paucity of vessels and rapidly increasing freight charges, which increased in our product costs. While managing our margins and maintaining competitiveness we had to increase our product prices. Meanwhile breaking the entry barriers of the lubricant market nine new players entered the lubricant industry during the year 2021, which had increased the competition in the market and dynamic marketing strategies had to be pursued to increase our market share from 3.11% to 3.28% in such a competitive environment. The vehicle import ban imposed in 2020 continued during the year 2021/22, as a result, the vehicle population witnessed a very marginal increase during the year under review. The continuation of the vehicle import ban dampened the growth of the lubricant industry. Due to the COVID-19 pandemic led lockdowns, there was limited vehicle mobility during the year. Overall pandemic situation had an impact on the demand for lubricants. Further significant volatility of exchange rates and scarcity of USD was a huge challenge faced by the division during the year.

Business Review





In 2021, the division recorded the highest volume and revenue level in the history amidst various environmental challenges discussed above. Revenue from lubricants and car care products achieved the rupees one billion mark for the year under review for the second consecutive year and finished at LKR 1.47 billion, which was a 25% increase over the LKR 1.18 billion recorded last year. The division recorded a substantial improvement in the bottom line while maintaining healthy margins and also implementing effective measures for controlling its operational cost. During the year under review, profit increased to LKR 194 million from LKR 93 million achieved in the year before. which was an impressive increase of 98%. Debtors' collection under the current environment is a very challenging task as many businesses are struggling with cash flow difficulties. However, in 2021/22 division was able to improve its debtor position considerably while maintaining a healthy collection period.

Valvoline performance partner award

Company Performance - Unimo Enterprises Limited

	2021/22 LKR'000	2020/21 LKR'000
Revenue	**6,685,494**	5,826,647
Profit/(Loss) after tax	**156,249**	(170,661)

After four consecutive years of losses Unimo Enterprises Limited (UEL) has made a turn around to profits this year. Considering the prevailing vehicle import ban, this is a major achievement. The vehicle assembly operations was allowed to run despite the vehicle import ban due to its contribution to local industries and employment creation, has been the major contributor for this success. However, vehicle assembly also faced number of challenges including difficulty in opening LCs and very high freight costs. However, UEL was able to over come the challenges to some extent to record a profitable year.

Divisional Performance

Perodua Division

	2021/22	2020/21
Trade-in-Unit Sales	52	74
Perodua-Unit Sales	-	194
Revenue (LKR'000)	242,608	1,037,231

Due to import restriction, Perodua division had to manage its way through trade-in and buy back operation, mainly the same brand. This operation also faced many challenges due to the unpredictable price escalations in the marketplace hence only managed to achieve a revenue of LKR 243 million for the year. As a result, Division ended up in a loss of LKR 24.6 million in the year under review.

JMC Division

	2021/22	2020/21
Unit Sales	24	93
Revenue (LKR'000)	82,959	274,127

The import ban also affected the JMC truck division, yet they managed to mitigate their losses by better management of operations. Further, Division managed to obtain a license to locally assemble JMC commercial vehicles & the sample units were imported during the year. Plans are underway to assemble JMC trucks locally in the next financial year.

Z100 Division

	2021/22	2020/21
Unit Sales	11	511
Revenue (LKR'000)	23,345	1,082,182

Z100 Division ended with a loss of LKR 48.9 million. The Division managed to scale down the operation whilst disposing the remaining stock of cars which were in stock for a significant time period. With the division selling most of the available stock, plans are underway to diversify the operations into construction machinery and materiel management areas in the next financial year.

DFSK Glory 330 Division

	2021/22	2020/21
Unit Sales	125	67
Revenue (LKR'000)	545,397	262,173

DFSK Glory 330 division concentrated on selling remaining stock of vehicles. They sold 125 units during the year. However, the related revenue was not sufficient enough to cover the costs hence Division ended up with a loss of LKR 36.3 million in the year under review.

DFSK Glory 580/I Auto Division

	2021/22	2020/21
Unit Sales	693	429
Revenue (LKR'000)	5,363,020	2,741,748

Optimizing on the Government support for local vehicle assembly, the Division spearheaded the profitability of the company in the year under review. It recorded a volume of 693 units which was far greater than any other divisions whilst making a profit of almost LKR 500 million, justifying the decision for such a lateral expansion within the industry. However, Division could not harness the full potential of the available market due to an issue with a component manufacture in the latter part of the year. With the issue getting resolved to some extent, we are hopeful that we will be able to capitalize on the market opportunity in the impending financial year.

Tyre Division

	2021/22	2020/21
Unit Sales	8,752	9,561
Revenue (LKR'000)	273,767	261,731

Amidst the grime conditions, Tyre Division managed to improve its market presence and dealer share gradually. Careful selection of fast moving Tyre patterns falling in line with the market, paved the way for this Division to record one of the highest profits in history making it a milestone. However, Division is now facing the pressure of curtailed imports due to lack of foreign currency.

Overall, in a year of the utmost adversity, UEL managed to achieve remarkable results by making a profit of LKR 156 million after-tax. The investment made in local assembly industry back in 2009, is finally making a sizeable contribution to most the UEL bottom line. Despite the worsening economic conditions, UEL is ready to overcome its challenges and make next year more profitable.

Business Review

Company Performance - U M L Heavy Equipment Limited (UMLH)

	2021/22	2020/21
Revenue (LKR '000)	**1,009,460**	599,943
Loss after tax (LKR '000)	**(71,990)**	(27,182)

The Company generated revenue of LKR 1,009.5 million during the year under review which was a substantial 68% increase from last year's revenue of LKR 599.9 million and this was the first time company was able to cross LKR 1 billion mark. However, the Company recorded a loss after tax of LKR 72 million during the year under review in comparison to the previous year loss of LKR 27 million. This was mainly due to the depreciation of the local currency against foreign currencies.

JCB New Machine Sales Business

	2021/22	2020/21
No of Units	**88**	76
Revenue (LKR'000)	**878,505**	517,897

"JCB heavy line range" is new compared to other long-standing brands in the market; but we have managed to improve its awareness in the market over the last two years with the increased number of units sold, which resulted in creating more visibility and excellent reputation for performance.

The major challenge for UMLH was to get the credibility of the leading contractors by selling considerable number of units to the target market. Strategies are in place to increase the total market share by "market development strategies" by developing the market by expanding coverage Island wide and targeting single business owners in rural markets.

The COVID-19 pandemic situation which was there in most part of the year 2021 was a huge challenge for us to complete the expected market coverage. Irrespective of the limited resources we had deployed to manage the cost, with a dedicated team on the field our coverage was far above the competition.

The team managed to achieve highest number of retail units for a year, while having many challenges in the market. With the marketing strategy executed by UMLH, it was possible to redefine the competition and approaches the heavy machinery sector. In the latter part of the financial year, foreign exchange crisis we faced in the country, resulted in long delays to open LCs and the usual import pattern dropped and resulted in a big impact on the performance of the last quarter of the year 2021/22.

Despite many challenges in 2021/2022, New Machine Sales Business has shown significant growth in the industry and became the fifth player in the industry within the last three years. Overall, the Company sold 88 units for the year under review, which was an improvement of 16% over 76 machines sold last year. The division had generated a revenue of LKR 879 million in 2021/22 which is an increase of 70%, compared to the LKR 518 million recorded in the previous financial year.

Maldives Dealership Business

Maldives' economy is highly dependent on the construction industry and the GDP contribution to the economy is quite considerable. UMLH is having an opportunity to capitalize on the potential of the Maldives market since its inception but started focusing on Maldives from 2019.

The initial market size of Maldives was 20% of the Sri Lankan market but with drastical decrease in imports in Sri Lanka due to the foreign exchange crisis and economic impact and the Maldives market is now closer to 35% of the Sri Lankan Market.

UMLH has got a considerable contribution from the Maldives market, throughout the last three years with the dedicated follow-up and visits to the market.

UMLH had been able to gradually increase its market share in the Maldivian Market and expects to grow "3S" revenue considerably in 2022/23 with the new growth strategies.

JCB Used Machine Sales Business

	2021/22	2020/21
No of Units	3	5
Revenue (LKR'000)	**31,100**	36,350

2021/22 was a very challenging year for used machinery as the banks were only opening LCs with 120 days credit due to the foreign exchange crisis. Used machinery suppliers did not offer credit, as they wanted to have the transaction completed immediately (mostly 100% advance payment). However, with the greatest difficulty we got suppliers agreed for 120 days credit LC terms and hence managed to continue operations forward. The next financial year also will be more challenging and we are planning to work on 3 major strategies.

The product portfolio for the next financial year would comprise of used backhoe loaders and excavators specially the mini and medium-sized excavators in 3 Tons to 20 Tons categories. The product offering will be differentiated by offering a reliable "dealer certified used machine" with a "limited warranty". Our objective is to make UMLH; one of the top of the mind places for used machinery in the coming years.

JCB Spare Parts Sales Business

	2021/22	2020/21
Spare Parts Revenue (LKR'000)	**21,566**	15,321
Workshop Revenue (LKR'000)	**38,847**	23,455

JCB spare parts business is adding value to our valued JCB Customers while supporting our valued JCB Heavy line customers to run their business without interruption. JCB spare parts revenue and profit will continuously add value to JCB Business sustainability in the UML group. During the year under review, the division had made a revenue of LKR 21.6 million compared to the corresponding LKR 15.3 million recorded in the previous year. Further, Revenue generated from workshop repairs also increased to LKR 38.8 million from LKR 23.4 million recorded in 2020/21 which is a growth of 66%.

Increase in unit sales and equipment activity levels in the market will directly affect the spare parts business. The construction activities in the country had a direct impact on this business over the last 3 years. UMLH Spare parts business has also shown significant growth by supporting JCB customers for their warranty replacements and minimizing the downtime of JCB equipment supplied by UMLH.

JCB Power Generator Sales Business

	2021/22	2020/21
No of Units	**13**	3
Revenue (LKR'000)	**39,439**	6,920

UMLH had actively started Power Generator Business in 2019 under the JCB Brand. JCB generators are quite new to the Sri Lankan market compared to reputed European brands available in Sri Lanka.

In 2021 with the sudden power cuts due to the current economic crisis, the market for power generators increased. However, due to the existing foreign exchange crisis, all imports have been challenging.

UMLH is planning to capitalize on the opportunities created for Power Generator Market by the existing power crisis in Sri Lanka during the next financial year.



JCB


GREAVES POWER
GREAVES POWER

Financial Capital

Amidst the challenging macro environment climate and continuation of the import ban on vehicles, Companies in the Group continued to focus on better utilization of resources through productivity and efficiency improvement. Discipline in making financial decisions and transparency in every transaction are foundations that drive the Group's financial position.

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

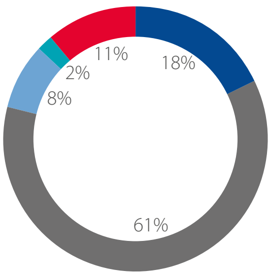
	2021/22 LKR'000	2020/21 LKR'000	Increase/ (decrease) %
Group revenue	**12,884,249**	13,537,657	-5%
Group gross profit	**2,803,237**	2,705,186	3%
Group EBITDA	**894,175**	1,384,497	-35%
Group PBT	**449,235**	646,392	-31%
PAT attributable to owners of the Company	**315,018**	503,675	-37%

REVENUE

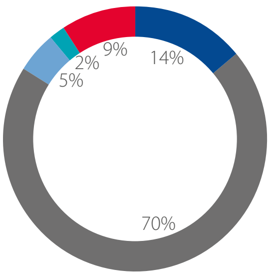
In a highly unfavorable environment for the auto industry, the Group recorded a revenue of LKR 12.9 billion for the year under review, which is a drop of 5% in comparison to LKR 13.5 billion recorded last year.

However, with better margins during the year under review, the Group recorded a gross profit of LKR 2.8 billion which was an improvement of 3% in comparison to the LKR 2.7 billion recorded for the year before.

Segment Revenue 2021/22



Segment Revenue 2020/21



Spare parts and workshop
Vehicles
Equipment and machinery
3D Printers and services
Tyres
Lubricants and car care products

Revenue from the spare parts and workshop segment expanded by 13.7% to LKR 2.2 billion, driven by the demand created as a result of relative ease of mobility restrictions compared to the last year. Locally assembled vehicles were the main contributor to the vehicle sales segment. However, the segment witnessed a drop of 17% under the prevailing circumstances and recorded a segment revenue of LKR 7.8 billion during the year under review. Equipment and machinery recorded a growth of 62% and achieved a revenue of LKR 1.1 billion. 3D printing and Tyre divisions also showed an improvement during the year under review, recording revenue of LKR 33 million and LKR 270 million respectively. The lubricants and car care products segment achieved an impressive 24% growth during the year 2021/22 and recorded a revenue of LKR 1.5 billion.

	2021/22 LKR'000	2020/21 LKR'000	Increase/ (decrease) %
Group administrative expenses	**1,812,509**	1,641,737	10%
Group distribution expenses	**421,510**	415,467	1%
Group finance cost	**76,729**	343,482	-78%
Group finance income	**86,613**	93,349	-7%

ADMINISTRATIVE EXPENSES

Despite the increase in operational activity, the Group continued to focus on the importance of cost management and effective utilization of resources, and fair treatment to our valued employees. During the year under review, administrative expenses increased by 10% mainly driven by staff-related costs.

DISTRIBUTION EXPENSES

Due to the adverse macroeconomic climate and the import restrictions, the Group spending on marketing and distribution activities for the year 2021/22 amounted to LKR 421 million which is only 1% more than last year's LKR 415 million.

NET FINANCE INCOME/COST

As a result of effective and prudent management of finance, the Group recorded a net finance income of LKR 9.9 million during the year under review which was a substantial improvement from last year net finance cost of LKR 250 million.

ASSETS AND LIABILITIES

At the year end, the total assets of the Group increased to LKR 20.4 billion from LKR 18.7 billion as at 31 March 2021. Out of LKR 20.4 billion assets as at 31 March 2022, LKR 8.2 billion is in property plant and equipment. The second highest contribution is from inventories of LKR 6.2 billion, which was only LKR 3.4 billion a year earlier. At a time when imports are restricted due to shortage of foreign currency, it is heartening to note the 84% increase in inventory at end of the year under review. Total liabilities of the Group as at 31 March 2022 were LKR 6.5 billion, in comparison to LKR 5.4 billion as at 31 March 2021. Accordingly the Group balance sheet is very strong with net asset value of LKR 13.9 billion as at 31 March 2022 in comparison to LKR 13.3 billion year earlier. This increased of Net asset per share of the Group from LKR 131.81 per share to LKR 137.55 per share. This is an improvement of LKR 5.74 from last year. Current ratio of 1.93 and quick assets ratio of 0.84 shows that UML group has a sound liquidity position.

Borrowings of the Group are also maintained at very healthy level with 31 March 2022 borrowings to equity ratio at 14.72%.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

	2021/22 LKR'000	2020/21 LKR'000	Increase/ (decrease) %
Net assets per share	**137.55**	131.81	4%
Earnings per share	**3.12**	4.99	-60%
Dividend per share	**2.50**	1.50	40%

For the year under review, Earnings Per Share was LKR 3.12 corresponding to the LKR 4.99 recorded last year. For the year 2021/22 an interim dividend of LKR 1.50 was paid in April 2022 and final dividend of LKR 0.50 was proposed by the Board of Directors for the year ended 31 March 2022, which is to be approved at the forth coming Annual General Meeting.

Manufactured Capital

Manufactured capital refers to the resources that enable an organization to produce output through its value creation process. This includes items such as buildings, tools, machines, and computers. During the year under review, the Group invested over LKR 110 million in the acquisition of property plant and equipment. This was a substantial investment compared to the LKR 44 million recorded last year. The Group's investment in buildings was at LKR 657 million at the end of the year under review. UML always try to purchase state of the art equipment to maintain highest standard in delivery, thereby ensure our customers get the best. The carrying value of machinery and tools was LKR 132 million.

To keep in step with superior standards and state-of-the-art technology for decision-making in the current dynamic business environment, the Group made a substantial investment in the SAP EPR system in 2018/19. The system was launched in May 2019 and is currently running very efficiently while delivering the expectations. In 2018/19, the Group made a strategic investment in solar power generation by establishing a 2Mw rooftop solar power system. The current power crisis justifies the proactive decision made by the Group while understanding elements of the macro-environment. Following the success from its initial venture in to roof top solar generation, UML has now in the process of adding further 700 Kw through roof top solar installation in three identified branches.

The Group embarked on vehicle assembly in the year 2009 and made a significant investment during the last 13 years. In line with the Government policy of developing the automobile sector as a local industry, we strive to expand our vehicle assembly operations to the next phase. In this process, we have started the development of our new vehicle assembly plant in Ratmalana, which will commence operations in early 2022/23.

During the last several years, The Group made a substantial investment in expanding our workshop operations which includes a state-of-the-art workshop in Ratmalana. These investments paved the way for the enhancement of our workshop operations and customer experience while bridging the UML workshops across the country.

Social & Relationship Capital

CATERING TO THE CUSTOMER: UML BOASTS DIVERSIFIED PORTFOLIO

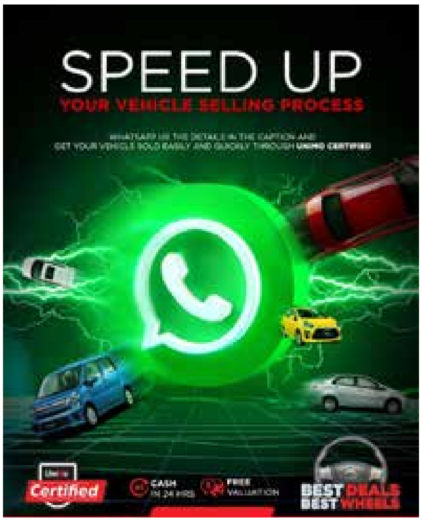
UML's diversified product portfolio has been the catalyst behind the Group's performance despite the continuation of the import ban on vehicles, the COVID-19 pandemic and the weakening economy in recent months.

Due to the ongoing import restrictions in the country, the Company ventured into the used vehicle business in 2020, which was continued and intensified in 2021/22. The used vehicle business is marketed under the brands "United Automart", "Unimo Certified" and "JCB Certified " while special campaigns were conducted to engage customers for after-sales services, JCB earthmoving equipment and generators, Valvoline lubricants, 3D printers, Greaves generators, Nasiol Nano coatings and DFSK vehicles under the automobile assembly facility.

Pre-owned vehicles and machinery businesses

DFSK interactive website

DFSK virtual 360 automobile showroom



WhatsApp channel for pre-owned vehicles

Bidding website for pre-owned vehicles

Concurrent to this, as media consumption patterns continue to change the Company tailored its communication platforms to suit evolving customer needs, prompting faster transferring of information and efficient message delivery.

New initiatives such as a vehicle bidding platform for used vehicles, which is a first in the industry was introduced, where customers could place a fair-priced bid for vehicles listed on the dedicated Company site. Alongside this, new channels were introduced through social media and WhatsApp to reach customers faster to both sell and purchase used vehicles.

As Sri Lanka continued to experience travel restrictions from time to time in the recent past, the locally assembled DFSK vehicle arm of the Company introduced a virtual 360-degree automobile showroom where customers could access the showroom online while a very interactive website was also introduced for the brand.

Social & Relationship Capital

MANEUVERING THROUGH CHALLENGING TIMES

As businesses continued to face challenges, especially in the construction field JCB strengthened its overseas operation in the Maldives where the Company was able to engage with 12,933 customers through its newly established social media channels.

JCB Maldives communication

Valvoline lubricants and Simoniz car care products were made available for customers through many popular E-commerce websites while Valvoline strengthened its branding throughout the country to which earned the Valvoline brand, the Best Signage Drive accolade, awarded by Valvoline Asia.

Valvoline best signage award

UML Group's after-sales department also conducted several promotions to encourage customers to maintain their vehicles in optimum condition as new vehicle importation became restricted. Amongst some of these promotions were the 5 to 1 lube service offer, where customers were offered a free service for five consecutive services, special packaged lubrication service offers, and detailing offers together with the newly-introduced Nasiol nano-coating solution, to name a few.

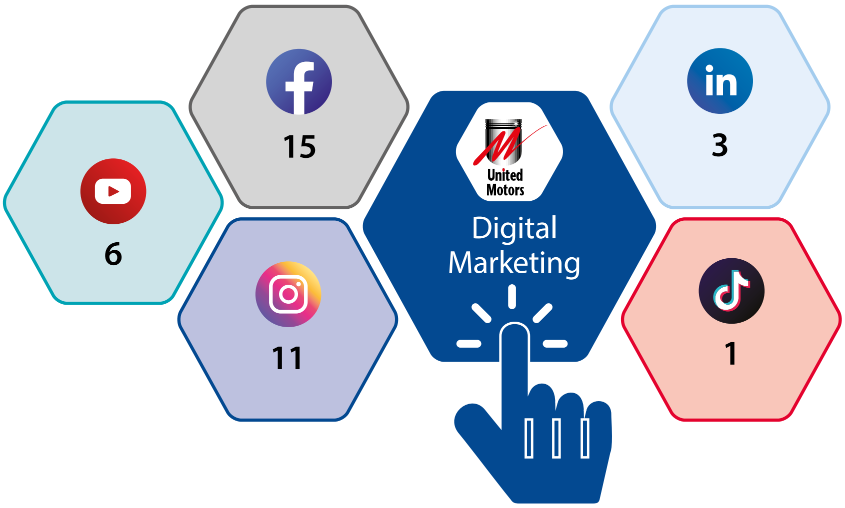
Special offers

INCREASING CUSTOMER SATISFACTION VIA CALL CENTRE

UML continuously engaged with customers through the Company call centre to assess their satisfaction and obtain feedback on the products and services offered. This helped to take the necessary steps for required improvements. During the year under review the call centre interacted with 82,380 existing and prospective customers. The Company also gathered customer insights through online sources by social listening which was used to improve processes, products and services. In addition to the Complaint Management System, frequent surveys are carried out to assess customer satisfaction levels in connection with the products and services offered by the Group.

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. Having experienced a challenging business year, the Company was compelled to limit certain channels as products became limited following import restrictions. UML has nine physical locations spanning the country out of which six locations have the ability to provide the same service offered in Colombo. On the digital front products were presented through the newly-revamped website which boasts increased customer browsing. During this challenging period the company digital presence facilitated constant engagement with customers. The Group is accessable via thirty six digital platforms which include fifteen Facebook pages, eleven Instagram pages , six YouTube channels, three LinkedIn pages and one Tiktok channel. The annual customer engagement of these digital assets surpassed two million seven hundred thousand and twenty six thousand five hundred and ninety product inquiries were generated.



RECOGNITION FOR REACHING CUSTOMERS ONLINE

DFSK was able to clinch the award for the Best Digital Marketing campaign for the DFSK 580 vehicle for the first time at the SLIM Digital awards for its outstanding results through digital marketing while the new interactive website was recognized by Horizon Interactive Awards and awarded Gold for Consumer Information on the DFSK Glory i-auto.

Award for DFSK 580 digital campaign

Award for consumer information for DFSK Glory i-auto

Social & Relationship Capital

අපිUnited TO SERVE

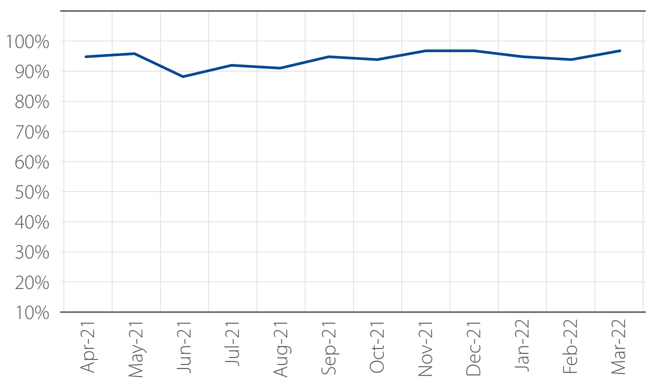
අපිUnited to serve is an internal marketing programme to create a customer centric culture in the organization. This concept enables to identify gaps of the customer service levels of the employees and improve further by introducing new initiatives to elevate customer care, rewarding staff based on their achievements and reprimands where necessary. CFT (Cross Functional Team) is the driving team of **අපිUnited** concept by initiating activities and ACT (Accelerated Care Team) carry out the activities for entire Group.

Customer surveys

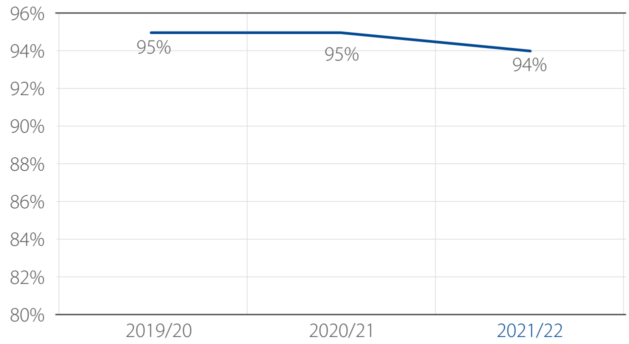
During the year since most of the staff members worked on roster basis, the emphasis was mainly given on external customer surveys. The satisfaction levels of the customers were measured by conducting comprehensive call surveys by a special team on all products and services offered by the Group.

Based on the customer surveys carried out, we achieved an overall customer satisfaction index of 94% during the year.

Overall customer satisfaction index - 2021/22



Overall customer satisfaction index



Vehicle Sales

Number of Surveys - **820**
Customer Satisfaction index - **94%**

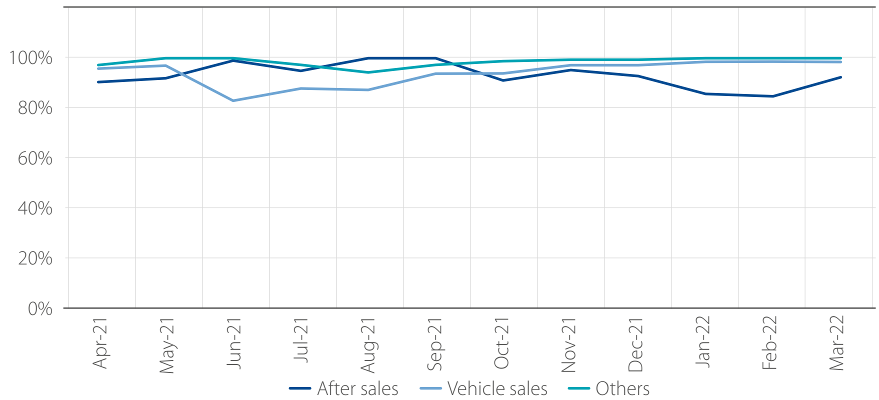
After Sales Services

Number of Surveys - **9,810**
Customer Satisfaction index - **93%**

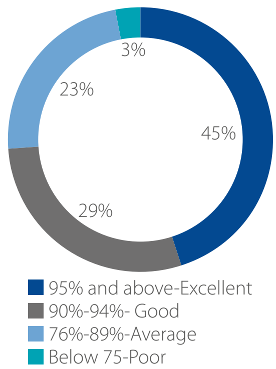
Other Products

Number of Surveys - **142**
Customer Satisfaction index - **99%**

Analysis of external survey results (product and service wise)



Achievement of survey ratings



Exceptional customer service

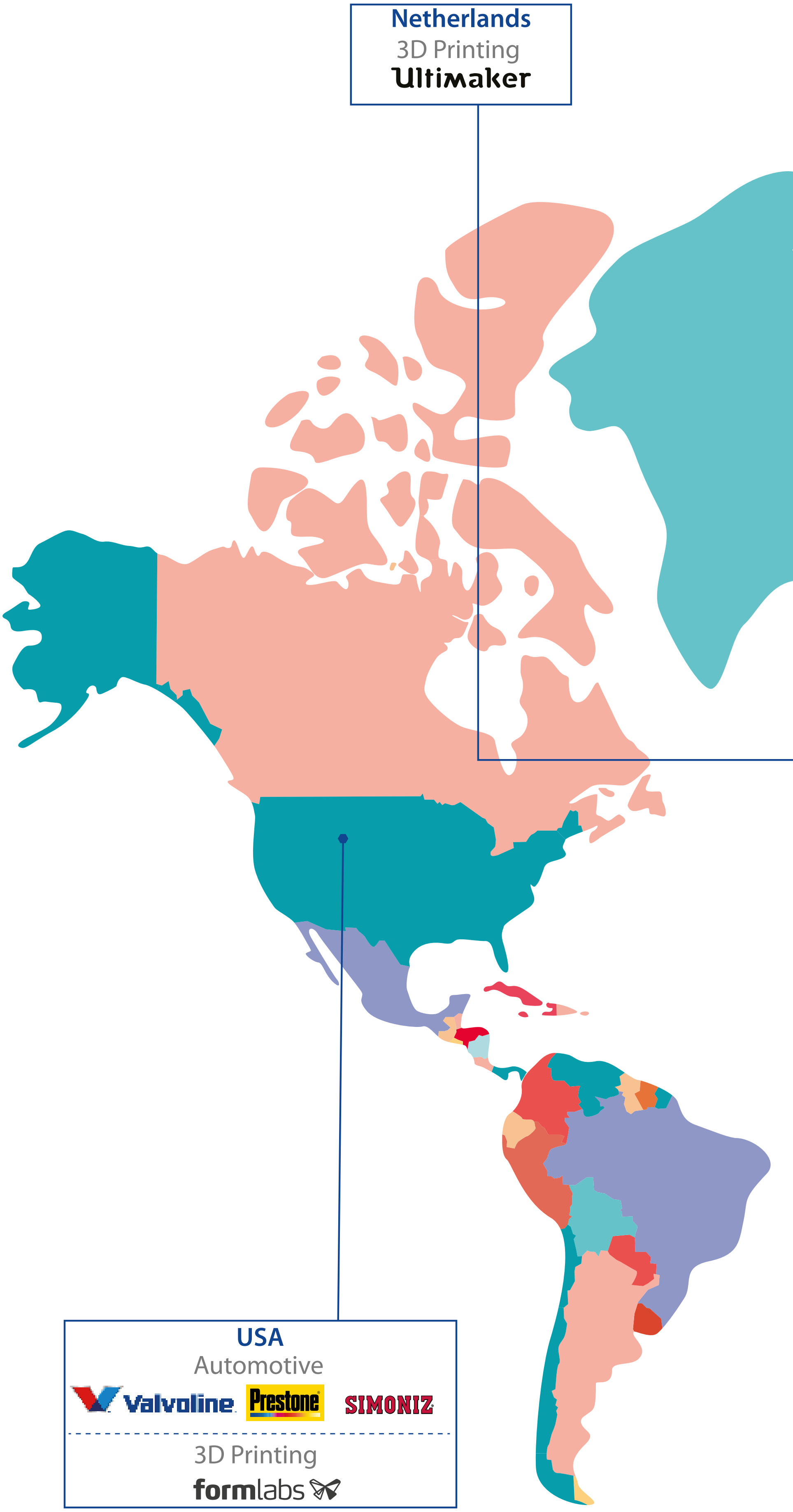
Based on the customer communications received via emails, messages, letters and other forms of communications from different customer segments on the "WOW" services of our staff members, we identified 24 staff members from different divisions who provided exceptional service to their customers.

These staff members were recognized by the Company and such communications were shared among the staff via group emails and social media platforms during the respective month.

Way forward

We are in the process of identifying new ways of implementing several activities to drive the message of service excellence.

The digital system to evaluate feedback from external and internal customers is also being explored to create a customer-centric culture within the organization.



OUR PARTNERS

Connecting with renowned Global Brands to deliver apex services.

Distinguished global brands that have joined hands with the UML group have helped strengthen its decades-long operations. These companies have been stringently selected based on their strong core values, product quality and technology in order that their expertise will help nurture an unparalleled success story within the UML Group.

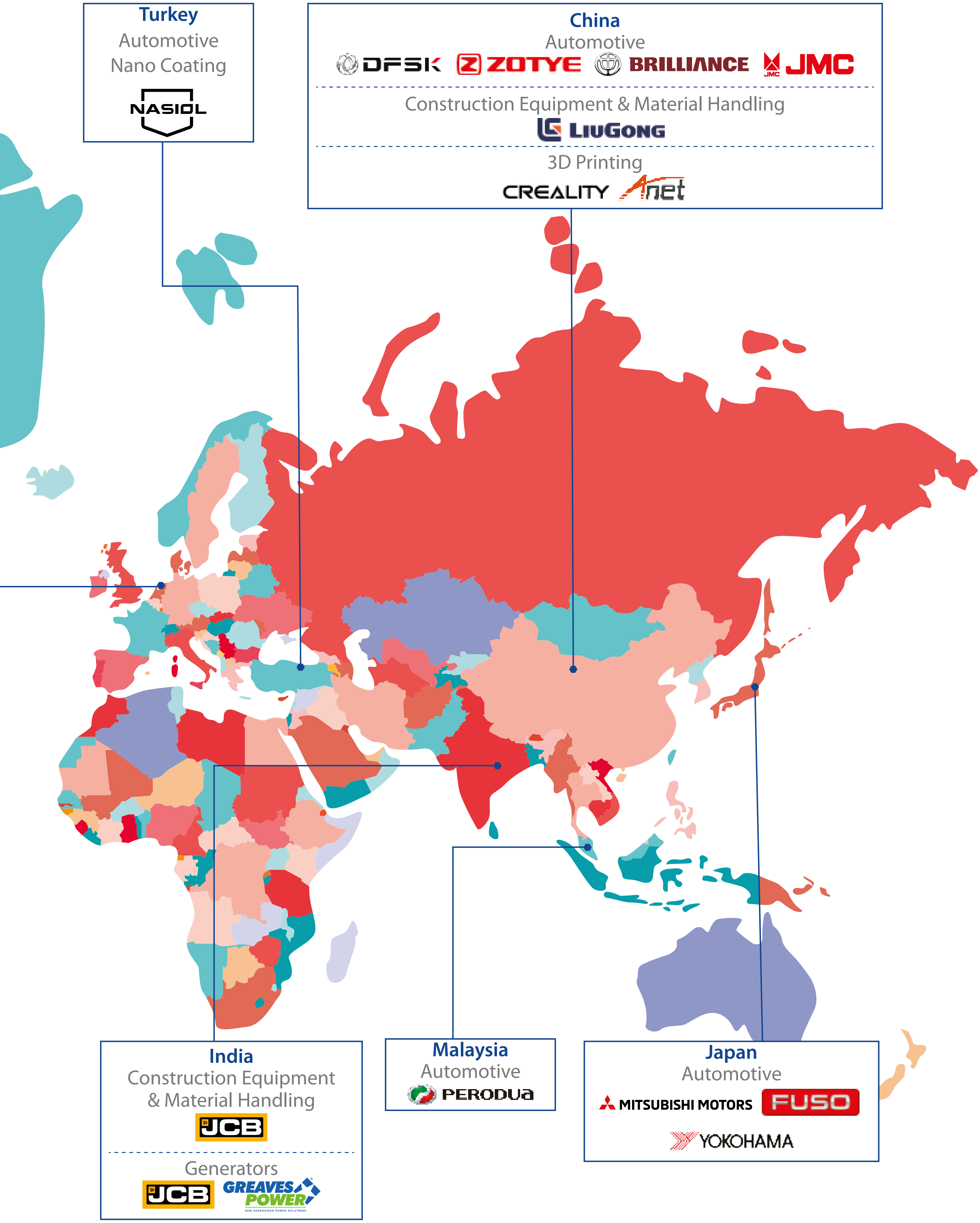
The wealth of knowledge and best practices gained from these carefully-chosen Partners from around the world have been the backbone behind UML's high quality product delivery and customer satisfaction. Such partnerships have been maintained and fostered to greater levels via online platforms through challenging times where travel restrictions were imposed.

Relationships with our partners	2021/22
No. of principals	18
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
No. of relationships below 1 year	01

Key focus areas 2021/22

The Group sought to expand its product portfolio by pursuing new partners who would support a greater growth strategy in the automotive and other sectors.

The Group is as stringent in its selection of local partners, as it is in its international partnerships. Business relationships that are backed by in-depth studies of processes and practices allow the Group to uncompromisingly abide by the benchmarks set by us, in the industry. Indeed, it is of paramount importance that our partners' brands are suitable for the local market.



Turkey
Automotive
Nano Coating
NASIOL
China
Automotive
DFSK
ZOTYE
BRILLIANCE
JMC
Construction Equipment & Material Handling
LIUGONG
3D Printing
CREALITY
Anet
India
Construction Equipment
& Material Handling
JCB
Generators
JCB
GREAVES POWER
Malaysia
Automotive
PERODUA
Japan
Automotive
MITSUBISHI MOTORS
FUSO
YOKOHAMA

Social & Relationship Capital

COMMUNICATION WITH SHAREHOLDERS

We are committed to promote effective and open communication with all shareholders at all times. The Company aims to engage with its shareholders transparently and regularly in order to facilitate mutual understanding of the respective objectives.

As a listed company governed by the regulations of the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange (CSE), UML 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. 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 stakeholders.

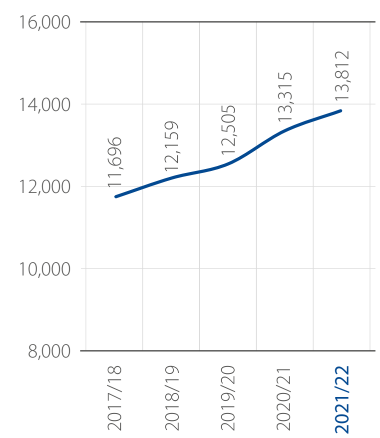
Over the years, UML delivered on its promise to shareholders by ensuring consistent returns on their investments through capital appreciation and dividends.

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.

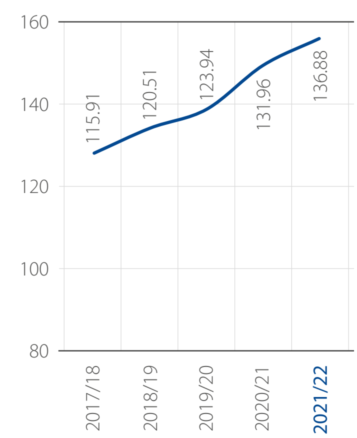
	2017/18	2018/19	2019/20	2020/21	2021/22
Shareholders' funds - Company LKR (million)	11,696	12,159	12,505	13,315	**13,812**
* Dividend per share - Company (LKR)	3.50	1.50	4.00	1.50	**2.50**
Net assets per share - Company (LKR)	115.91	120.51	123.94	131.96	**136.88**
Market capitalization - Company LKR (million)	7,668	6,740	4,581	5,822	**5,560**

* *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.*

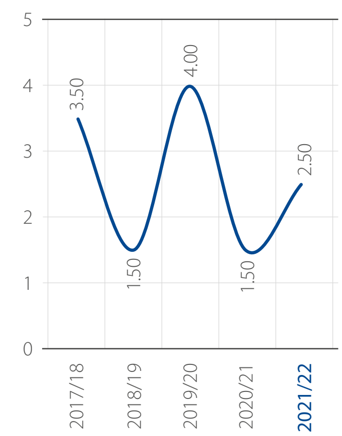
Shareholders' funds (Rs. Mn)



Net Assets Per Share (Rs. Mn)



Dividend Per Share (Rs.)



Human Capital

We understand that realizing our vision of being the leader in the transport industry depends largely on our human capital. Human capital is crucial to drive our Company values towards the success of the business. In the midst of a complex environment filled with instability and uncertainty, we have honed our abilities to attract, nurture and retain talent that balance different interest of employees even during this pandemic by blending with new normal.

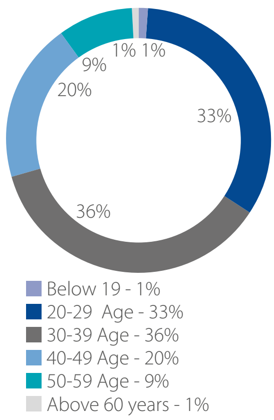
TEAM UNITED

A strong-team of 1,006 members comprising a diverse mix of individuals are the primary value creators for the Company. As an equal opportunity employer, our team represents both genders, all major ethnic groups in the country and generations baby boomers (1946-1964), X (1965-1980), Y (1981-1996) and Z (1997-2012) who work together in a conducive environment with dignity and mutual respect. 70% of our staff in the age group 20-39.

Our talent management strategies are geared to ensure that right people, with the requisite skills and capabilities, are in the right roles focused and engaged achieving goals of the Company.

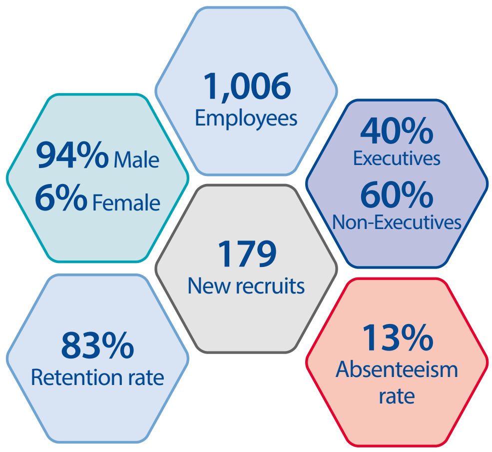
Since the nature of our business is male dominated, 94% of our total staff were males working in spare parts, workshop and logistic division. The Corporate Management Team consists of 88% male, 12% female while 16% of the sales and administration staff (office staff) are female.

Diversity of Age



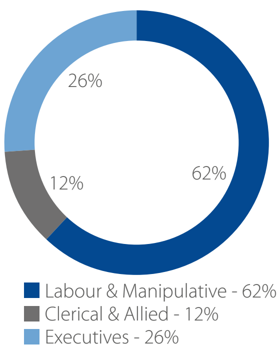
EMPLOYEE PROFILE

		Group (Count)
Category	Senior Management	39
	Managers and Executives	368
	Non-Executive	599
Gender	Male	947
	Female	59
Age	Below 19	12
	20-29	333
	30-39	365
	40-49	198
	50-59	92
	60 above	6
Type of employment	Permanent	963
	Contract	43
Nature of the job	Sales	195
	After sales	626
	Administration	185



Labour and manipulative category of staff are mainly employed in the workshop and logistic division. Due to the nature of the job, employee turnover is high in this category.

Employee Turnover



Human Capital

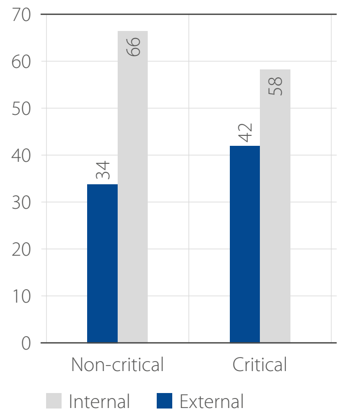
TALENT ACQUISITION

	No. of positions	No. of Applications Received	No. of qualified candidates per position
Skilled	72	520	7
Unskilled	47	125	3

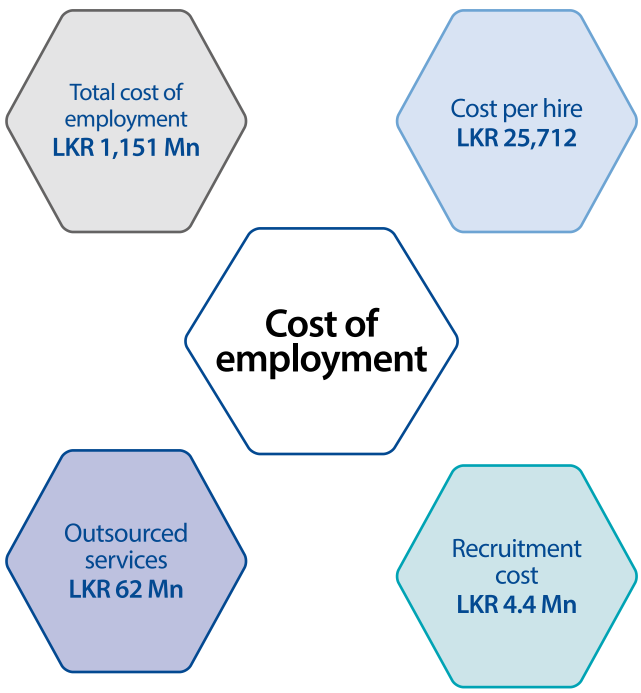
Percentage of positions filled	Non critical job category %	Critical job category %
Internal	34	42
External	66	58

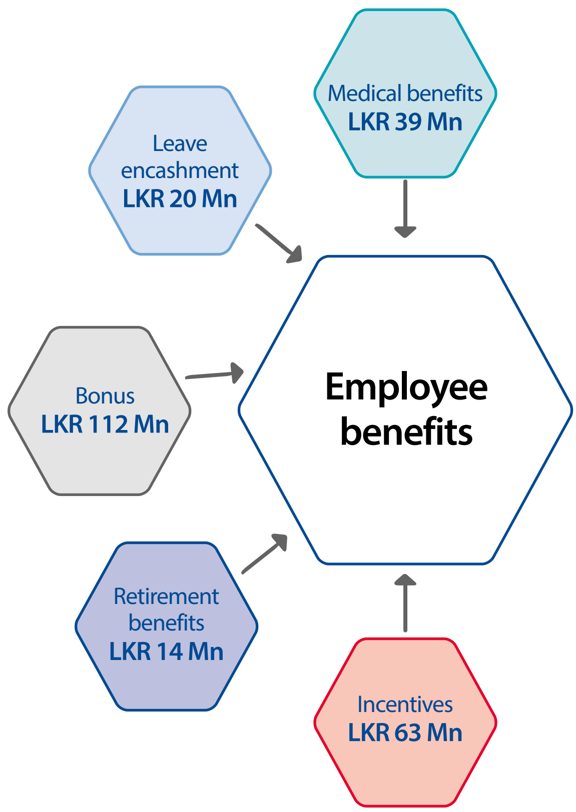
In the recruitment process, skilled and unskilled are considered as main types. Skilled workers refer to highly trained, educated, or experienced segments of the workforce and it covers most of executive categories as well as certain non-executive categories in the Company. Unskilled workers are mainly categorized under the non-executive category. During the year, the Company filled all the skilled positions.

Recruitment of employees (%)



EMPLOYEE COST /BENEFITS

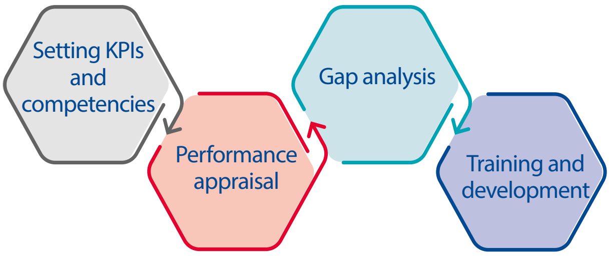


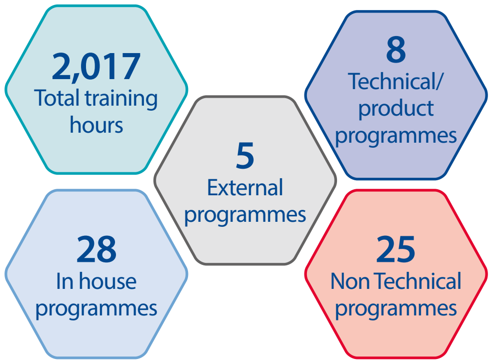


PERFORMANCE-DRIVEN CULTURE

The Company's performance management mechanism aims to recognize, reward, and retain high-performing employees thereby cultivating a performance driven culture. Remuneration is determined based on qualifications, skills, prevailing market rates and the annual increment paid is based on performance evaluation results which is assessed from time to time. All of our permanent employees undergo annual performance appraisals.

The Company's performance evaluation process covers all permanent employees and uses the Key Performance Indicators (KPI), a combination of objective and subjective criteria which are mutually agreed between the superior/evaluator and the employee at the beginning of the year. Achievement of KPIs, competency assessment and customer service index are some of the key criteria included in the performance evaluation.





TRAINING AND DEVELOPMENT

Training and development is one of the key priorities for the Company to enhance knowledge, competencies, skills and performance. Training needs were identified alongside the performance evaluation process and internal and external training programmes were conducted where necessary.

Irrespective of the challenges faced during the last financial year, the Company increased its investment in training and development thereby increasing training hours by 9.5%.

TRAINING THROUGH VIRTUAL PLATFORM

Considering the COVID-19 pandemic, that prevailed during the year the majority of training programmes were conducted through online platforms.

Learning sessions were conducted aimed at supporting employees in adapting to the new normal, including sessions on motivation, sales strategies during tough times, effective communication, health & fitness care and awareness sessions on several special areas.

During the pandemic, in order to overcome the challenge of keeping the staff motivated and to retain them, several motivational programmes were conducted via online platform. Concerning the health of our employees, a session was conducted to educate on healthy living and fitness care.

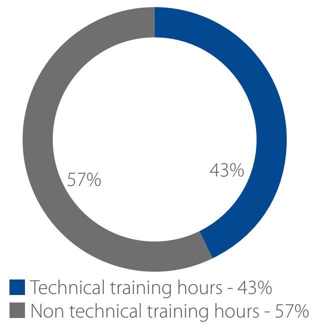
Virtual training programmes

Human Capital

COMPETENCY TRAINING

From number of competencies the Company decides the competency training areas that needs to be covered in concurrence with the Heads of the Divisions. The competencies may vary based on the different designations and the gap analysis helps to identify the requirement of different divisions. The internally developed competency library includes 30 competencies covering different areas. During the year, 57% of the training was on competencies. Such programmes include business communication, selling skills, customer care and grooming, customer retention and productivity /efficiency at work. In order to improve data analytical skills several MS Office training sessions were conducted by our internal staff.

Training hours by Catagory



PRODUCT TRAINING

Product training sessions were conducted for technicians and Service Advisors which included key aspects such as Brake Tester Training, Diagnostic Training, Intelligent Key Programming (KOS) by the internal resource persons.

A special three day training on Nasiol-Nano coating programme was carried out by the principals, Artekya Technology, Turkey for automobile and industrial products.

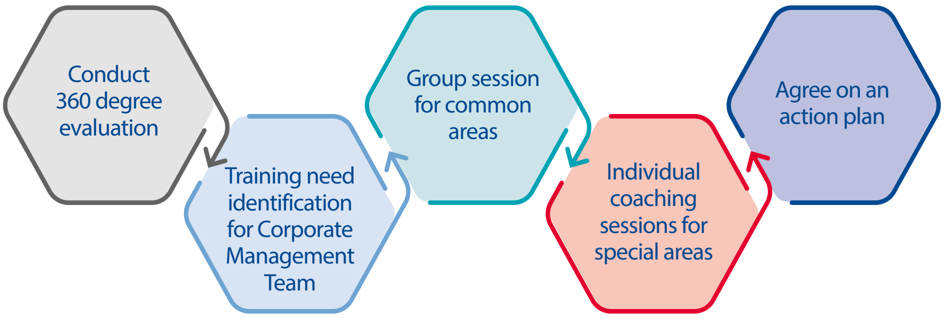

Nasiol-Nano coating training at Ratmalana workshop

Induction programmes were conducted for new recruits to familiarize the Company's products and services, policies, processes and the customer care initiatives. Adhering to health and safety guidelines induction programmes were conducted virtually and there were six such programmes during the year. These programmes enabled our staff to share knowledge and the new recruits to experience the culture of the Company.

LEADERSHIP DEVELOPMENT

We also invested in our Corporate Management Team by conducting individual coaching programmes during the year, supporting their development in becoming true catalysts of change and serving as inspirational role models, moving the Company towards its mission.

A coaching programme was conducted to all the heads of divisions based on the 360-degree evaluation results. In addition to the individual coaching, group sessions on adaptability, personal development, development of others and other main leadership areas were also conducted during the year, using "GROW" model.



Coaching programme for heads of divisions

COVID-19 RESPONSE

The pandemic has completely interrupted the expected workplace, demanding a movement to a new way of working to an extent which was never planned before. Given the variety and span of the operation this shift required frequent engagement with all levels of employees, with the HR function playing a critical role in safeguarding employees while ensuring the continuity of operations. A COVID-19 task force was established, with multi-divisional representation to formulate means of ensuring continuity of business activity while safeguarding our people.

Key measures adopted by the Company included the following:

» Implemented strict safety measures, often above and beyond what was prescribed by the health authorities. Key measures included providing necessary equipment and sanitizers, daily health declarations for all employees, implementing a clearly expressed procedure for infected persons including facilitating vaccines.

» Facilitated work from home arrangements for the majority of the office employees implementing guidelines on remote working.

» Increased social media engagement via WhatsApp groups including special awareness messages and announcements.

» Introduced a special Covid insurance scheme.

OCCUPATIONAL HEALTH AND SAFETY

We provide a safe work environment that ensures the mental and physical wellbeing of all the staff members, especially for our workshop staff. All workplace injuries were reported to HR division and the cause were identified.

We have lost 124 man hours due to injuries and there were six occupational accidents during the year. Higher number of work related injuries were due to vehicle related accidents of which eye injuries were the highest during the year.

INDUSTRIAL RELATIONS

The Company has established extensive policies and procedures designed to promote and maintain harmonious work relationship between the management and staff. Policies and procedures like the Whistleblowing policy, Share Trading policy, Non-Disclosure Agreement, Conflict of Interest and Code of Business Conduct and Ethics, Sexual Harassment policy, etc. 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 pay. 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). 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 Hand Book and the Customer Care Code of Conduct throughout their employment with the Group. These documents govern the relationship among the employees, the Company and other stakeholders and are designed to ensure transparency, integrity and ethical behavior in all interactions.

Natural Capital

As a Group, we are dependent on natural inputs such as water, fossil fuels, and raw material. As responsible corporate, we at UML group always strive to reduce our environmental footprint. The Group has in place several procedures and policies to ensure that our operations are carried out with the least harm to the environment. During the year under review, there were no fines or penalties imposed on the Group for non-compliance with environmental regulations and laws.

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

EFFICIENT USE OF ELECTRICITY

	MWh Generated	MWh Consumed	MWh to national grid	Revenue LKR'000	Profit LKR'000
2020/21	2,510	495	2,015	55,221	43,486
2021/22	**2,559**	**528**	**2,031**	**55,297**	**44,511**

As a leading automobile company, we consider ourselves as a high-level consumer of electricity. In view of the above fact and giving priority to the environment, the Group made a strategic decision to set up a 2Mw rooftop solar power plant at a considerable investment of over LKR 226 million.



During the year under review, we generated 2,559 MWh out of which 528 MWh were consumed by the Company and 2,031 MWh were supplied to the national grid. This is a 2% increase in total generation and a 1% increase in the energy generated to the national grid in comparison to the previous year. Considering the high returns and prevailing energy crisis, we are looking at expanding our solar power generation and work is being carried out at three identified branches to generate further 700 Kw.

Further, faulty or high-consumption electrical equipment and air conditioning units were replaced where necessary. In addition, actions are in place to optimize energy efficiency in all of our operational locations through the use of 100% of LED lighting solutions. Transparent roofing sheets were also introduced in several locations to increase natural lighting and reduce the energy used for artificial lighting.

EFFICIENT USE OF WATER

Water is a critical and fast-depleting resource, therefore several 'water smart' initiatives are being used at UML to ensure efficient water use. The Group's interaction with water is mainly in workshop operations and regular inspections are carried out to ensure that water wastage is kept to a minimum.

All workshops have water treatment plants and those ensure that wastewater is disposed of responsibly or recycled for other uses. Both workshops, at Orugodawatta and Ratmalana, for instance, recycle water for other uses like gardening.

Further, Employee engagement and awareness programs were carried out to emphasize the importance of water preservation.

WASTE DISPOSAL MANAGEMENT

Our workshop facilities generate substantial waste. However, the Group is fully aware of the environmental consequences. We at UML have implemented a disposal procedures that comply with the environmental standards and laws of the country. Our main workshops have agreements with specialized service providers for the safe disposal of by-products like burnt oil and unusable components generated from workshop operations.

Intellectual Capital

Intellectual capital comprises a unique set of intangible assets which gives an organization a competitive advantage. This includes the expertise of our people, brand reputation, systems and procedures in place that ensure the long-term sustainability of our business operations.

THE EXPERTISE OF OUR PEOPLE

UML has gained invaluable experience and expertise in the marketing and servicing of motor vehicles while being a leading player in the Sri Lankan automotive industry for over seven decades.

We consider our people as the most valued resource we have and the success of the Group has been derived from the effective utilization of skills of our staff. We have on board a committed, professional, and productive team motivated to achieve the Company's goals and objectives. Selected workshop staff are sent to Japan to learn and get experience on best practices from our principals. Once they come back, they train rest of the work force who did not go for the training. During annual performance evaluation training needs of each staff member is identified and agreed and then they are directed to suitable training sessions by HR division. We continue to invest substantially in upgrading their technical and professional skills at all levels.

OUR SYSTEMS AND PROCESSES

At the UML group, we have implemented the SAP ERP system incurring substantial amount of investment which has made us align with the world-class best practices. In the data-driven modern dynamic business environment, real-time decision making is one of the key factors in sustaining the business. SAP ERP system plays a key role in the UML group's decision-making process by providing accurate and reliable information through real-time data processing.

Further, the Group has well-developed systems as well as executed accounting and financial controls and internal control systems to ensure that we manage the business in accordance with prescribed legal and statutory frameworks within set parameters. To ensure the effectiveness of our processes and procedures, our systems are reviewed by independent parties on a regular basis and the findings of these specialists are being used to improve systems and processes currently in place.

OUR BRAND AND REPUTATION

United Motors Group remains one of Sri Lanka's most respected corporate entities today. The UML brand tightens the bond between the company and our loyal customers which is completely built on the foundation of ethical standards and practices. Company has setup a cross functional team who are tasked to improve customer service to world class standard. We at UML group understand that how we deal with our stakeholders will define our brand. Therefore we always strive to make those interaction in line with best practice. We continue to strengthen and expand our market position through the further enhancement of the UML brand.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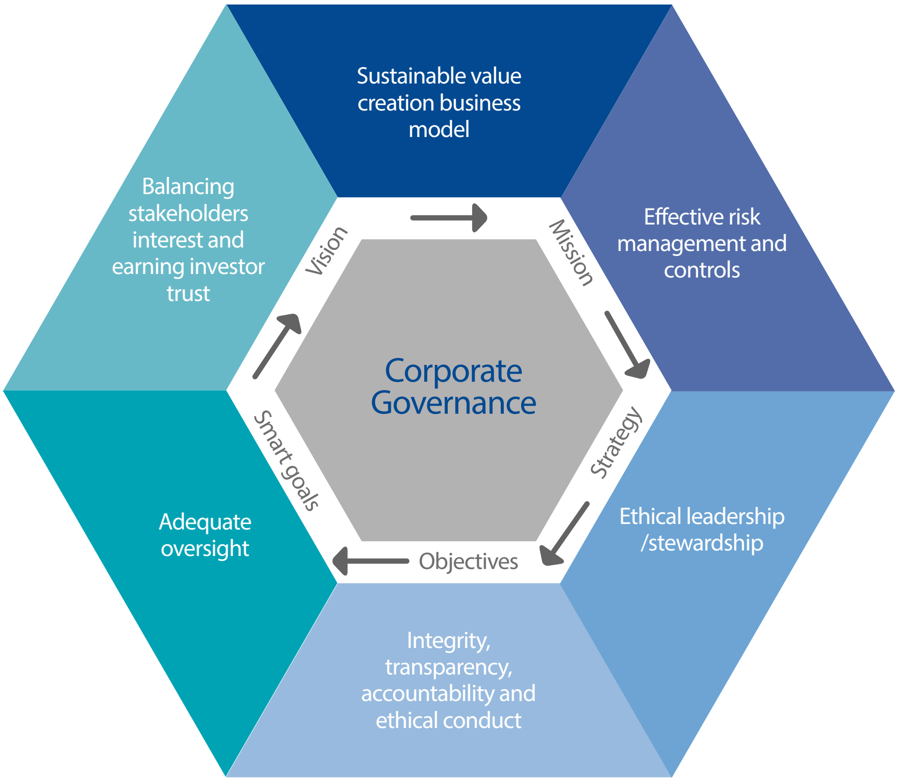
How We Govern

Corporate Governance is of utmost importance in driving the Company towards sustainable success. The Board of Directors of United Motors Lanka PLC (UML) is strongly committed towards maintaining the highest standards in governance for the creation of long term shareholder value and sustainable growth. We firmly believe that good Corporate Governance is not only fundamental in ensuring that the Company is well-managed in the interest of all its stakeholders, but also essential to attain long-term sustainable growth. The trust we have earned over the years as a reputed automobile company clearly reflects 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.

Strong leadership, checks and balances at all levels, a clear organisational structure with well-defined lines of responsibility, effective risk management and controls and a value driven ethical culture, support robust governance structures that provide clear direction for quick and responsive decision-making and promotes responsible behaviour. As the overall custodian of good Corporate Governance, the Board is fully committed to realising the six Governance framework outcomes of sustainable value creation, maintain effective risk management and controls, ethical leadership, integrity, transparency, accountability and ethical conduct, adequate oversight, balancing stakeholder interest and earning investor trust.



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 in addition to the internal framework.

The internal and external regulations comprise of 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
» Continuing Listing Rules of the Colombo Stock Exchange
» Companies Act No. 07 of 2007
» Inland Revenue Act No. 24 of 2017 and amendments there to
» Shop and Office Act and Wages Board Ordinance, EPF & ETF Act, Gratuity Act and Termination of Employment of Workmen Act and other Acts and Ordinance
» Directions and Circulars issued by the Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange.

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.

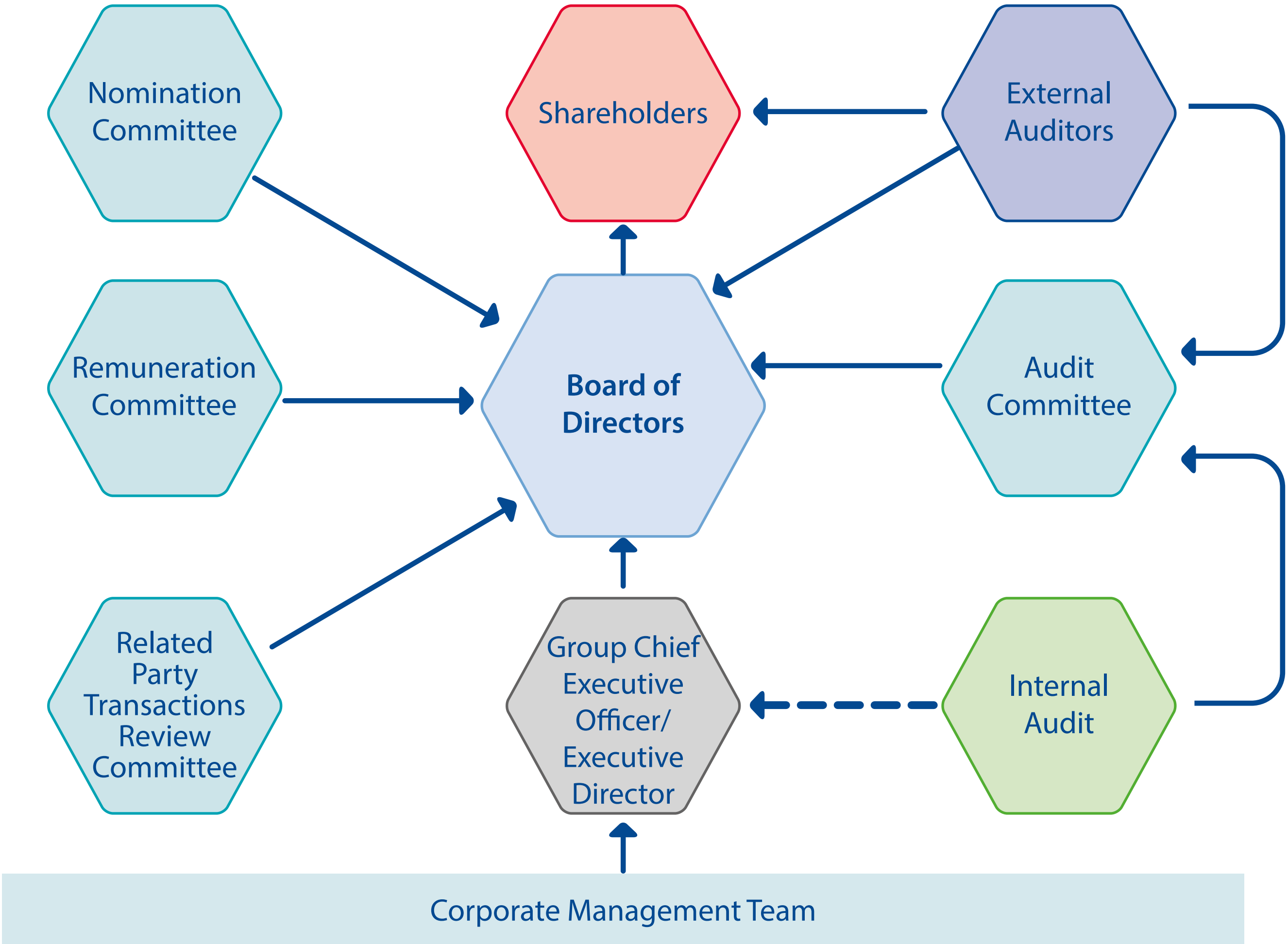
» Audit Committee
» Remuneration Committee
» Nomination Committee
» Related Party Transactions Review Committee

Details of Board Sub Committees are given 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 decision making, through a Committee structure ensuring that Executive Directors and other divisional heads are accountable for the whole company, divisions respectively.

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

How We Govern



STRUCTURE AND THE FUNCTIONING OF THE BOARD OF DIRECTORS

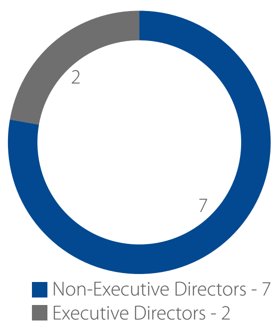
The Board of Directors, the highest decision making authority with responsibility for the sustainability of the Company, provides leadership by setting strategic direction, defining risk appetite, approving remuneration policies and appointments to the Board. Corporate Management Team is responsible for the day-to-day operations and for implementing an effective system of internal control. The Board and the Corporate Management Team have a clear mutual understanding of their respective roles, delegations and boundaries.

The Board comprised of nine Directors as at 31 March 2022 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 placed before the Board.

BOARD BALANCE AND DIVERSITY

The Board comprised of nine Directors of whom seven including the Chairman hold office in a Non-Executive capacity as at 31 March 2022.

Executive, Non-Executive Directors



Executive Directors - 2

Mr. Chanaka Yatawara
- *Group Chief Executive Officer*

Mr. Ramesh Yaseen
- *Director - After-sales Services*

Independent Non-Executive Directors - 6

Mr. Devaka Cooray - *Chairman*

Mr. Ananda Atukorala

Prof. Malik Ranasinghe

Mr. Stuart Chapman

Ms. Coralie Pietersz

Mr. Junya Takami

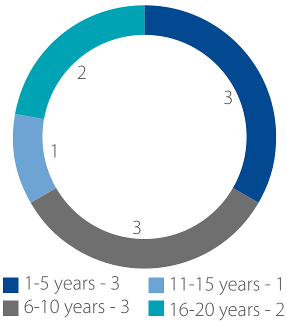
Non-Independent Non-Executive Director - 1

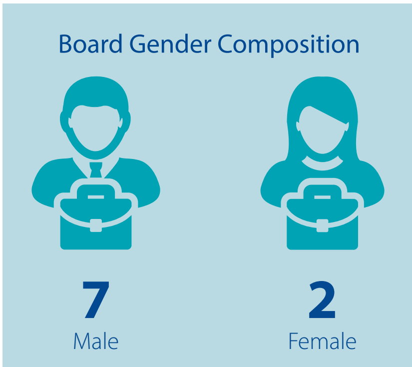
Ms. Hiroshini Fernando

The Board comprises members with expertise in Automobile, Marketing & Sales, Finance & Accounting, Banking and Engineering. Profiles of Board members including their qualifications, memberships in Board Sub Committees and other appointments and the profile of the Company Secretary are given on pages 21 to 25.

BOARD OF DIRECTOR'S INDUSTRY EXPERIENCE

Tenure on the Board

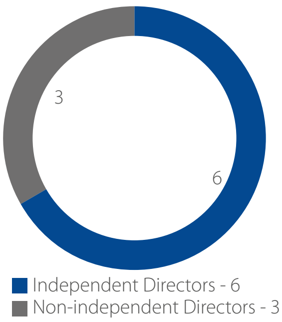




BOARD INDEPENDENCE

Out of seven Non-Executive Directors, six directors are independent other than Ms. Hiroshini Fernando.

Independent , Non-Independent Directors



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. Mr. A. W. Atukorala who has served the Board continuously for more than nine years continues as an Independent Non-Executive Director of the Company. Having taken into account all relevant aspects, the Board determined 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.

ROLE OF BOARD

The Board has provided strategic direction to the development of short, medium and long-term strategies which are aimed at long term sustainability of the Companies in the Group. Board evaluates the progress on strategy implementation at Board meetings. The Board continuously monitors the stakeholder expectations and this is the starting point for strategy formation. The Board has put in place a Corporate Management Team led by the Group Chief Executive Officer/Executive Director who has the required skills, experience and the knowledge necessary to implement the business strategies of the Company.

The Board recognizes its responsibility for the Group's internal control system and for reviewing its effectiveness on a continuous basis. 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 Audit Committee has been specifically assigned to carry out this task.

How We Govern

The Board evaluates and approves all investment proposals and restructuring plans for existing businesses. The Board also reviews budgets and monitors the performance of the individual business units against the budget on a monthly basis.

INDEPENDENT ADVICE

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

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 in two months. 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 Board meetings. Further, the parent company Board reviews the financial performance and business strategies of all subsidiaries at Board meetings. After the end of each quarter Heads of subsidiaries make presentations to the Board on company performance and strategies against the annual plan. The Directors are provided with a comprehensive package of information for 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.

Sub Committee has its own schedule of meetings as set out in the respective Committee reports. All meetings of the Board and Board Committees were conducted by adopting to the new normal conditions through 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 summarized on pages 76 and 77.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR

The positions of the Chairman and the CEO have been separated in line with best practices in order to maintain a balance of power and authority. The Chairman is responsible for leading and the effective functioning of the Board. The Chairman is a Non-Executive Director whilst the CEO is an Executive Director appointed by the Board. The roles of the Chairman and the CEO are clearly defined in the Board Charter.

The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with Key Management Personnel. The Chairman ensures the optimum contribution of all the Directors in discussions and decision making. Their individual views and concerns are objectively assessed prior to making key decisions.

Information is presented to the Board via Board papers and the Chairman ensures such information is adequate for decision making.

The CEO is responsible for managing the business, monitoring its progress and implementing the strategies of the Company within the policy framework formulated by the Board. This ensures the 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 six of the nine Directors as at 31 March 2022, being Independent Non-Executive Directors. The presence of Independent Non-Executive Directors 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, RESIGNATIONS AND RETIREMENT OF DIRECTORS

The Nomination Committee has set in place a formal and transparent procedure for the nomination of candidates for appointment as Directors. The Nomination Committee evaluates the resumes of potential candidates for consideration as Directors and makes recommendations to the Board for appointment. This process is based on an assessment of the combined knowledge, experience and diversity of the Board to identify additional perspectives to ensure its effectiveness at all times.

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

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

Mr. Junya Takami was appointed as a Non-Executive Director with effect from 1 June 2021.

Mr. Sunil G. Wijesinha who was the Chairman retired with effect from 27 July 2021 and Mr. Devaka Cooray was appointed as the Chairman with effect from 27 July 2021.

Mr. Ruwindhu Peiris, a Non-Independent Non-Executive Director and Mr. Thushara Jayasekara; Executive Director-Finance were appointed to the Board with effect from 1 April 2022.

Appointments, resignations and retirement of Directors were communicated to the Colombo Stock Exchange and shareholders through announcements. The communication of appointments 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 CEO is carried out by Remuneration Committee against pre-agreed targets.

Remuneration Committee decides on the Executive Directors' remuneration. All members of the Remuneration Committee are Independent Non-Executive Directors except for 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 the share trading policy, whistleblowing policy, conflict of interest and confidentiality policy.

The Code of Conduct and the policies in place are 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 on matters reserved for the shareholders which includes adoption of the Annual Report and Accounts, the 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 working days in advance.
A summary of the procedures that govern voting is indicated in the proxy form.

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, CSE announcements, Annual Report and the AGM. Copies of Annual Reports, interim financial statements, CSE announcements etc. are posted on the Company's website.

How We Govern

The Company Secretary keeps the Board apprised of issues raised by the shareholders at the AGM 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.

AGM for the year 2021/22 will be conducted as a virtual meeting and the Annual Report for the year 2021/22 has been uploaded on the CSE website and 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 systems to safeguard shareholder investments and assets of the Company. The Audit Committee assists the Board in discharging its duties with regard to risk management and internal controls as given in Audit Committee Report and Directors' statement on internal controls. A comprehensive report on how the Company manages risk is included in the risk management report.

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

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

Name of Director	Capacity	Status of independence	Board meeting attendance	
			Eligible to attend/ Attended	Mode of participation
Mr. Devaka Cooray *Appointed w.e.f. 4 May 2021*	Chairman Non-Executive Director w.e.f. 27 July 2021	Independent	16/16	
Mr. Sunil G. Wijesinha *Retired w.e.f. 27 July 2021*	Chairman Non-Executive Director Up to 27 July 2021	Independent	8/8	
Mr. Chanaka Yatawara	GCEO/ Executive Director	Non Independent	18/18	
Mr. Ananada Atukorala	Non-Executive Director	Independent	18/18	
Mr. Ramesh Yaseen	Executive Director	Non Independent	15/18	
Ms. Hiroshini Fernando	Non-Executive Director	Non Independent	18/18	
Prof. Malik Ranasinghe	Non-Executive Director	Independent	18/18	
Mr. Stuart Chapman	Non-Executive Director	Independent	18/18	
Ms. Coralie Pietersz *(Appointed w.e.f. 1 April 2021)*	Non-Executive Director	Independent	18/18	
Mr. Junya Takami *(Appointed w.e.f. 1 June 2021)*	Non-Executive Director	Independent	2/11	
Mr. H. Ishi *(Resigned w.e.f. 12 May 2021)*	Non-Executive Director	Independent	1/1	

C - Chairman M - Member BI - By Invitation

Mr. Ruwindhu Peiris and Mr. Thushara Jayasekara were appointed to the Board with effect from 1 April 2022.

ASSURANCE

The "Assurance" element is the supervisory role of the Corporate Governance framework. A range of assurance mechanisms such as an Internal Audit Division, independent audit and compliance reviews are in place. The management assesses 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 the 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.

Board Sub Committee membership and attendance				No of Board seats held in listed companies (excluding UML)		No of Board seats held in unlisted companies	
BAC	BNC	BRC	BRPTRC	Executive capacity	Non-Executive capacity	Executive capacity	Non-Executive capacity
-	-	BI	-	-	3	1	8
M 4/4	M 3/3	M 2/2	BI	-	2	-	7
BI	M 4/4	BI	BI	-	-	3	1
M 12/14	M 4/4	M 3/3	C 4/4	-	1	1	5
-	-	-	-	-	-	1	-
M 14/14	M 4/4	M 3/3	M 4/4	1	2	-	6
M 14/14	M 4/4	C 3/3	M 4/4	-	3	-	-
M 14/14	C 4/4	M 3/3	M 4/4	-	1	-	1
C 14/14	-	-	-	-	4	1	2
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

How We Govern

Annexure 1 - Status of compliance with the Continuing Listing Regulations 7.10 of Colombo Stock Exchange

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.	Seven out of nine Board members were Non-Executive Directors as at 31 March 2022.	✓
7.10.2 Independent Directors			
a	2 or 1/3 on Non-Executive Directors whichever is higher shall be 'independent'.	Out of seven Non-Executive Directors, six are independent as at 31 March 2022.	✓
b	Each Non-Executive Director 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 76 for details.	✓
b	The basis for the Board to determine a Director is Independent, if the 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 21 to 25.	✓
d	Provide resumes of new Directors appointed to the Board along with details.	Detailed resumes of the new Directors were 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** The Remuneration Committee shall comprise of Non-Executive Directors and the 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 consisted of three 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 the Group Chief Executive Officer/Executive Director is recommended by the Remuneration Committee.	✓
c	**Disclosure in the annual report** Names of Remuneration Committee members Statement of the remuneration policy Aggregate remuneration paid to Executive Directors and Non-Executive Directors	Refer Remuneration Committee report for the names of the Committee members. Refer Remuneration Committee report for the remuneration policy. Aggregate remuneration paid to Executive and Non-Executive Directors are disclosed in Note 12 to the financial statements.	✓

CSE Rule		Details of Compliance	Compliance Status
7.10.6 Audit Committee			
a.	**Composition** Audit Committee shall comprise of Non-Executive Directors, a majority of who should be independent.	The Audit Committee consisted of four Independent Non-Executive Directors and one Non Independent Non-Executive Director as at 31 March 2022.	✓
	A Non-Executive Director shall be the Chairman of the Committee.	The Chairperson 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, Executive Director-Finance and Deputy General Manager Internal Audit & Monitoring attended meetings by invitation.	
	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	The Chairperson 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.	
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 stakeholder. 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 the 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. The Audit Committee reviewed the design and operating effectiveness of the internal controls. Details are given in the Audit Committee report.	✓
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.	Names of the Audit Committee members are disclosed in the Audit Committee report.	✓
	Audit Committee shall make a determination of the independence of the External Auditors and disclose the basis for such determination.	The Audit Committee assessed the External Auditor's independence based on set guidelines and also obtained a confirmation and concluded that the External Auditors are independent.	
	Report on the manner in which Audit Committee carried out its functions.	Refer Audit Committee report for functions carried out.	

How We Govern

Annexure 2 - Compliance with the 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
Directors		
A.1	**The Board** The Board of United Motors Lanka PLC as at 31 March 2022 comprised nine 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 at least once in two months and each Sub Committee has its own schedule of meetings as set out in the respective Committee reports. The attendance at meetings is summarized on pages 76 and 77.	✓
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 the 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 fulfill 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.	✓
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	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** Three Directors were appointed during the year under review. The Directors are regularly updated by the GCEO/ED on relevant information regarding the 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 CEO have been separated in line with best practices in order 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** Three senior Chartered/ Chartered Management Accountants are in the Board as at 31 March 2022 who possess the necessary knowledge and competence to guide and advice on matters relating to finance.	✓
A.5	**Board Balance** The Board comprised of nine Directors of whom seven including the Chairman hold office in a Non-Executive capacity as at 31 March 2022. 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 an 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.	✓

Code reference	Principle, compliance and implementation	Compliance
A.7	**Appointments to the Board** The Nomination Committee has set in place a formal and transparent procedure for nomination of candidates for appointment as Directors. There were three new appointments to the Board during the year under review. The details of the Nomination Committee are given on page 90.	✓
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 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.	✓
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 21 to 25. Directors' attendance at Board meetings and Board Sub Committee meetings are given on pages 76 and 77. The total number of Board positions (excluding directorship in UML held by each Director is given on pages 76 and 77.	✓
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 88 and 89.	✓
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 Director's 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 88 and 89. The remuneration paid to Executive and Non-Executive Directors is disclosed in aggregate in Note 12 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 the 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.	✓

How We Govern

Code reference	Principle, compliance and implementation	Compliance
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 in order to ensure dissemination to the public. There were no transactions which would materially change the Company's or Group's net asset base or any major related party transactions apart from those disclosed in the Annual Report of Board of Directors on pages 98 to 103 and Note 40 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 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 following disclosures as required by the Code are included in this report; » Management Discussion & Analysis on pages 36 to 67. » Annual Report of the Board of Directors on pages 98 to 103. » Statement of Director's responsibilities in relation to the financial statements of the Company on page106. » 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 99. » Directors' statement on internal control on page 97. » Independent Auditors' report on pages 108 to 113. » Chief Executive Officer's & Chief Financial Officer's statement of responsibility on page 107. » 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 page 91.	✓
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 its duties with regard to risk management and internal controls as given in the Audit Committee Report on pages 86 and 87 and the Directors' statement on internal controls given on the page 97. A comprehensive report on how the Company manages risk is included on pages 92 to 96.	✓
D.3	**Audit Committee** The Audit Committee comprised 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 is given in the Audit Committee Report on pages 86 and 87.	✓
D.4	**Related Party Transactions Review Committee** The Related Party Transactions Review Committee consisted of three Independent Non-Executive Directors and a Non-Independent Director as of the year end. A summary of its responsibilities and activities is given in the Related Party Transactions Review Committee Report on page 91.	✓
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.	✓

Code reference	Principle, compliance and implementation	Compliance
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 the Institute of Chartered Accountants of Sri Lanka and compliance with regulations of the section 7.10 of the Listing Rules of the 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 proxy form and instructions are given in the Annual Report for the appointment of proxy.	✓
G) Internet of things and cyber security		
G	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 67, Governance report on pages 70 to 83 and Risk management report on pages 92 to 96.	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)	98
ii. Signed financial statements of the Group and the Company for the accounting period completed	Section 168 (1) (b)	115
iii. Auditor's report on financial statements of the Group and the Company	Section 168 (1) (c)	108 to 113
iv. Accounting policies and any changes therein	Section 168 (1) (d)	99
v. Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	101
vi. Remuneration and other benefits paid to Directors of the Company and its subsidiaries during the accounting period	Section 168 (1) (f)	101
vii. Amount of donations made by the Company and its subsidiaries during the accounting period	Section 168 (1) (g)	99
viii. Information on directorate of the Company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	100
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)	103
x. Auditor's relationship or any interest with the Company and its subsidiaries - audit fee/non-audit fee	Section 168 (1) (j)	103
xi. Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	103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Report of the Audit Committee

The Board Audit Committee presents its report for the year ended 31 March 2022 which was approved by the Board of Directors ("the Board").

PURPOSE OF THE COMMITTEE

The Committee assists the Board in discharging its responsibilities and exercises independent oversight over financial reporting, the adequacy of internal control systems, management of risk and monitoring compliance with laws, regulations, codes of conduct and best practices.

TERMS OF REFERENCE OF THE COMMITTEE

The Terms of Reference of the Committee which sets out the authority, composition, conduct of meetings, scope and responsibilities is reviewed annually and approved by the Board.

The composition and objectives of the Committee are in line with the Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange and the Code of Best Practices on Corporate Governance 2017.

COMPOSITION OF THE COMMITTEE

The Audit Committee appointed by, and responsible to, the Board of Directors comprised four Independent Non-Executive Directors (IND/NED) and one Non Independent Non-Executive Director (NIND/ NED) as at 31 March 2022.

The members of the Committee as at 31 March 2022 were as follows;

Ms. Coralie Pietersz - *Chairperson*	(IND/NED)
Mr. Ananda Atukorala	(IND/NED)
Ms. Hiroshini Fernando	(NIND/NED)
Prof. Malik Ranasinghe	(IND/NED)
Mr. Stuart Chapman	(IND/NED)

Mr. Sunil G. Wijesinha, a member of the Committee retired from the Board with effect from 27 July 2021.

The Board Secretary functions as Secretary to the Committee.

The Chairperson of the Committee 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.

The profiles of the members are given on pages 21 to 25 of the Annual Report.

COMMITTEE MEETINGS

The Committee held fourteen meetings during the financial year ended 31 March 2022. The attendance of the members during the year was satisfactory and a summary of the attendance is given on pages 76 and 77 of the Annual Report.

The engagement partner of the Company's External Auditors attends meetings on invitation when matters pertaining to their scope and reports come up for consideration. Three such meetings were held during the year which included one meeting without the presence of the Management. Additionally, the Committee also held two meetings, with the Deputy General Manager (Internal Audit & Monitoring) without the presence of the Director/Chief Executive Officer and the Management.

The Deputy General Manager (Internal Audit & Monitoring), independently reports to the Board Audit Committee and attended the regular meetings of the Committee during the year. The Chief Executive Officer/Executive Director, Executive Director-Finance, other members of the Management and the External Auditors were invited to meetings as and when required.

The proceedings of the Board Audit Committee meetings are regularly reported to the Board.

ACTIVITIES AND RESPONSIBILITIES DISCHARGED BY THE COMMITTEE

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 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 in exercising its oversight role.

The Committee reviewed the effectiveness of the financial reporting systems in place to ensure the accuracy and reliability of the information provided and was 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. A risk-based audit approach was 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 action taken in respect of the identified risks.

The Audit Committee continuously reviewed the risks and potential financial implications from the COVID-19 pandemic, import restrictions and the current financial crisis in the country. 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 97.

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 Board on the extent to which the Company was in compliance with the statutory and regulatory requirements.

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

Internal audit

During the year, the Committee continued to fulfill 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, prepared on a risk based planning methodology, 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 subsidiaries as well. The areas covered and the regularity of audits were 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 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 the 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 of the External Auditors were approved by the 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 action taken by the Management on the auditor's recommendations.

The Committee has recommended to the Board that Messrs PricewaterhouseCoopers (PwC), Chartered Accountants be re-appointed as statutory auditors for the financial year ending 31 March 2023 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 identification framework. This policy allows any employee, who has a legitimate concern, on an existing or potential "wrongdoing", 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 Deputy General Manager (Internal Audit & Monitoring). Concerns raised are investigated and the identity of the person raising the concern is kept confidential. 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 as set out in the Terms of Reference. 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, 2022.

Coralie Pietersz
Chairperson - Audit Committee

31 May 2022

Report of the Remuneration Committee

The Remuneration Committee presents its report for the year ended 31 March 2022 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, the Chief Executive Officers and Key Management Personnel.

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 set 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 comprised of three Independent Non-Executive Directors (IND/NED) and one Non-Independent Non-Executive Director (NIND/ NED), as at 31 March 2022.

The Committee consisted of the following members as at 31 March 2022, whose profiles are given on pages 21 to 25.

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

Mr. Sunil G. Wijesinha, a member of the Committee retired from the Board with effect from 27 July 2021.

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

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

MEETINGS

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

The Chairman and Group Chief Executive Officer/Executive Director attends the meetings by invitation.

SCOPE AND RESPONSIBILITIES

» To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the Company recognizes and addresses the short and long-term needs of the organization in relation to performance, talent retention, and rewards.

» To formulate a policy on remuneration of CEO, Executive Directors, and KMPs.

» To review the remuneration policy and its application to the CEO, Executive Directors, and KMPs.

» To evaluate the performance of CEO, Executive Directors, KMPs, their management development plans, and succession planning.

» Approve the quantum of salary increments, bonuses, changes in perquisites, and incentives.

PROFESSIONAL ADVICE

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

METHODOLOGY USED

The remuneration arrangements at UML are designed to support the Company's Vision and the implementation of the business strategies. The performance measures have been selected to support our business strategy and the ongoing enhancement of shareholder value. The Committee remains committed to link remuneration to the achievement of the Company's strategic objectives.

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

EMPLOYEES' REMUNERATION

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 12 to the financial statements.

ACTIVITIES

The Committee continued to discharge its responsibilities in compliance with its TOR.

During the year the Committee reviewed and approved the quantum of salary increments, and bonuses of all employees and completed the performance evaluation of the Group Chief Executive Officer/Executive Director.

The Committee also reviewed the Non-Executive Director's fees and recommended the revision of the Non-Executive Director's fee to the Board.

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

31 May 2022

Report of the Nomination Committee

The Nomination Committee presents its report for the year ended 31 March 2022 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.

COMPOSITION OF THE COMMITTEE

The Nomination Committee comprised three 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 2022, whose profiles are given on pages 21 to 25.

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

Mr. Sunil G. Wijesinha, member of the Committee retired from the Board with effect from 27 July 2021.

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

TERMS OF REFERENCE (TOR)

TOR of the Committee 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.

ROLES AND RESPONSIBILITIES

The roles and functions of the Committee are defined by the Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and any other applicable regulations.

The Committee focuses on the following key activities in discharging its responsibilities.

» To review the structure, size, composition and competencies of the Board and make recommendation.

» To identify and recommend suitable Directors for appointment to the Board and Board Sub Committees.

» To consider selection and appointment of a Chairman in case of a vacancy.

» To consider the succession plan for the Chief Executive Officer and Key Management Personnel.

» To consider and recommend the re-appointment of current Directors.

MEETINGS

The Committee held four (04) meetings during the year, attended by all members of the Committee. Attendance of members at such meetings are given in pages 76 and 77 of the Annual Report.

A member of the Nomination Committee does not participate in decisions relating to his/ her own re-appointment/re-election.

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.

The annual self-evaluation of the Committee was conducted by the members of the Committee at year end and concluded that its performance was effective.

PROFESSIONAL ADVICE

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

ACTIVITIES

The Committee continued to discharge its responsibilities in compliance with its TOR.

The Committee undertook a through process to identify and assess suitable candidates to fill the vacancies created at Board level. Accordingly, having considered the relevant skills, knowledge and experience of the candidates, the committee made recommendation to the Board in respect of the appointment of four Non-Executive Directors and one Executive Director to the Board and the appointment of Mr. Devaka Cooray as the Chairman upon the retirement of Mr. Sunil G. Wijesinha, the previous Chairman.

REPORTING TO THE BOARD

The minutes of the Committee meeting were tabled at Board meetings, thereby providing the Board members with access to the deliberations of the Committee. During the year, the Committee also recommended to the Board 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

31 May 2022

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTRC) report for the year ended 31 March 2022 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) comprised 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 2022, whose profiles are given on pages 21 to 25.

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.

SCOPE AND RESPONSIBILITY

» To include appropriate disclosures on related party transactions in the Annual Report as required by the Rules.

» To ensure that the Company complies with the Rules for the related party transactions.

» To review in advance all proposed related party transactions and to ensure compliance with the Rules.

» To update the Board on the related party transactions of the Company on a quarterly basis.

» Establish a procedure to identify and review the related party transactions that are recurrent and non-recurrent.

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

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 2022 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 at 31 March 2022 which required additional disclosure in this Annual Report are given in Note 40 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 2022 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 pages 101 to 102 of this Annual Report.

Ananda Atukorala
Chairman-Related Party Transactions Review Committee

31 May 2022

Enterprise Risk Management

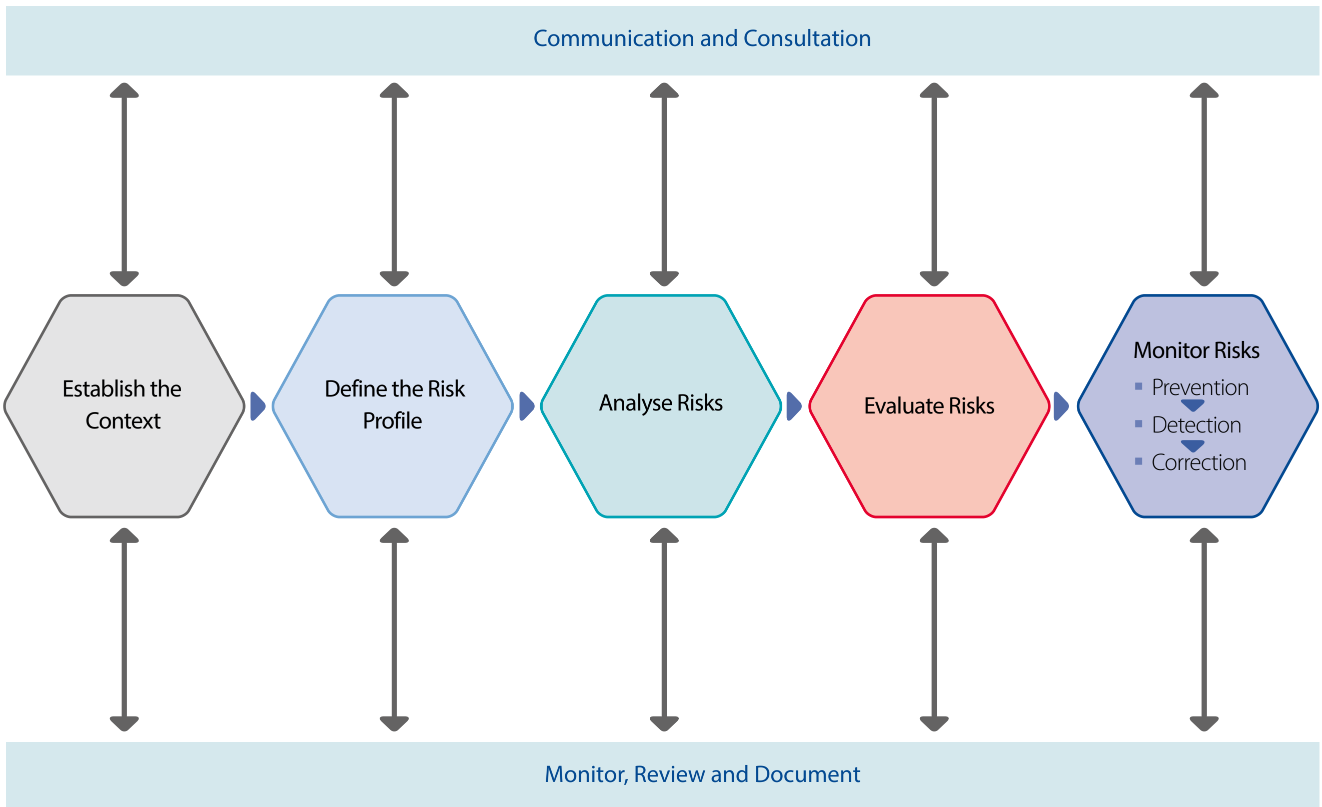
OBJECTIVES, PRINCIPLES AND CULTURE TOWARDS RISK MANAGEMENT

Risk management is recognised as a core element of effective performance management and governance. In a dynamic and complex environment, organizations require the ability to recognize, understand, accommodate and capitalize on new challenges and opportunities. Businesses face uncertainty and challenges and it is up to the Management to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with 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 the risk appetite of the Group and effective monitoring and management is in place.

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

The primary objectives of the risk governance framework and risk management functions are;

- to establish the necessary organizational structure for the management and oversight of risk;
- to define the desired risk profile in terms of risk appetite and risk tolerance levels;
- to analyse risk to establish functional responsibility for decisions relating to accepting, transferring, mitigating and minimizing risks and recommending the best ways;
- to evaluate and monitor the risk profile against the risk appetite on an ongoing basis;
- to estimate potential losses that could arise from risk exposures and
- to promote better communication of risk across all levels.



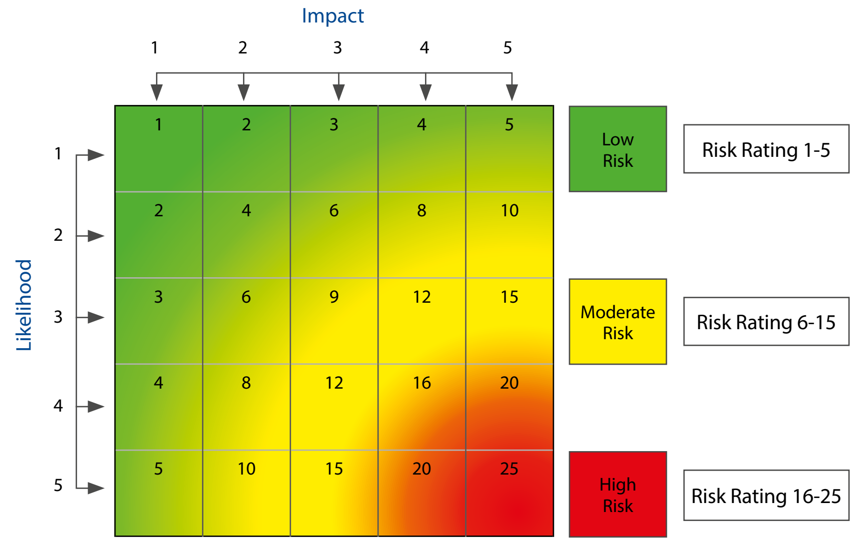
RISK GOVERNANCE STRUCTURE

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 Divisional Heads takes the lead in identifying risks. The Divisional Heads 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.

Enterprise Risk Management

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. The likelihood of occurrence is assessed based on the 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, low-medium and low for the 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 and then by the unprecedented economic challenges and political instability in the country. The foreign currency liquidity crisis resulting from the depletion of the foreign currency reserves coupled with high debt repayments remains a critical issue as it has a significant impact on the import of fuel, essential goods and the country's supply chains across all sectors, especially for the automobile sector being a non-essential segment. With the pressure built up with the disruptions to the economic activities, impact on the tourism sector, sovereign downgrades and political instability places Sri Lanka in a critical situation.

Import restrictions put in place since last year by the Government had a big 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 limited stocks that were available at the beginning of the year under review were also exhausted. We implemented a variety of other measures including increasing the vehicle assembly production, limiting all capital expenditure, seizing new recruitments and curtailing discretionary expenses to reduce cash outflows. The Group was able to demonstrate resilience against the challenging times and successfully weathered the vulnerable and uncertain operating environment during the year. With the import restrictions still in force, in order to evaluate the financial position over the next 12 months, projections were prepared under multiple operating scenarios to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place. While the forecasted liquidity position is comfortable, the Group is of the view that undertaking proactive steps will assist the businesses to sustain.

RISK AND OPPORTUNITIES

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	
		2021/22	2020/21
Business environment		High	High
The majority of the Group's revenue is generated by the vehicle sales segment. This makes the Group's revenue highly vulnerable due to uncertain import regulations and tariff policy by the Government, which negatively affects our business. COVID-19 and the current economic condition have resulted in Government implementing number of measures to address macroeconomic issues faced by the country. The Government decision to stop import of vehicles has become a major concern.	As vehicle sales are subject to regular policy changes, we have reduced the dependency on new vehicle sales segments, by gradually strengthening the other business segments such as workshop services, spare parts, lubricant sales, construction machinery and mainly the assembly operation. Focus more on used vehicle sales business. A 2Mw rooftop solar power system has been installed. Looking for opportunities to diversify into non related business segments.		
Sourcing of vehicles, spare parts, machinery and lubricants		High	High
With the import restrictions, due to depletion of foreign currency reserves/unprecedented economic condition, sovereign default/credit agency downgrades, sourcing have become extremely difficult under current conditions.	Strong relationship with Financial Institutions. Identifying other methods/credit lines to import spare parts and lubricants. Strong relationship with principals.		
Credit risk		Moderate	Moderate
An unprecedented economic condition in the country can result in drop in credit worthiness of the customers.	Re-evaluate the creditworthiness of the customers and re-look at the credit limits based on the current economic situation. Wherever applicable, prior to approving credit, a thorough process of evaluation is carried out to ensure the creditworthiness of the customer. All trade debts are monitored by the Divisional Heads at 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.		
Exchange rate risk		High	High
Due to the depreciation of Sri Lanka Rupee against the other currencies purchasing costs have become extremely high. When imports are done under credit terms (such as 3 to 6 months) it is difficult to estimate the settlement rate in 3 to 6 months. Therefore, there is a risk of under costing/ over costing due to use of lower estimated exchange rate.	Import bills are negotiated at the most favorable time to get the best exchange rate for the Company. Selling prices are decided after considering the expected exchange rate movements and quotations are issued with conditions for currency fluctuations. Selling prices are monitored and are adjusted regularly in line with the increase in exchange rates.		

Enterprise Risk Management

Risk	Risk management actions	Change in risk profile	
		2021/22	2020/21
Liquidity risk		Moderate	Moderate
Unavailability of sufficient funds as a result of curtailed business operations due to import restrictions and economic condition in the country. Excess borrowings with higher interest rates may impact the smooth functioning of the Company's day-today operations due to the inability to service loans.	Preparation of cash flows ensures that Company is well aware of future cash needs. Strong relationships have been built with Banks to ensure that urgent borrowing needs are met at short notice. Facilities are in place to cover forecasted cash needs at least for a period of twelve months.		
Cyber risk		Moderate	Moderate
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. Increase in cyber threats after COVID-19 pandemic.	Extensive controls and reviews are carried out to maintain the efficiency of IT infrastructure and data including periodic technical assessments on security. Availability of offsite mirror server as a backup. Provide staff with secure infrastructure such as office laptops. Two factor authentication in place for remote logins.		

Directors' Statement on Internal Controls

RESPONSIBILITY

The Board of Directors presents this statement on internal controls as required by 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 ongoing 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 with the support of the Internal Audit Division.

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, operating 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 are presently in place for reviewing the design, operating effectiveness and the integrity of the system of internal controls relevant to financial reporting are set out below;

» Group Chief Executive Officer/Executive Director along with the Corporate Management Team assists the Board in ensuring the effectiveness of operations of the Companies in the Group and that the operations are in accordance with corporate objectives, strategies, the annual budget as well as the policies and the business directions that have been approved by the Board.

» The Audit Committee evaluates the adequacy and effectiveness of the risk management and internal controls systems and monitors the internal control issues identified by the Internal Audit Division, the External Auditors and the Management. 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 are set out in the Audit Committee Report.

» 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 covering subsidiaries as well 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. The findings of internal audits are submitted to the Audit Committee for review at its periodic meetings.

» In assessing the overall internal control system of the Company, the Divisional Heads assess all procedures and controls within their scope, which are monitored by the Internal Audit Division for suitability of design and effectiveness on an ongoing 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 Audit Committee reviewed the updated risk maps during the year and identified significant risks on an ongoing basis and took necessary steps for implementation of appropriate mitigating actions to manage identified risks.

» The Board is closely monitoring the impact of COVID-19, the import restrictions and the current economic condition on the business operations and the possible 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 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

Coralie Pietersz
Chairperson - Audit Committee

Chanaka Yatawara
Group Chief Executive Officer/Executive Director

Devaka Cooray
Chairman

31 May 2022

Annual Report of the Board of Directors

1. OVERVIEW

The Directors have pleasure in presenting the Thirty Third Annual Report of your Company together with the audited financial statements of the Group and the Company for the year ended 31 March 2022 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 31 May 2022. 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 83 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

» Import and distribute
- Brand new Mitsubishi and Fuso vehicles, genuine spare parts of brands represented by the Group. Remove and provides after-sales services to its customers at Colombo and from its branch network.
- Valvoline lubricants, Prestone auto chemical products from USA and Simoniz car care products from the USA.
- Formlabs, Creality and Ultimaker 3D printing equipment.
- Nasiol nano-coating products from Artekya Technology, Turkey.

» Provides after-sales services to its customers at Colombo and from its branch network.

» Operate 2MW roof mounted solar power project in Ratmalana and Orugodawatta.

Subsidiary Companies

Unimo Enterprises Limited (UEL)

» Import and distribute
- Perodua vehicles from Malaysia, JMC commercial vehicles from China and Yokohama Tyres from Japan.
- Greaves Power Generators from India.
- Liugong concrete mixing trucks and material handling equipment from China.

» Assembly and marketing of
- DFSK 580 and DFSK i-Auto SUVs from Indonesia, DFSK Glory multipurpose vehicles (MPV) & Z100 vehicles from China.

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

Engaged in the import and distribution of JCB earth moving equipment, power generators from India and genuine spare parts of brands represented by the Company and provide after-sales services to its customers.

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

2.2 Review on the 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 provide an overall assessment of the financial performance and financial position of the Company, and its subsidiaries and describe 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 106 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 "How we govern" on pages 70 to 83.

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 the Group, prepared as per the regulatory requirements and duly certified by the Executive Director - Finance, approved by the Board of Directors, and signed by two members of the Board including the Chairman are given on page 115 of the Annual Report.

5. AUDITORS' REPORT

The Company's auditors, PricewaterhouseCoopers' Report on the financial statements is given on pages 108 to 113 of the Annual Report.

6. SIGNIFICANT ACCOUNTING POLICIES

The Company/Group prepared the financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS). The significant accounting policies adopted in the preparation of the financial statements of the Company and the Group are given on pages 124 to 191 of the Annual Report and specific accounting policies pertaining to each item in the financial statement have been presented within the respective notes to the financial statements.

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 the existing and potential implications on the business operation and performance due to the volatile economic condition of the country and also the impact of the import restrictions on vehicles that is in force from 2020.

8. FINANCIAL RESULTS AND APPROPRIATIONS

8.1 Revenue

The Company achieved revenue of LKR 5.3 billion during the year ended 31 March 2022. The details of the revenue are given in Note 11 to the financial statements.

8.2 Profits and appropriations

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

For the year ended 31 March	2022 LKR'000	2021 LKR'000
Profit for the year before taxation	**352,526**	905,876
Income tax expenses	**(79,720)**	(139,237)
Profit after tax	**272,806**	766,639
Other comprehensive income	**46,927**	(13,066)
Un-appropriated profit brought forward		
from previous years	**6,554,818**	5,952,596
Profit available for appropriation	**6,874,551**	6,706,169
Appropriations		
Dividend		
2020/21 - LKR 1.50 per share (Interim)		(151,351)
2020/21 - LKR 1.00 per share (Final)	**(100,901)**	
2021/22 - LKR 1.50 per share (Interim)	**(151,351)**	
Un-appropriated profit to be carried forward	**6,622,299**	6,554,818

Dividends

An interim dividend of LKR 1.50 per share was paid on 4 April 2022 and a Final Dividend of LKR 0.50 per share has been recommended by the Board of Directors for payment on 20 July 2022.

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 the solvency test prior to the payment of the final dividend.

9. RESERVES

The total revenue reserves of the Company as at 31 March 2022 amounted to LKR 8,049 million and the capital reserves of the Company as at 31 March 2022 amounted to LKR 5,426 million. Details of reserves are shown in the statement of changes in equity on pages 118 to 119.

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 586,792 (LKR 51,000 in 2020/21) to charities.

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 freehold land and investment property

All freehold land of the Company are revalued by professionally independent valuers and brought into financial statements. The investment properties are accounted for using fair value method.

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

Annual Report of the Board of Directors

Capital expenditure

The details of capital expenditure during the year are given on 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 have 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 2022 was LKR 336,635,420 comprising of 100,900,626 ordinary shares.

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

15. SHARE INFORMATION

There were 3,635 registered shareholders as at 31 March 2022 (3,828 as at 31 March 2021).

Distribution schedule of shareholdings

Information on the distribution of shareholding and the respective percentages are given in the section on 'Share Information' on pages 192 to 195.

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

Information relating to dividends, earnings, ratios, net assets, market price information and the trading of the shares are given on pages 192 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 197.

Substantial shareholdings

The details of the top twenty shareholders and the percentage holding of the public are given under "Share Information" on page 194.

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 and 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 70 to 83.

The Company maintains and practices high principles of good Corporate Governance. A separate report on "How we govern" is given on pages 70 to 83 in the Annual Report.

18. BOARD OF DIRECTORS

The Board of Directors of the Company as at 31 March 2022 comprised nine (2020/21-08) members with wide financial and commercial knowledge and experience.

Name of Director	Classification	Remarks
Mr. Devaka Cooray	NED/IND	Director/Chairman since May 2021.
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.
Ms. Coralie Pietersz	NED/IND	Director since April 2021.
Mr. Junya Takami	NED/IND	Director since June 2021.

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

List of Directors of Subsidiaries
Names of the Directors of subsidiaries of the Company are given in the 'Group Structure' on pages 6 and 7.

Appointment Resignation and Retirement of Directors
Ms. Coralie Pietersz and Mr. Devaka Cooray were appointed to the Board with effect from 1 April 2021 and 4 May 2021 respectively.

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

Mr. Junya Takami was appointed as a Non-Executive Director with effect from 1 June 2021.

Mr. Sunil G. Wijesinha, the Chairman retired with effect from 27 July 2021 and Mr. Devaka Cooray was appointed as the Chairman with effect from 27 July 2021.

Mr. Ruwindu Peiris, a Non-Independent Non-Executive Director and Mr. Thushara Jayasekara, Executive Director - Finance were appointed to the Board with effect from 1 April 2022.

Re-election and re-appointment of Directors
1. In terms of Article 83 of the Articles of Association of the Company
   a) Ms. Hiroshini Fernando, retires by rotation and being eligible offer herself for re-election
   b) Mr. Stuart Chapman, retires by rotation and being eligible offer himself for re-election

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

2. In terms of Article 89 of the Articles of Association of the Company Mr. Ruwindhu Peiris and Mr. Thushara Jayasekara retire and being eligible offer for re-election on the unanimous recommendation of the Nomination Committee and the Board of Directors.
3. In terms of Section 210 of the Companies Act No. 07 of 2007 (the Act) Mr. Ananda Atukorala, who has reached the age of 70 vacates his office. In compliance with Section 211 of the Act, the following ordinary resolution is proposed with the unanimous recommendation of the 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 73 years of age and that he be re-appointed a Director of the Company."

Independence of Non-Executive Directors
As at 31 March 2022, the Board comprised of nine Directors of whom seven 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' dealings in shares of the Company
Directors' shareholding as of 1 April 2021, disclosure in respect of Directors' dealings in shares of the Company during the year, and their shareholding as of 31 March 2022 have been disclosed in "Share Information" on page 195.

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 12 to the financial statements.

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

Directors' Interests Register and Directors' Interests in contracts or proposed contracts with the Company
The Company, in compliance with the Companies Act No. 07 of 2007, maintains an interests register. The Directors of the Company have made necessary declarations of their interests in contracts or proposed contracts with the Company.

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

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

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.

Annual Report of the Board of Directors

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 are given in Note 40.5 to the financial statements.

There were no non-recurrent related party transactions in 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 2022.

The Company has complied with the requirements of the Code of Best Practice 2017 issued by the Institute of Chartered Accountants of Sri Lanka, and 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. The Board has formed four Sub Committees namely 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 Sub Committees are set by the Board and 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 2022 is given on pages 76 and 77 and while the reports of these Sub Committees are given on pages 86 to 91.

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 and the Sub Committee meetings are given on pages 76 to 77.

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 92 to 96 of the Annual Report.

The Board of Directors, through the involvement of the Internal Audit Division, has taken steps to ensure and have obtained reasonable assurance that an effective system of internal controls is 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 97.

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 who in consultation with the Company's lawyers have established that pending litigations against the Group and the Company will not have a material impact on the reported financial results and future operations.

23. RESPONSIBLE CORPORATE BEHAVIOR

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

24. ENVIRONMENTAL PROTECTION

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

25. OUR TEAM MEMBERS

The Company believes that in a rapidly changing environment, its real potential rests on the strength and capabilities of its team members. All efforts are directed at building a motivated and competent team in order to grow and achieve corporate goals. The number of employees as at 31 March 2022 of the Company, and its subsidiaries was 1,006 (2020/21 - 996).

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.

28. AUDITORS

Auditors' remuneration

The fees paid to the auditors, PricewaterhouseCoopers for audit, audit related services and non-audit services are given in Note 12.1 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 29 June 2022.

29. ANNUAL GENERAL MEETING

The Thirty Third Annual General Meeting (AGM) will be held on 29 June 2022 via audiovisual means at 3.30 p.m. in line with the guidelines issued by the 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 hereby acknowledge the contents of this Annual Report.

Signed in accordance with a resolution adopted by the Board of Directors.

Devaka Cooray
Chairman

Chanaka Yatawara
Chief Executive Officer/ Executive Director

Rinoza Hisham
Company Secretary

31 May 2022


MITSUBISHI MOTORS

MITSUBISHI MOTORS

106-191

Financial Information

Financial Calendar

Financial Statements 2021/22	
First quarter released on	11 August 2021
Second quarter released on	10 November 2021
Third quarter released on	10 February 2022
Fourth quarter released on	31 May 2022
Annual Report and Accounts	
2020/21	02 July 2021
Meetings	
Thirty Second Annual General Meeting	29 July 2021
Thirty Third Annual General Meeting	29 June 2022
Dividends	
First interim dividend 2021/22	04 April 2022
Final dividend 2021/22 (Proposed, subject to shareholder approval)	20 July 2022

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 the 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 Annual 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 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 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 2022 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 accounts 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 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 108 to 113.

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 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 other 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

31 May 2022

Responsibility Statement of Chief Executive Officer and Chief Financial Officer

The financial statements of United Motors Lanka PLC and Consolidated Financial Statements of the Group as at 31 March 2022 are prepared and presented in compliance with the following;

» Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

» Companies Act No. 07 of 2007

» Listing Rules of the Colombo Stock Exchange (CSE) applicable to the Company

» Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The Group on a quarterly basis presents Interim Financial Statements to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The significant 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 judgment and complexity were discussed with the Board Audit Committee and Company's External Auditors. The significant accounting policies adopted in the preparation of the financial statements of the Group and the Company are given on pages 124 to 191 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 and Group's state of affairs.

It is confirmed that the Company and the Group has adequate resources to continue its operation in the foreseeable future. Therefore, the Company and the Group 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 and the Group are made known to us and for safeguarding the Group's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Group'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 Group 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 108 to 113 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. We confirm that to the best of our knowledge:

a. The Company and the Group have 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.

b. All taxes, duties, levies and all statutory payments by the Company and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group as at 31 March 2022 have been paid, or where relevant provided for.

Thushara Jayasekara
Executive Director - Finance

Chanaka Yatawara
Group Chief Executive Officer/
Executive Director

31 May 2022

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 2022, 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 2022;

» 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 Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

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

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

The Company:

Key audit matter	How our audit addressed the key audit matter
Valuation of freehold land and investment property (Refer note 18.3 for freehold land revaluation and note 19.1 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 2022, the freehold land portfolio was carried at a revalued amount of LKR 6.512 Bn and the investment property was carried at a fair value of LKR 558 Mn. The gain on revaluation of freehold land amounting to LKR 454 Mn and the fair value gain on investment property of LKR 36.74 Mn had been recognised in the financial statements for the year ended 31 March 2022. The valuation of both freehold land and investment property were based on significant judgement and 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 judgement involved in the estimation of fair values 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 reports and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with methods generally used in practice for the valuation of similar properties; » evaluated the relevance and reasonableness of the significant assumptions used in the valuations by applying our knowledge and the publicly available information on the real estate market such as range of prices for 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 valuations. Based on the 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 2022 to be appropriate and reasonable.
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 financial statements amounted to LKR 222.4 Mn as at 31 March 2022, and included LKR 100Mn invested in the fully owned subsidiary, U M L Heavy Equipment Limited ("U M L Heavy"). U M L Heavy financial statements for the year ended 31 March 2022, indicated a loss of LKR 72 Mn and a negative net asset position of LKR 113 Mn as at that date.	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 U M L Heavy, and corroborated the explanations received 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; and

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.)

Key audit matter	How our audit addressed the key audit matter
At year end, the Company assessed its investment in U M L Heavy for impairment and concluded that it was not impaired as the recoverable amount based on the cash flow projections exceeded it's carrying amount. The assessment of the recoverable amount is judgmental and require 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 U M L Heavy as a key audit matter.	» 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 rate; and » 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 management determination of recoverable amount of the investment in U M L Heavy to be based on appropriate methodology and reasonable assumptions.

The Group:

Key audit matter	How our audit addressed the key audit matter
Valuation of freehold land (Refer notes 18.1, 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 2022, the freehold land portfolio of the Group was carried at a revalued amount of LKR 7.064 Bn and the gain on revaluation for the year amounted to LKR 490 Mn. The valuation of freehold land was based on significant judgement using several 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 in the use 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 the work performed, we found that the valuation methodology and assumptions used in the determination of fair value of freehold land as at 31 March 2022 to be appropriate and reasonable.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventory (Refer note 25 in the financial statements) As at 31 March 2022, the Group held LKR 6.2 Bn of inventories comprising vehicles, spare parts, lubricants, tyres and other inventories. As disclosed in the note 25, 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 considered 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; » for spares, lubricants and tyres, evaluated the aging based write down applied with reference to recoveries on slow moving inventories. Based on the work performed, we found management judgement and estimates on arriving at the net realisable value of slow-moving inventory to be appropriate.
Management assessment of the impact of the post COVID-19 related events and current economic challenges on the business operations (Refer notes 2.9.1, 2.10 and 42 in the financial statements) The impact of COVID-19 related events and present economic challenges to the current year financial statements of the Company and Group, and their possible effects on future performance and cash flows of the Company and Group are described in the above notes to the financial statements. The continuation of import restrictions imposed by the Government from beginning of last financial year, the depleted foreign currency reserve position of the country and the general slowdown in the economy due to political instability and social unrest has impacted the business operations of the Company and the Group. Managements' assessment of going concern was therefore a key audit matter since the assessment involved the consideration of uncertain future events and was based on cash flow projections and business plans that were dependent on significant management judgement.	Our audit procedures included the following to assess the appropriateness of the going concern assumption used in preparing the 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 , 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 post COVID-19 related events and present economic downturn. Based on the procedures performed, we are satisfied that management has considered the impact of post COVID-19 related events and current economic challenges on the Groups' operations satisfactorily in determining the appropriateness of the going concern assumption and disclosed such consideration 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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

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

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/Group to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number: 4084

COLOMBO
31 May 2022

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2022 LKR '000	Group 2021 LKR '000	Company 2022 LKR '000	Company 2021 LKR '000
Revenue from contracts with customers	11	12,884,249	13,537,657	5,268,274	7,187,553
Cost of sales		(10,081,012)	(10,832,471)	(3,603,030)	(5,101,072)
Gross profit		2,803,237	2,705,186	1,665,244	2,086,481
Distribution expenses		(421,510)	(415,467)	(248,341)	(217,356)
Administrative expenses		(1,818,301)	(1,648,295)	(1,451,019)	(1,333,864)
Net impairment gains/(losses) on trade and other receivables	12.3	5,792	6,558	(1,137)	1,824
Other (losses)/gains-net	12.4	(265,336)	94,971	(41,457)	116,959
Other income	13	135,469	153,572	281,661	321,752
Profit from operations		439,351	896,525	204,951	975,796
Finance income	14.1	86,613	93,349	180,115	148,870
Finance cost	14.1	(76,729)	(343,482)	(32,540)	(218,790)
Net finance income/(cost)		9,884	(250,133)	147,575	(69,920)
Profit before income tax expenses		449,235	646,392	352,526	905,876
Income tax expense	15	(134,217)	(142,717)	(79,720)	(139,237)
Profit for the year		**315,018**	**503,675**	**272,806**	**766,639**
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	27,872	123,891	27,204	97,414
Re-measurements of post employment benefit obligations	32.6	60,128	(23,663)	52,175	(20,502)
Deferred tax on re-measurements of post employment benefit obligations	33.3	(13,136)	4,301	(11,686)	3,662
Revaluation of land	18	490,740	135,210	454,000	126,000
Deferred tax on gains on revaluation of land	33.2	(49,074)	(13,521)	(45,400)	(12,600)
Other Comprehensive Income for the year, net of tax		516,530	226,218	476,293	193,974
Total Comprehensive Income for the year		**831,548**	**729,893**	**749,099**	**960,613**
Profit attributable to:					
Owners of United Motors Lanka PLC		315,018	503,675	272,806	766,639
		315,018	**503,675**	**272,806**	**766,639**
Total Comprehensive Income attributable to:					
Owners of United Motors Lanka PLC		831,548	729,893	749,099	960,613
		831,548	**729,893**	**749,099**	**960,613**
Earnings per share-basic and diluted (LKR)	16	**3.12**	4.99	**2.70**	7.60
Dividend per share (LKR)	17	-	-	**2.50**	1.50

Notes from pages 121 to 191 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 March	Note	Group 2022 LKR '000	Group 2021 LKR '000	Company 2022 LKR '000	Company 2021 LKR '000
Assets					
Non-current assets					
Property, plant and equipment	18	8,232,589	7,836,020	7,581,106	7,190,990
Investment property	19	-	-	558,000	521,260
Intangible assets	20	191,218	220,119	188,330	216,992
Right-of-use assets	21	307,543	265,208	211,958	212,415
Investments in subsidiaries	23.1	-	-	222,400	222,400
Financial assets at fair value through Other Comprehensive Income	23.3	140,562	258,864	106,369	211,519
Reimbursable right	32.2	34,833	46,833	29,346	41,885
Deferred tax assets	33.1	461,794	507,080	170,195	189,714
Total non - current assets		**9,368,539**	**9,134,124**	**9,067,704**	**8,807,175**
Current assets					
Inventories	25	6,228,438	3,383,961	1,959,600	1,427,937
Trade and other receivables	26	3,114,831	2,065,783	1,074,459	764,046
Amounts due from related parties	27	-	-	65,501	380,206
Current tax receivables	37.2	28,729	8,657	-	-
Other financial assets at amortised cost	24.5	-	-	2,014,797	-
Financial assets at fair value through profit or loss	24	1,129,393	3,309,783	1,129,393	3,309,783
Cash and cash equivalents	28	528,889	851,744	304,071	644,512
Total current assets		11,030,280	9,619,928	6,547,821	6,526,484
Total assets		**20,398,819**	**18,754,052**	**15,615,525**	**15,333,659**
Equity and liabilities					
Equity					
Stated capital	29	336,335	336,335	336,335	336,335
Capital reserve	30	5,822,198	5,380,532	5,426,258	5,017,658
Other components of equity		1,383,641	1,364,572	1,426,618	1,405,852
Retained earnings		6,337,108	6,218,547	6,622,299	6,554,818
Total equity attributable to the equity holders of the parent		**13,879,282**	**13,299,986**	**13,811,510**	**13,314,663**
Non-current liabilities					
Interest-bearing borrowings	31.1	-	3,150	-	-
Employee benefit obligations	32.1	224,438	282,299	200,136	251,995
Lease liabilities	34	218,740	180,985	81,961	74,651
Deferred tax liabilities	33.2	366,080	315,655	330,652	291,749
Total non-current liabilities		**809,258**	**782,089**	**612,749**	**618,395**
Current liabilities					
Interest-bearing borrowings	31.1	1,856,611	2,103,829	-	500,411
Trade and other payables	35	3,514,778	2,319,162	907,548	619,915
Lease liabilities	34	93,205	100,363	133,346	152,423
Amounts due to related parties	36	-	-	11,768	2,841
Current tax liabilities	37.1	59,514	76,941	55,219	76,454
Bank overdrafts	28	186,171	71,682	83,385	48,557
Total current liabilities		**5,710,279**	**4,671,977**	**1,191,266**	**1,400,601**
Total liabilities		**6,519,537**	**5,454,066**	**1,804,015**	**2,018,996**
Total equity and liabilities		**20,398,819**	**18,754,052**	**15,615,525**	**15,333,659**
Net assets per share (LKR)		**137.55**	131.81	**136.88**	131.96

Notes from pages 121 to 191 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
Executive Director - Finance

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 31 May 2022.

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

Devaka Cooray
Chairman

Chanaka Yatawara
Group CEO / Executive Director

Colombo
31 May 2022

Statement of Changes in Equity

Group	Note	Stated Capital LKR '000	Capital Reserve LKR '000
Balance as at 01.04.2020		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	32.6		
Deferred tax on re-measurements of post employment benefit obligations	33		
Net change in equity investments at fair value through Other Comprehensive Income	23.4		
Net gains on disposal of equity investments at fair value through Other Comprehensive Income	23.5		
Revaluation of land	18		135,210
Deferred tax on gain on revaluation of land	33		(13,521)
Total comprehensive income for the year		-	**121,689**
Transactions with owners in their capacity as owners :			
Interim dividend paid for 2020/21	17		
Balance as at 31.03.2021		**336,335**	**5,380,532**
Profit for the year			
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurements of post employment benefit obligations	32.6		
Deferred tax on re-measurements of post employment benefit obligations	33		
Net change in equity investments at fair value through Other Comprehensive Income	23.4		
Net gains on disposal of equity investments at fair value through Other Comprehensive Income	23.5		
Revaluation of land	18		490,740
Deferred tax on gains on revaluation of land	33		(49,074)
Total comprehensive income for the year		-	**441,666**
Transactions with owners in their capacity as owners:			
Final dividend paid for 2020/21			
Interim dividend paid 2021/22			
Total dividends	17	-	-
Balance as at 31.03.2022		**336,335**	**5,822,198**

Notes from page 121 to 191 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	(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
				315,018	315,018
				60,128	60,128
				(13,136)	(13,136)
			27,872		27,872
			(8,803)	8,803	-
					490,740
					(49,074)
-	-	-	19,069	370,813	831,548
				(100,901)	(100,901)
				(151,351)	(151,351)
-	-	-	-	(252,252)	(252,252)
785,400	308,900	466,250	(176,909)	6,337,108	13,879,282

Statement of Changes in Equity

Company	Note	Stated Capital	Capital Reserve
		LKR '000	LKR '000
Balance as at 01.04.2020		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	32.6		
Deferred tax on re-measurements of post employment benefit obligations	33		
Net change in equity investments at fair value through Other Comprehensive Income	23.4		
Net gains on disposal of equity investments at fair value through Other Comprehensive Income	23.5		
Revaluation of land	18		126,000
Deferred tax on gains on revaluation of land	33		(12,600)
Total comprehensive income for the year		-	113,400
Transactions with owners, recognised directly in equity			
Interim dividend paid for 2020/21	17		
Balance as at 31.03.2021		336,335	5,017,658
Profit for the year			
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurements of post employment benefit obligations	32.6		
Deferred tax on re-measurements of post employment benefit obligations	33		
Net change in equity investments at fair value through Other Comprehensive Income	23.4		
Net gains on disposal of equity investments at fair value through Other Comprehensive Income	23.5		
Revaluation of land	18		454,000
Deferred tax on gains on revaluation of land	33		(45,400)
Total comprehensive income for the year		-	408,600
Transactions with owners in their capacity as owners:			
Final dividend paid for 2020/21			
Interim dividend paid 2021/22			
Total dividends	17	-	-
Balance as at 31.03.2022		**336,335**	**5,426,258**

Capital reserve 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.

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	(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
				272,806	272,806
				52,175	52,175
				(11,686)	(11,686)
			27,204		27,204
			(6,438)	6,438	-
					454,000
					(45,400)
-	-	-	20,766	319,733	749,099
				(100,901)	(100,901)
				(151,351)	(151,351)
-	-	-	-	(252,252)	(252,252)
785,400	308,900	466,250	(133,932)	6,622,299	13,811,510

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

Notes from page 121 to 191 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

Statement of Cash Flows

For the year ended 31 March	Note	Group 2022 LKR '000	Group 2021 LKR '000	Company 2022 LKR '000	Company 2021 LKR '000
Cash flows from operating activities	38.1	(1,925,672)	7,879,796	201,514	5,443,610
Interest paid		(70,697)	(361,628)	(32,951)	(225,808)
Taxes paid		(138,215)	(54,018)	(99,619)	(52,547)
Contribution paid and received from investment plan (net)		(401)	(3,888)	(43)	(40)
Net cash (outflow)/inflow generated from operating activities		**(2,134,985)**	**7,460,262**	**68,901**	**5,165,215**
Cash flows from investing activities					
Investment in shares,unit trust and commercial papers		(7,382,050)	(5,707,571)	(11,182,050)	(5,707,571)
Proceeds from disposals/settlements of investments/ unit trust/commercial papers		9,685,233	2,623,513	11,471,413	2,604,610
Acquisitions of property, plant and equipment and intangible assets	18	(110,360)	(44,240)	(94,816)	(26,167)
Proceeds from disposal of property, plant and equipment		64,073	84,710	51,424	84,406
Interest received		86,613	93,349	121,989	148,870
Dividends received	13	20,972	15,157	92,468	164,803
Net cash inflow/(outflow) from investing activities		**2,364,481**	**(2,935,082)**	**460,428**	**(2,731,049)**
Cash flows from financing activities					
Dividends paid	17	(252,252)	(151,351)	(252,252)	(151,351)
Principal element of lease payments	34	(158,188)	(120,865)	(152,346)	(137,939)
Loans obtained	38.2	7,916,096	41,142,168	1,020,000	28,495,850
Loans paid	38.2	(8,172,496)	(44,679,046)	(1,520,000)	(30,085,274)
Net cash outflow from financing activities		**(666,840)**	**(3,809,094)**	**(904,598)**	**(1,878,714)**
Net (decrease)/increase in cash and cash equivalents		(437,344)	716,086	(375,269)	555,452
Cash and cash equivalents at the beginning of the year		780,062	63,976	595,955	40,503
Cash and cash equivalents at end of the year	28	**342,718**	**780,062**	**220,686**	**595,955**

Notes:
Notes from page 121 to 191 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 2022 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 business 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, machinary, tyres, assembling of vehicles and sale of used vehicles (trade-in).
U M L Heavy Equipment Limited (U M L 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 98 to 103 to 106 and 115 respectively of this Annual Report.

2.3 Approval of financial statements

The financial statements for the year ended 31 March 2022 were approved and authorised for issue by the Board of Directors in accordance with the resolution of directors on 31 May 2022.

Notes to the Financial Statements

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;

Item	Basis of measurement	Note
Freehold land	Initially measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair value at the date of revaluation	18
Investment property	Fair value	19
Financial assets measured at fair value through Other Comprehensive Income	Fair value	23.3
Financial assets at fair value through Profit or Loss	Fair value	24
Reimbursable right	Fair value	32.2
Retairement benefit obligation	Actuarially valued and recognized at present value	32

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 other gains/(losses)-net. 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 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	6
Impairment of financial assets	Estimation of amount and timing of future cash flows	6.1.5
Useful lives of property, plant and equipment	Judgement is exercised in estimating the residual value, rates and method of depreciation	18
Fair value of investment properties	Judgement regarding market based evidence for estimating fair value of investment properties	19
Fair value of financial instruments	Methodologies used for valuation of financial instruments and fair value hierarchy	22
Impairment of non-financial assets	Judgement regarding impairment indicators, business outlook, industry & company performance, future projections & cash flows and discount rates	7
Fair value of freehold land	Judgement regarding market based evidence for estimating fair value of land	18
Defined benefit obligation	Key actuarial assumptions on discount rates, expected rates of return on assets, future salary increases and mortality rates	32
Useful life of intangible assets	Judgement regarding useful life of intangible assets	20
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	34
Provision for contingent liabilities	Estimate of ongoing legal disputes and litigations and any other commitments	39.2
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	15

2.9.1 Estimation uncertainty in preparation of financial statements due to COVID-19 pandemic and uncertain economic activities

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

COVID-19 pandemic and economic instability in the country 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 the 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 the Government and the 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.

Notes to the Financial Statements

Collectively assessed allowance for expected credit losses

Probable impacts from COVID-19 and potential economic outcomes due to the financial instability in the country may impact future businesses and customers 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.

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.

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, impact from continuing ban on import of vehicles, shortage in foreign currency, selective foreign loan default by the country, restrictions on opening Letters of credits and difficult macro-economic environment. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Application of Accounting Policies

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC").

Sri Lanka Accounting Standards further comprises of Statements of Recommended Practices (SoRPs), Statements of Alternate Treatments (SoATs) and Financial Reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka. These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in note 2.9 to the financial statements.

The Group has consistently applied the accounting policies for all periods presented in the financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Apart from the general accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the financial statements.

These significant accounting policies have been applied consistently to all periods presented in the financial statements of the Group, unless otherwise indicated. The accounting policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly.

Accounting policy	Note Reference	Page Reference
Significant accounting policies – General		
Basis of consolidation	4	125
Foreign currency transactions and balances	5	126
Financial instruments - classification, initial recognition and subsequent measurement	6	126
Impairment of non-financial assets	7	127
Statement of cash flows	8	128
New accounting standards adopted by the Group	9	128
Significant accounting policies – Recognition of income and expenses		
Operating segment	10	130
Revenue recognition	11	132
Warranties	11	133
Operating expenditure	12	134
Other Income	13	135

Accounting policy	Note Reference	Page Reference
Finance income/cost	14	137
Income tax expenses	15	138
Tax exposures	15	138
Basic and diluted earnings per share (EPS)	16	140
Significant accounting policies – Recognition of assets and liabilities		
Property, plant and equipment	18	141
Investment properties	19	148
Intangible assets	20	150
Right-of-use asset	21	152
Financial assets measured at FVOCI	23.2	166
Investment in subsidiaries	23	166
Inventories	25	170
Impairment of trade receivables	22.4	156
Trade and other payables	35	184
Employee benefits	32	176
Deferred tax assets and deferred tax liabilities	33	180
Accounting for leases	34	182
Other disclosures		
Capital commitments and contingencies	39	187
Related parties	40	188
Events after the reporting date	42	191

SIGNIFICANT ACCOUNTING POLICIES - GENERAL

4. 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".

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.

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.

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.

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.

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.

Notes to the Financial Statements

5. 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. Unrealised foreign exchange differences arising on translation are recorded under other gains/losses in the Statement of Comprehensive Income.

6. FINANCIAL INSTRUMENTS - CLASSIFICATION, RECOGNITION AND DERECOGNITION, INITIAL MEASUREMENT, SUBSEQUENT MEASUREMENT AND IMPAIRMENT

6.1 Financial assets

6.1.1 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.

6.1.2 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.

6.1.3 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.

6.1.4 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:

6.1.4.1 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 together with foreign exchange gains and losses.

6.1.4.2 Financial assets measured at FVOCI

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.

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.

6.1.4.3 Financial assets measured at FVPL
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 other gains/(losses) in the statement of profit or loss as applicable.

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 other gains/(losses) in the statement of profit or loss as applicable.

6.1.5 Impairment of financial assets
The Group assesses on a forward looking basis the expected credit losses associated with trade receivables, 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.

6.2 Financial liabilities
6.2.1 Initial recognition and measurement
Financial liabilities within the scope of SLFRS/LKAS are recognised when and only when the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value plus transaction cost that are directly attributable to the issue of the financial liability, which are not at fair value through profit or loss.

6.2.2 Classification
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.

6.2.3 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.

6.2.4 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.

6.2.5 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.

7. IMPAIRMENT NON-FINANCIAL ASSETS
The carrying value of the Group’s non financial assets, other than inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

For 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 Cash Generating Units (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 CGUs 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.

Notes to the Financial Statements

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 and the impact of economic downturn 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.

8. STATEMENT OF CASH FLOWS

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 120.

9. NEW ACCOUNTING STANDARDS ADOPTED BY THE GROUP

The following amendments to the Sri Lanka Accounting Standards that are relevant for the preparation of the Group's financial statements have been adopted by the Group

(a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2021 (i.e. year ending 31 March 2022) and

(b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2022.

(a) New standards and amendments – applicable 1 January 2021

The Group has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2021

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions- Extension of the practical expedient

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.

On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concessions the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The Group has applied practical expedient for COVID-19 related rent concessions.

Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – Phase 2

Amendments listed above do not expect to have a significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

The following standards and interpretations had been issued by IASB (not yet adopted by CA Sri Lanka except for SLFRS 17, Amendments to IAS 16, Amendments to IFRS 3, Amendments to IAS 37, Amendments to IFRS 9, Amendments to IFRS 1 and Amendments to IAS 41) but not mandatory for annual reporting periods ended 31 March 2022.

These new accounting standards are not expected to have material impact on the entity in the current or future 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. This amendment is not yet adopted in Sri Lanka.

(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 PP&E 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) Onerous Contracts – Cost of fulfilling a contract- amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

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

(v) 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 also to 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.

These amendments are effective for the annual periods beginning on or after 1 January 2022 except for the amendment to IFRS 16.

(vi) Disclosure Initiative: Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

(vii) Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations- transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

Notes to the Financial Statements

(viii) Definition of Accounting Estimates (amendments to IAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments are effective for annual periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

(ix) Initial Application of IFRS 17 and IFRS 9-Comparative information (amendment to IFRS 17)

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023. This amendment is not yet adopted in Sri Lanka.

10. OPERATING SEGMENT

Accounting policy

The operating business segments are organised and managed separately according to the nature, risk and return.

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 and workshop	Repair and service of vehicles, machinery and equipment, Sale of vehicle spare parts, accessories and related componants.
Vehicles	Sale of passenger vehicles, commercial vehicles, special purpose vehicles, pre-owened passenger vehicles and commercial vehicles.
Equipment and machinery	Sale of heavy equipment,generators and machinery
3D Printers and services	Sale of 3D printers, filaments, spare parts and related services
Tyres	Sale of tyres
Lubricants and car care products	Sale of lubricants and car care product

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 and related expenses, corporate expenses, income tax related expenses, 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 Group 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 and workshop		Vehicles		Equipment and machinery		3D Printers and services		Tyres		Lubricants and car care products		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Segment revenue	2,300,253	2,025,999	7,802,946	9,455,365	1,079,516	667,815	33,257	23,058	273,767	261,731	1,473,487	1,180,174	12,963,226	13,614,142
Inter segment revenue	(58,348)	(55,670)	-	(8,300)	(394)	(1,192)	-	-	(4,022)	(1,947)	(16,213)	(9,376)	(78,977)	(76,485)
Revenue from external customers	**2,241,905**	1,970,329	**7,802,946**	9,447,065	**1,079,122**	666,623	**33,257**	23,058	**269,745**	259,784	**1,457,274**	1,170,798	**12,884,249**	13,537,657
Revenue from contracts with customers														
Goods transferred at a point in time	1,778,809	1,559,353	7,783,492	8,956,285	1,079,122	666,623	33,257	23,058	269,745	259,784	1,457,274	1,170,798	12,401,699	12,635,901
Services rendered at a point in time	463,096	410,976	19,454	490,780	-	-	-	-	-	-	-	-	482,550	901,756
Total revenue from contracts with customers	2,241,905	1,970,329	7,802,946	9,447,065	1,079,122	666,623	33,257	23,058	269,745	259,784	1,457,274	1,170,798	12,884,249	13,537,657
Segment profit/(loss)	**515,859**	519,596	**459,978**	626,077	**39,323**	19,990	**(6,297)**	(8,353)	**49,773**	43,683	**189,488**	92,964	**1,248,124**	1,293,957
Unallocated income													135,469	153,572
Unallocated expenses													(944,242)	(551,004)
Profit from operations before finance cost													439,351	896,525
Finance income													86,613	93,349
Finance cost													(76,729)	(343,482)
Net finance income/(cost)													9,884	(250,133)
Profit before income tax expense													449,235	646,392
Income tax expenses													(134,217)	(142,717)
Profit for the year													**315,018**	503,675
Segment assets	5,251,468	3,021,565	6,830,558	7,107,352	1,083,876	717,662	31,747	22,860	337,428	380,647	1,982,791	1,257,436	15,517,868	12,507,522
Unallocated assets													4,880,951	6,246,530
Total assets	**5,251,469**	3,021,565	**6,830,558**	7,107,352	**1,083,876**	717,662	**31,747**	22,860	**337,428**	380,647	**1,982,791**	1,257,436	**20,398,819**	18,754,052
Segment liabilities	194,396	342,403	1,629,254	1,133,831	526,525	88,643	1,061	-	30,062	18,712	249,600	78,038	2,630,898	1,661,627
Unallocated liabilities													3,888,639	3,792,439
Total liabilities	**194,396**	342,403	**1,629,254**	1,133,831	**526,525**	88,643	**1,061**	-	**30,062**	18,712	**249,600**	78,038	**6,519,537**	5,454,066
Segment capital expenditure-allocated	19,203	6,439	66,837	30,872	9,243	2,178	285	75	2,311	849	12,482	3,827	110,361	44,240
Depreciation and amortisation-allocated	55,990	55,393	250,137	285,463	25,489	19,235	586	1,168	4,749	5,074	31,259	28,290	368,210	394,623
Non cash expenses/(income)	7,776	(60,310)	(33,942)	(27,032)	1,648	391	690	690	(3,118)	(7,360)	(10,505)	(3,574)	(37,451)	(97,195)

Figures in brackets indicate deductions.

Notes to the Financial Statements

11. REVENUE

Accounting Policy

Revenue recognition

The Group/Company recognised revenue from contracts with customers when control of 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 dispatched 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 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 when 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.

Sale of goods and services

The Group sells a range of brand new and used motor vehicles, spare parts, lubricants, tyres, heavy machinery and 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.

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.

Revenue from contracts with customers

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Vehicles	7,783,492	8,956,284	1,500,847	3,484,658
Spare parts, repairs and services	2,241,905	1,970,330	2,239,819	1,986,383
Lubricants and car care products	1,457,274	1,170,797	1,469,253	1,175,309
Local charges	19,454	490,781	19,454	490,781
Equipment and machinery	1,079,122	666,623	1,410	22,499
Hiring	-	-	4,234	4,865
3D printers and services	33,257	23,058	33,257	23,058
Tyres	269,745	259,784	-	-
	12,884,249	13,537,657	5,268,274	7,187,553

11.1 The detailed segmental review is given in 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.

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
11.4 Liabilities related to contracts with customers (Note 35)				
Advances received from customers	489,683	303,346	68,613	45,910
Free service contracts - unsatisfied performance obligations	5,694	22,456	1,396	7,257
Extended warranty provided for 3D printers	337	875	337	875
	495,714	326,677	70,346	54,042

11.5 Timing of revenue recognition

The Group recognised total revenue from the transfer of goods and services at a point in time

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Revenue recognised at a point in time	12,884,249	13,537,657	5,268,274	7,187,553
	12,884,249	13,537,657	5,268,274	7,187,553

Notes to the Financial Statements

11. REVENUE (CONTD.)

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
11.6 Revenue by nature of transactions				
Sale of goods	12,401,699	12,635,901	4,734,255	6,240,115
Rendering of services	463,096	410,976	510,331	451,792
Service support income	19,454	490,780	23,688	495,646
	12,884,249	13,537,657	5,268,274	7,187,553

12. PROFIT FROM OPERATIONS

Profit before tax from operations is stated after charging all expenses including the following:

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Directors' emoluments	115,624	82,606	93,719	66,264
Auditors' remuneration (Note 12.1)	6,177	6,579	5,233	5,786
Tax compliance/consultancy charges	712	704	480	520
Depreciation on property, plant and equipment (Note 18)	192,860	227,510	153,761	182,067
Amortization of intangible assets (Note 20.2)	28,901	28,298	28,662	27,970
Amortization of right of use assets (Note 21)	146,450	138,815	141,036	145,466
(Reversal)/write-down of inventory to lower of cost or NRV (Net Realisable Value)	(31,659)	(90,637)	4,490	(75,270)
Employee benefit expense (Note 12.2)	1,151,464	1,017,742	895,435	796,776
Net impairment gains/(losses) on trade and other receivables (Note 12.3)	5,792	6,558	(1,137)	1,824
Other (losses)/gains-net (Note 12.4)	(265,336)	94,971	(41,457)	116,959
Donations	587	51	587	51
Legal fees	183	283	140	115
12.1 Auditor's remuneration				
Audit and related services	4,377	3,979	3,433	3,186
Non audit services	1,800	2,600	1,800	2,600
	6,177	6,579	5,233	5,786
12.2 Employee benefit expense				
Salaries and bonus	975,913	819,475	757,420	637,066
Contributions to defined contribution plan	121,341	110,782	94,787	86,507
Retirement benefit obligation	14,624	44,141	12,854	38,252
Others	39,586	43,344	30,374	34,951
	1,151,464	1,017,742	895,435	796,776
Number of employees at the end of the year	1,006	996	797	789
12.3 Net impairment gains/(losses) on trade and other receivables				
Net impairment gains/(losses) on trade receivables	6,111	9,642	8,424	4,901
Net impairment gains/(losses) on other receivables	(319)	(3,084)	(9,561)	(3,077)
	5,792	6,558	(1,137)	1,824

12.4 Other (losses)/gains-net

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Foreign exchange (losses)/gains-net	(241,955)	(2,542)	(69,613)	11,236
Net change in fair value of financial assets at fair value through profit or loss-equity investments	(44,575)	17,725	(44,575)	17,725
Change in fair value of investment property	-	-	36,740	8,210
Net change in fair value of financial assets at fair value through profit or loss-unit trust	7,635	9,605	7,635	9,605
at fair value through profit or loss-commercial papers	-	-	14,797	-
Net gains on disposal of financial assets at fair value through profit or loss	13,559	70,183	13,559	70,183
	(265,336)	**94,971**	**(41,457)**	**116,959**

12.5 Operating Expenses

Accounting policy

Operating expenses are recognised on an accrual basis. Expenses are classified according to their function. 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.

a) 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.

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) 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. 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.

13. OTHER INCOME

Accounting policy

Income earned from other sources, which are not directly related to the ordinary course of business are recognised as other income. Other income recognised on an accrual basis.

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.

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.

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.

Gains/(losses) on the disposal of investments held by the parent

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.

Notes to the Financial Statements

13. OTHER INCOME (CONTD.)

Dividend income

Dividend income is recognised when the Group's/Company's right to receive the payment is established.

Other income

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Rent income	-	-	22,025	23,128
Profit on disposal of property, plant and equipment	53,125	37,897	46,485	37,772
Award received from principal	4,348	5,034	4,348	5,034
Incentives received from principal	-	8,537	-	8,537
Facilitation fee	23	23,551	61,022	23,551
Dividend income from investments in subsidiaries	-	-	75,000	150,000
Dividend income on				
Financial assets at the fair value through Profit or Loss	14,174	9,543	14,174	9,543
Financial assets at fair value through Other Comprehensive Income	6,798	5,614	3,294	5,260
Income from solar PV system	44,687	44,625	44,687	44,625
Commission on insurance	3,454	9,111	3,454	9,111
Valuation fee	8	35	8	35
Sundry income (Note 13.1)	8,852	9,625	7,164	5,156
	135,469	**153,572**	**281,661**	**321,752**

13.1 Sundry income

Scrap sales	5,887	3,114	5,887	3,114
Miscellaneous	2,965	6,511	1,277	2,042
	8,852	**9,625**	**7,164**	**5,156**

14. FINANCE INCOME AND FINANCE COST

Accounting policy

Finance income comprise interest income, income from unit trusts, income from commercial papers and all other income received or receivable as a result of holding financial assets.

The interest component of finance lease payments are recognized in the financial statements using effective rate method.

Interest income is recognised as it accrues using the effective interest method in the Statement of Comprehensive Income.

Finance costs comprise interest payable on all financial liabilities such as term loans, overdrafts and finance leases. Interest expenses are recognised using the effective interest method.

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
14.1 Recognised in profit or loss				
Finance income				
Income from unimpaired financial assets:				
Interest on call deposits	4,469	4,102	2,137	2,812
Interest on amounts due from related parties	-	-	39,810	82,042
Income from unit trust investments	82,144	89,247	80,042	64,016
Income from commercial paper investments	-	-	58,126	-
Total finance income	**86,613**	93,349	**180,115**	148,870
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(43,450)	(306,453)	(8,687)	(176,899)
Interest on lease liabilities	(32,278)	(36,492)	(23,228)	(41,875)
Interest on overdrafts	(1,001)	(537)	(625)	(16)
Total finance cost	**(76,729)**	(343,482)	**(32,540)**	(218,790)
Net finance income/(cost) recognised in profit or loss	**9,884**	(250,133)	**147,575**	(69,920)
14.2 Recognised in Other Comprehensive Income				
Net change in the fair value of equity investments at fair value through Other Comprehensive Income	27,872	(123,891)	27,204	97,414
	27,872	(123,891)	**27,204**	97,414

Notes to the Financial Statements

15. TAXATION

Accounting policy

Income tax on the profit for the year comprise of 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.

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.

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.

Deferred tax

A detailed disclosure of accounting policies and estimate of deferred tax are given in Note 33.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as a part of the asset or part of the expense items as applicable.The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the statement of financial position.

The Company and its subsidiaries are liable to pay Value Added Tax on taxable supplies at the specified rates where applicable.

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.

Current tax expense

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Current tax expense				
Current tax on profit for the year	78,576	130,764	62,708	128,803
Adjustments in respect of prior years	22,140	(441)	15,676	(441)
Total current tax expense	**100,716**	**130,323**	**78,384**	**128,362**
Deferred tax expense				
Deferred tax asset reversed during the year	32,150	33,126	7,833	55,231
Deferred tax liability charged/(reversed) during the year	1,351	(20,732)	(6,497)	(44,356)
Total deferred tax expense	**33,501**	**12,394**	**1,336**	**10,875**
Income tax expense (Note 15.1)	**134,217**	**142,717**	**79,720**	**139,237**

The Department of Inland Revenue issued income tax assessment 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 to the Tax Appeals Commission.

On 12 June 2018 the Tax Appeals Commission issued their determination in favour of the Company discharging the assessment issued by CGIR for the year of assessment 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 the Court of Appeal. However, as the latest independent judgement received is in favour of the Company, the provision made was reversed.

Tax adjustment in respect of prior year in the Company/Group included provision made during the year for LKR 14,665,718 in respect of NBT setoff issue of Orient Motor Company which was amalgamated with the United Motors Lanka PLC. Please refer Note 28 for more details.

15.1 Reconciliation of the accounting profit to income tax expense:

The tax on the results of the Group's operations and the Company's profits before tax differs from the theoretical amounts that would arise using the basic tax rates as follows.

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Profit before income tax expense	449,235	646,392	352,526	905,876
Tax calculated at effective tax rate of 24%	107,817	155,134	84,606	217,410
Tax effect of income tax liable at concessionary rates	(26,888)	(9,666)	(9,122)	(15,905)
Tax effect on income tax not liable for tax	(33,804)	(38,941)	(32,000)	(38,743)
Tax effect on expenses not deductible	176,769	188,122	102,067	114,028
Tax effect on allowable deductions	(112,426)	(120,869)	(81,507)	(97,739)
Utilisation of previously unrecognised tax losses	(41,516)	(41,365)	-	(39,373)
Adjustments in respect of prior periods	22,140	(441)	15,676	(441)
Tax losses	17,620	-	-	-
Tax effect of adjustments on consolidation	24,505	10,743	-	-
Tax charge	**134,217**	**142,717**	**79,720**	**139,237**

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 and subsidiaries are liable for income tax at 24%, 18% and 14% except for the 'taxable profit' of U M L Property Developments Limited (UMPDL) which is liable at 2% on turnover in accordance with an agreement entered in to with the Board of Investments of Sri Lanka under Section 17 of the BOI Act No.4 of 1978. The concessionary rate of 2% on turnover was applied upto the period July 2021 and from August 2021 onwards UMPDL is liable for income tax at 24% on taxable profit. Income from solar power generation of the company and Income from U M L Heavy Maldives dealership operation are liable for income tax at 14%.

(b) 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.

(c) As per the Inland Revenue Act No. 24 of 2017, tax losses can be deducted in full and the remaining losses can be carried forward only up to six years.
The tax losses carried forward by the Group entities as at 31 March 2022 amounts to LKR 1,075 Mn (LKR 1,159 Mn in 2021).

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Tax losses at the beginning of the year	1,158,943	1,060,562	-	148,726
Tax losses for the year including disallowed finance cost	78,500	99,163	-	-
Adjustment in respect of previous year	60,018	181,848	-	15,326
Tax losses set off during the year	(222,131)	(182,630)	-	(164,052)
Tax losses at the end of the year	**1,075,330**	**1,158,943**	**-**	**-**

(d) Further information about deferred tax is presented in note 33, Deferred tax assets/liabilities.

Notes to the Financial Statements

16. EARNINGS PER SHARE - BASIC AND DILUTED

Accounting policy

The basic EPS is calculated by dividing the profit 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.

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	
	2022	2021	2022	2021
Amount used as numerator				
Profit attributable to equity holders of the parent company (LKR '000)	315,018	503,675	272,806	766,639
Amount used as denominator				
Weighted average number of ordinary shares ('000)	100,901	100,901	100,901	100,901
Earnings per share-basic and diluted (LKR)	3.12	4.99	2.70	7.60

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			
	2022		2021	
	Dividend Per share LKR	Dividend LKR '000	Dividend Per share LKR	Dividend LKR '000
Interim dividend paid for 2020 /21	-	-	1.50	151,351
Final dividend paid for 2020 /21	1.00	100,901	-	-
Interim dividend paid for 2021 /22	1.50	151,351	-	-
	2.50	252,252	1.50	151,351

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

18. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

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.

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 are 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 written 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.

Notes to the Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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 straightline basis over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease terms and useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease period. Freehold land is not depreciated.

The estimated useful lives are as follows:

Buildings	40 years
Furniture and fittings	5–10 years
Office equipment	4 years
Electrical fixtures and fittings	4–10 years
Machinery and tools	4–10 years
Motor vehicles	4 years
Solar system	20 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.

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).

PROPERTY,PLANT AND EQUIPMENT

	Freehold land	Buildings	Furniture & fittings	Office equipment	Electrical fixtures & fittings	Machinery & tools	Motor vehicles	Solar PV system	Computers	Capital work in progress	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
18.1 Group - 2022											
Cost or revalued amount											
At the beginning 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
Additions	-	-	571	4,861	6,564	8,929	77,137	-	6,393	5,905	110,360
Gains from revaluation of land	490,740	-	-	-	-	-	-	-	-	-	490,740
Disposals	-	(4,644)	(704)	(543)	(53)	(72)	(43,814)	-	(945)	-	(50,775)
Write offs	-	-	-	-	-	-	-	-	-	(723)	(723)
Transferred from capital work-in-progress	-	1,828	315	-	-	-	-	-	-	(2,143)	-
At the end of the year	7,064,500	1,032,691	70,318	65,599	148,064	402,147	618,359	226,444	181,970	3,830	9,813,922
Accumulated depreciation											
At the beginning of the year	-	336,079	60,150	51,308	103,351	236,596	467,785	22,644	150,387	-	1,428,300
Charge for the year	-	43,932	3,688	4,370	9,191	33,215	76,590	11,322	10,552	-	192,860
Disposals	-	(4,644)	(696)	(273)	(52)	(50)	(33,167)	-	(945)	-	(39,827)
At the end of the year	-	375,367	63,142	55,405	112,490	269,761	511,208	33,966	159,994	-	1,581,333
Carrying amount as at 31 March 2022	7,064,500	657,324	7,176	10,194	35,574	132,386	107,151	192,478	21,976	3,830	8,232,589
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
18.2 Group - 2021											
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
Additions	-	-	643	1,449	460	4,327	19,882	-	4,773	781	32,315
Gains from revaluation of land	135,210	-	-	-	-	-	-	-	-	-	135,210
Disposals	-	(4,202)	-	(48)	-	(280)	(73,175)	-	(265)	-	(77,970)
Reclassifications and adjustments	-	-	-	-	-	-	-	-	-	-	-
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
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
Charge for the year	-	47,861	4,159	5,487	10,573	32,219	104,968	11,322	10,921	-	227,510
Disposals	-	(4,103)	-	(12)	-	(122)	(26,655)	-	(265)	-	(31,157)
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
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

Notes to the Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Details of land and buildings owned by the Group as of 31 March 2022 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	4,131,209	4,208,000
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,197,664	1,266,000
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	518,684	716,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	27,919	103,000
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	291,360	734,500
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	24,377	37,000
Total	68	311,232	20	2	37.08	873,287	6,191,213	7,064,500

PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Furniture & fittings	Office equipment	Electrical fixtures & fittings	Machinery & tools	Motor vehicles	Solar PV system	Computers	Capital work in progress	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
18.3 Company-2022											
Cost or revalued amount											
At the beginning 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
Additions	-	-	135	3,177	608	3,933	77,137	-	3,921	5,905	94,816
Gains from revaluation of land [Note 18.5 (ix)]	454,000	-	-	-	-	-	-	-	-	-	454,000
Disposals	-	(4,644)	(704)	(543)	(53)	(73)	(29,318)	-	(945)	-	(36,280)
Transferred from capital work-in-progress	-	1,828	315	-	-	-	-	-	-	(2,143)	-
At the end of the year	6,512,000	896,937	57,973	44,154	145,912	329,279	610,186	226,444	166,996	3,831	8,993,712
Accumulated depreciation											
At the beginning of the year	-	257,297	51,429	36,214	105,939	196,782	480,404	22,644	139,477	-	1,290,186
Charge for the year	-	33,097	2,768	2,653	9,165	26,893	58,679	11,322	9,184	-	153,761
Disposals	-	(4,644)	(696)	(273)	(52)	(50)	(24,681)	-	(945)	-	(31,341)
At the end of the year	-	285,750	53,501	38,594	115,052	223,625	514,402	33,966	147,716	-	1,412,606
Carrying amount as at 31 March 2022	6,512,000	611,187	4,472	5,560	30,860	105,654	95,784	192,478	19,280	3,831	7,581,106
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
18.4 Company-2021											
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
Additions	-	-	502	665	460	2,030	5,900	-	3,904	781	14,242
Gains from revaluation of land [Note 18.5 (viii)]	126,000	-	-	-	-	-	-	-	-	-	126,000
Disposals	-	(4,202)	-	-	-	(15)	(73,175)	-	-	-	(77,392)
Reclassifications and adjustments	-	-	-	-	-	-	-	-	-	-	-
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
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
Charge for the year	-	35,452	3,199	3,660	10,573	26,824	81,333	11,322	9,704	-	182,067
Disposals	-	(4,103)	-	-	-	-	(26,655)	-	-	-	(30,758)
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
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

Notes to the Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Details of land and buildings owned by the Company as of 31 March 2022 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	3,630,500	3,655,500
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,197,664	1,266,000
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	518,684	716,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	27,919	103,000
Maligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	291,360	734,500
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	24,377	37,000
Total	67	300,962	20	2	0.24	821,496	5,690,504	6,512,000

18.5 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 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 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 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 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.

(ix) In March 2022, a revaluation was carried out by Mr. J.M.S. Bandara, a qualified independent valuer to reflect market value of land. The resultant surplus of LKR 454,000,000 has been credited to the capital reserve on revaluation of land.

18.6 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.

18.7 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
J M S Bandara	100, & 100A, Hyde Park Corner, Colombo 02	Market Approach	1A 3R 0.54 P	LKR 15,000,000 per perch	4,208,000	Price per perch of land	Estimated fair value would increase/ (decrease) if; -Price per perch increases/ (decreases)
J M S Bandara	143 & 145, Majeed Place, Orugodawatte	Market Approach	7A 15.14 P	LKR 1,075,000 to 1,225,000 per perch	1,266,000		
J M S Bandara	Vauxhall Street, Colombo 02	Market Approach	1 R 10.35 P	LKR 14,250,000 per perch	716,000		
J M S Bandara	Meetotamulla, Orugodawatte	Market Approach	1 R 28.86 P	LKR 1,500,000 per perch	103,000		
J M S Bandara	Maligawa Road, Ratmalana	Market Approach	9 A 3 R 36.5 P	LKR 460,000 per perch	734,500		
J M S Bandara	Navatkuli, Jaffna	Market Approach	1A 25.69 P	LKR 200,000 per perch	37,000		

18.8 Fully depreciated assets

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

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Buildings	100,459	73,911	76,253	49,705
Furniture and fittings	47,638	41,600	42,669	37,198
Office equipment	41,848	37,635	33,453	29,514
Electrical fixtures and fittings	69,166	56,479	69,166	56,479
Machinery and tools	64,070	50,336	60,295	46,989
Motor vehicles	472,723	316,534	401,966	292,509
Computers	132,801	122,083	123,115	113,620
Reference books	107	107	107	107
Total	928,812	698,685	807,024	626,121

18.9 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 and 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.

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

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

18.12 There were no capitalized borrowing costs relating to the acquisition of property plant and equipment during the year (2021 - Nil).

Notes to the Financial Statements

19. INVESTMENT PROPERTY

Accounting policy

Basis of recognition

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.

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 subsidiary.

» 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".

Investment Property	Company	
	2022	2021
	LKR '000	LKR '000
At the beginning of the year	521,260	513,050
Net gain from fair value adjustment	36,740	8,210
At the end of the year	558,000	521,260

19.1 Amounts recognised in profit or loss for investment property

	Company	
	2022	2021
	LKR '000	LKR '000
Rental income from operating leases	19,030	19,030
Fair value gains recognised in profit or loss	36,740	8,210

No direct operating expenses for investment property that generated rental income.

19.2 Leasing arrangements

The investment property is leased to a subsidiary under operating lease arrangement for which rentals are payable monthly.

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

	Company	
	2022 LKR '000	2021 LKR '000
Within one year	19,030	19,030

The investment property is leased out to a subsidiary for one-year period and the agreement is subject to annual renewal.

According to the valuation done by Mr. J. M. S Bandara, qualified independent valuer, the fair value of this property as at 31 March 2022 is LKR 558 million (March 2021 - LKR 521 million).

Details of investment property are as follows:

Location / address	Building			Land				Fair value of the property LKR '000
	No. of buildings	Sq. / Ft	Fairvalue LKR '000	Extent			Fairvalue LKR '000	
				Acre	Rood	Perch		
100A, Hyde Park Corner, Colombo 02	1	10,270	5,500	-	-	36.84	552,500	558,000

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.

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 15,000,000 per perch	552,500	Price per perch of land	Estimated fair value would increase (decreases) 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

Notes to the Financial Statements

20. INTANGIBLE ASSETS

Accounting policy

Basis of recognition

An intangible asset is an identifiable nonmonetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 38 on "Intangible assets".

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree less the net amount of the fair value of the assets acquired and liabilities assumed is recognised. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The negative goodwill is recognised immediately in the Statement of Comprehensive Income. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold net of disposal proceeds.

Software

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

» it is technically feasible to complete the software so that it will be available for use

» management intends to complete the software and use or sell it

» there is an ability to use or sell the software

» it can be demonstrated how the software will generate probable future economic benefits and

» the expenditure attributable to the software during its development can be reliably measured.

Intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic life of 2-10 years from the date of which it is available for use.

Subsequent expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Useful economic lives and amortisation

Computer software are amortised over their estimated useful economic life on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if required.

Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

Intangible Assets

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Goodwill (Note 20.1)	2,890	2,890	-	-
Computer software (Note 20.2)	188,328	217,229	188,330	216,992
	191,218	**220,119**	**188,330**	**216,992**

20.1 Goodwill

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	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	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Cost				
At the beginning of the year	292,518	280,593	290,015	278,090
Additions	-	11,925	-	11,925
At the end of the year	292,518	292,518	290,015	290,015
Accumulated amortisation				
At the beginning of the year	75,289	46,991	73,023	45,053
Amortisation during the year	28,901	28,298	28,662	27,970
At the end of the year	104,190	75,289	101,685	73,023
Carrying amount at the end of the year	**188,328**	**217,229**	**188,330**	**216,992**

20.3 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.

20.4 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.

20.5 Cost of fully amortised computer software of the Group amounts to LKR 24.7 Mn (2021-LKR 17 Mn) and the Company amounts to LKR 23.8 Mn (2021-LKR 16.1 Mn) as at the reporting date.

Notes to the Financial Statements

21. RIGHT-OF-USE ASSETS

Accounting policy

Basis of recognition

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for leases due to expire during the financial year and leases on which implications to the financial statements are not considered to be material.

The Group uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Group applies judgements in evaluating the level of certainty whether the option of renewing the lease exits or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

Basis of measurement

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 straightline 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.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Cost				
At the beginning of the year	544,195	390,297	508,575	430,019
Adjustments-termination of lease contract	(8,334)	-	(8,334)	-
Additions during the year	197,119	153,898	148,913	78,556
At the end of the year	732,980	544,195	649,154	508,575
Accumulated Amortisation				
At the beginning of the year	278,987	140,172	296,160	150,694
Amortisation for the year	146,450	138,815	141,036	145,466
At the end of the year	425,437	278,987	437,196	296,160
Carrying amount at the end of the year	307,543	265,208	211,958	212,415

The Group has lease contracts for properties used for showrooms, workshops and warehouses under different lease terms and conditions. Lease contracts are generally entered 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

Accounting policy

Refer Note 6 for accounting policies.

The Group holds the following financial instruments;

		Group		Company	
	Note	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Financial assets					
Financial assets at amortised cost					
Trade and other receivables excluding prepayments	26	3,014,142	1,844,614	1,039,514	715,908
Amounts due from related parties	27	-	-	65,501	380,206
Investments in commercial papers	24.5	-	-	2,014,797	-
Cash and cash equivalents	28	528,889	851,744	304,071	644,512
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	23.3	140,562	258,864	106,369	211,519
Financial assets at Fair Value through Profit or loss (FVPL)					
Equity shares	24.1	261,758	300,178	261,758	300,178
Investments in unit trusts	24.1	867,635	3,009,605	867,635	3,009,605
		4,812,986	6,265,005	4,659,645	5,261,928
Financial liabilities					
Liabilities at amortised cost					
Interest bearing borrowings	31	1,856,611	2,106,979	-	500,411
Trade and other payables	35	3,514,778	2,319,162	907,548	619,915
Amounts due to related parties	36	-	-	11,768	2,841
Lease liabilities	34	311,945	281,348	215,307	227,074
Bank overdrafts	28	186,171	71,682	83,385	48,557
		5,869,505	4,779,171	1,218,008	1,398,798

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. Details of each level is given in Note 22.2 to the financial statements.

Notes to the Financial Statements

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

		31.03.2022			31.03.2021		
		Carrying amount LKR '000	Fair value LKR '000 Level 1	Fair value LKR '000 Level 2	Carrying amount LKR '000	Fair value LKR '000 Level 1	Fair value LKR '000 Level 2
Group							
Financial assets at Fair Value through Profit or Loss (FVPL)							
Equity shares	24.1	261,758	261,758	-	300,178	300,178	-
Investments in unit trusts	24.1	867,635	-	867,635	3,009,605	-	3,009,605
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	3,014,142	-	-	1,844,614	-	-
Cash and cash equivalents	28	528,889	-	-	851,744	-	-
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)							
Equity shares	23.3	140,562	140,562	-	258,864	258,864	-
		4,812,986	402,320	867,635	6,265,005	559,042	3,009,605
Financial liabilities at amortised cost							
Interest bearing borrowings	31	1,856,611	-	-	2,106,979	-	-
Bank overdrafts	28	186,171	-	-	71,682	-	-
		2,042,782	-	-	2,178,661	-	-
Company							
Financial assets at Fair Value through Profit or Loss (FVPL)							
Equity shares	24.1	261,758	261,758	-	300,178	300,178	-
Investments in unit trusts	24.1	867,635	-	867,635	3,009,605	-	3,009,605
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	1,039,514	-	-	715,908	-	-
Amounts due from related parties	27	65,501	-	-	380,206	-	-
Investments in commercial papers	24.5	2,014,797	-	-	-	-	-
Cash and cash equivalents	28	304,071	-	-	644,512	-	-
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)							
Equity shares	23.3	106,369	106,369	-	211,519	211,519	-
		4,659,645	368,127	867,635	5,261,928	511,697	3,009,605
Financial liabilities at amortised cost							
Interest bearing borrowings	31	-	-	-	500,411	-	-
Bank overdrafts	28	83,385	-	-	48,557	-	-
		83,385	-	-	548,968	-	-

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 detailed 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.

Notes to the Financial Statements

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

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 debtors 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.

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 22.4.a.

(a) Impairment of trade receivables

Accounting policy

Trade receivables and investment in commercial papers carried at amortised cost are subject to the expected credit loss model while cash and cash equivalents are also subject to the impairment requirements of SLFRS 9.

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.a for further details.

Expected credit losses (ECL)

Expected Credit Loss (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.

(a) The management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Sources of credit risks are identified, assessed and monitored and the Group has policies to manage the risks within various subcategories. The utilization of credit limits is regularly monitored.

Maximum exposure to credit risk for trade receivables at the reporting date by category wise are as follows:

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Public Sector	223,054	135,788	160,298	71,369
Private Sector				
Individual customers	5,817	133,967	4,555	
Corporate customers	319,582	89,708	233,461	89,708
Dealers & distributors	379,339	409,297	349,271	351,926
Leasing companies	34,110	340,985	26,200	49,478
	961,902	1,109,745	773,785	562,481

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 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

COVID-19 outbreak and economic crisis in the country has 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 and financial crises in the country 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.

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

The loss allowance as at 31 March 2022 was determined as follows;

Group

31 March 2022	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
Expected loss rate	1.00%	1.98%	3.54%	10.10%	15.10%	42.58%	100.00%	-	-	-
Gross carrying amount - trade receivables (LKR'000)	428,005	145,370	39,628	4,160	10,076	3,546	50,061	680,846	-	680,846
Loss allowance - collective model (LKR'000)	(4,262)	(2,874)	(1,401)	(420)	(1,521)	(1,510)	(50,061)	(62,049)	-	(62,049)
Gross carrying amount - trade receivables (LKR'000)	319,710	113	14	-	-	-	25,061	-	344,898	344,898
Loss allowance - specific (LKR'000)	-	(112)	-	-	-	-	(1,681)	-	(1,793)	(1,793)
Total (LKR'000)	743,453	142,497	38,241	3,740	8,555	2,036	23,380	618,797	343,105	961,902

31 March 2021	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
Expected loss rate	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 (LKR'000)	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

Company

31 March 2022	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
Expected loss rate	0.98%	2.68%	8.23%	10.50%	16.30%	41.95%	100.00%	-	-	-
Gross carrying amount - trade receivables (LKR'000)	367,863	75,684	11,181	3,894	4,859	2,858	43,143	509,482	-	509,482
Loss allowance - collective model (LKR'000)	(3,622)	(2,028)	(920)	(409)	(792)	(1,199)	(43,143)	(52,113)	-	(52,113)
Gross carrying amount - trade receivables (LKR'000)	315,010	113	14	-	-	-	1624	-	316,761	316,761
Loss allowance - specific (LKR'000)	-	(112)	-	-	-	-	(233)	-	(345)	(345)
Total (LKR'000)	679,251	73,657	10,275	3,485	4,067	1,659	1,391	457,369	316,416	773,785

31 March 2021	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Collective model Total	Specific Total	Total
Expected loss rate	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	1,129	567	576	7,135	-	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

(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. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

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. Group has un-utilized bank facilities (short term loans and overdraft) amounted to LKR 13,320 million as at 31 March 2022.

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 2022							
Lease liabilities -un-discounted	455,450	455,450	17,764	73,503	137,812	102,139	124,232
Interest-bearing borrowings	1,856,611	1,856,611	1,856,611	-	-	-	-
Trade and other payables	3,514,778	3,514,778	3,514,778	-	-	-	-
Bank overdrafts	186,171	186,171	186,171	-	-	-	-
	6,013,010	6,013,010	5,575,324	73,503	137,812	102,139	124,232
31 March 2021							
Lease liabilities -un-discounted	411,961	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	-	-	-	
	4,909,784	4,910,525	4,552,806	55,575	86,609	128,360	87,175
Company							
31 March 2022							
Lease liabilities -un-discounted	317,235	317,235	25,614	69,700	66,081	41,038	114,802
Trade and other payables	907,548	907,548	907,548	-	-	-	-
Amounts due to related parties	11,768	11,768	11,768	-	-	-	-
Bank overdrafts	83,385	83,385	83,385	-	-	-	-
	1,319,936	1,319,936	1,028,315	69,700	66,081	41,038	114,802
31 March 2021							
Lease liabilities -un-discounted	320,616	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	-	-	-	-
	1,492,340	1,492,340	1,203,001	134,541	42,524	39,880	72,394

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

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 exchange 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. Import bills are negotiated at the most favourable rate for the Group. Selling prices are decided after considering the expected exchange rate movements and quotations are issued with conditions for currency fluctuations. Selling prises are adjusted regularly in line with the increase in exchange rates.

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 2022	589	7,162	179	7,162
Trade payables as at 31 March 2022	5,735	19,348	1,627	19,348

Sensitivity analysis

The following table demonstrates the sensitivity of the 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 effect on profit before tax					
	+ 5 %	- 5 %	+ 10 %	- 10 %	+15 %	-15 %
As at 31 March 2022						
Group						
USD	(77,238)	77,238	(154,476)	154,476	(231,714)	(231,714)
JPY	(1,540)	1,540	(3,080)	3,080	(4,620)	4,620
Company						
USD	(21,735)	21,735	(43,470)	43,470	(65,205)	65,205
JPY	(1,540)	1,540	(3,080)	3,080	(4,620)	4,620
As at 31 March 2021						
Group						
USD	(49,451)	49,451	(98,902)	98,902	(148,353)	148,353
JPY	(11,027)	11,027	(22,054)	22,054	(33,081)	33,081
Company						
USD	(4,693)	4,693	(9,386)	9,386	(14,079)	14,079
JPY	(11,027)	11,027	(22,054)	22,054	(33,081)	33,081

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

(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.

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	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Fixed rate instruments				
Financial assets	-	-	2,014,797	-
Financial liabilities	-	15,750	-	-
	-	15,750	2,014,797	-
Variable rate instruments				
Financial assets	867,635	3,009,605	867,635	3,009,605
Financial liabilities	1,856,611	2,091,229	-	500,411
	2,724,246	5,100,834	867,635	3,510,016

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in variable interest, with all other variables held constant.

	Increase/decrease in variable rates %	Effect on profit before tax - Group LKR '000	Effect on profit before tax - Company LKR '000
31 March 2022 variable rate instruments	+5%	(34,670)	52,832
	-5%	34,670	(52,832)
31 March 2021 variable rate instruments	+5%	144,905	149,230
	-5%	(144,905)	(149,230)

	Increase/decrease in variable rates %	Effect on profit before tax - Group LKR '000	Effect on profit before tax - Company LKR '000
31 March 2022 variable rate instruments	+10%	(69,340)	105,663
	-10%	69,340	(105,663)
31 March 2021 variable rate instruments	+10%	289,810	298,460
	-10%	(289,810)	(298,460)

	Increase/decrease in variable rates %	Effect on profit before tax - Group LKR '000	Effect on profit before tax - Company LKR '000
31 March 2022 variable rate instruments	+15%	(104,011)	158,495
	-15%	104,011	(158,495)
31 March 2021 variable rate instruments	+15%	434,715	447,690
	-15%	(434,715)	(447,690)

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

(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			
	31.03.2022		31.03.2021		31.03.2022		31.03.2021	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Banks	113,299	80.6	146,283	56.5	95,717	90.0	122,842	58.1
Capital goods	12,282	8.7	31,172	12.0	9,625	9.0	29,060	13.7
Diversified financials	9,366	6.7	10,335	4.0	1,027	1.0	1,352	0.6
Beverage, food & tobacco	4,824	3.5	12,128	4.7	-	-	-	-
Health care	452	0.3	392	0.2	-	-	-	-
Retailing	-	-	58,265	22.5	-	-	58,265	27.6
Utilities	339	0.2	289	0.1	-	-	-	-
Total	140,562	100.0	258,864	100.0	106,369	100.0	211,519	100.0

Trading shares

Sector	Group / Company			
	31.03.2022		31.03.2021	
	LKR '000	%	LKR '000	%
Banks	58,935	22.5	122,417	40.8
Capital goods	100,762	38.5	115,513	38.5
Diversified financials	33,711	12.9	27,834	9.3
Power and energy	-	-	15,414	5.1
Beverage, food and tobacco	54,697	20.9	15,288	5.1
Materials	13,653	5.2	3,712	1.2
Total	261,758	100.0	300,178	100.0

Notes to the Financial Statements

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

Sensitivity analysis

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

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

	Change in share price of all companies in which the Group/ Company has invested	Group		Company	
		Effect on Profit before tax as a result of gains/losses on equity securities classified as FVPL	Effect on other component of equity as a result of gains/losses on equity securities classified as FVOCI	Effect on Profit before tax as a result of gains/losses on equity securities classified as FVPL	Effect on other component of equity as a result of gains/losses on equity securities classified as FVOCI
		LKR '000	LKR '000	LKR '000	LKR '000
31 March 2022 - Investments in equity shares	+ 5%	13,088	7,028	13,088	5,318
	- 5%	(13,088)	(7,028)	(13,088)	(5,318)
	+10%	26,176	14,056	26,176	10,636
	- 10%	(26,176)	(14,056)	(26,176)	(10,636)
	+15%	39,264	21,084	39,264	15,954
	- 15%	(39,264)	(21,084)	(39,264)	(15,954)

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 findings are discussed with the management of the relevant business unit 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 to 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 2022 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	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Interest-bearing borrowings	31	1,856,611	2,106,979	-	500,411
Bank overdrafts	28	186,171	71,682	83,385	48,557
Lease liabilities	34	311,945	281,348	215,307	227,074
Less: Cash and short term deposits	28	(528,889)	(851,744)	(304,071)	(644,512)
Investments in unit trust	24.1	(867,635)	(3,009,605)	(867,635)	(3,009,605)
Investments in commercial papers	24.5	-	-	2,014,797	-
Net debt		958,203	(1,401,340)	1,141,783	(2,878,075)
Equity		13,879,282	13,299,986	13,811,510	13,314,663
Capital and net debt		14,837,485	11,898,646	14,953,293	10,436,588
Gearing ratio		**0.06**	**(0.12)**	**0.08**	**(0.28)**

22.9 Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 March 2022.

Notes to the Financial Statements

23. INVESTMENTS - NON-CURRENT

Accounting policy

Investment 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.

23.1 Investments in subsidiaries

		Group		Company	
	% Holding	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 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

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

Based on impairment assessment carried out as at 31 March 2022, it was concluded that the net realisable value exceeded its carrying value.

23.2 Financial assets at fair value through Other Comprehensive Income

Accounting policy

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.

Refer Note 6 for remaining relevant accounting policies.

23.3 Equity investments at fair value through Other Comprehensive Income

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Equity investments (Note 23.6)	311,951	449,322	240,302	366,218
Decrease in market value	(171,389)	(190,458)	(133,933)	(154,699)
	140,562	258,864	106,369	211,519

23.4 Amounts recognised in profit or loss and Other Comprehensive Income

During the year, the following gains were recognised in profit or loss and Other Comprehensive Income.

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Fair value gains recognised in Other Comprehensive Income (Note 14.2)	27,872	123,891	27,204	97,414
Dividends from equity investments held at FVOCI recognised in profit or loss in finance income (Note 13)	6,798	5,614	3,294	5,260
	34,670	**129,505**	**30,498**	**102,674**

23.5 Disposal of equity investments

During the year, the 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. The Group sold part of its investments classified as fair value through Other Comprehensive Income as those investments no longer suited the Group's investment strategy.

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Net gain on disposal of equity investments at fair value through Other Comprehensive Income	8,803	4,546	6,438	3,774
	8,803	**4,546**	**6,438**	**3,774**

Notes to the Financial Statements

23. INVESTMENTS - NON-CURRENT (CONTD.)

23.6 Equity securities designated as fair value through Other Comprehensive Income

	31.03.2022			31.03.2021		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Group						
Aitken Spence PLC	166,648	15,442	12,282	561,648	51,346	31,172
Bairaha Farms PLC	-	-	-	52,251	10,587	7,198
Commercial Bank of Ceylon PLC - Non voting	310,556	35,623	18,913	310,556	35,623	24,410
Commercial Bank of Ceylon PLC - Voting	280,413	40,302	17,582	274,161	40,302	23,441
DFCC Bank PLC	739,638	106,456	35,503	703,792	106,456	41,946
Diesel & Motor Engineering PLC	-	-	-	109,883	90,211	58,265
Laugfs Power PLC	32,874	-	339	32,874	-	289
MTD Walkers PLC	90,259	-	-	90,259	-	-
National Development Bank PLC	487,303	54,298	27,143	487,303	54,298	39,374
Nations Trust Bank PLC	270,774	24,689	12,212	254,874	24,689	14,094
People's Leasing & Finance PLC	214,661	4,066	1,739	193,892	4,066	2,288
Renuka Foods PLC	359,999	8,541	4,824	388,211	9,210	4,930
Seylan Bank PLC - Voting	61,589	4,794	1,946	61,590	4,794	3,018
Singer Finance (Lanka) PLC	521,885	11,917	6,784	521,885	11,917	7,150
Softlogic Finance PLC	89,709	5,171	843	89,709	5,171	897
The Lanka Hospital Corporation PLC	9,000	652	452	9,000	652	392
		311,951	**140,562**		**449,322**	**258,864**
Company						
Aitken Spence PLC	130,597	11,865	9,625	523,597	47,570	29,060
Commercial Bank of Ceylon PLC - Non voting	310,556	35,623	18,913	310,556	35,623	24,410
DFCC Bank PLC	739,638	106,456	35,503	703,792	106,456	41,946
Diesel & Motor Engineering PLC	-	-	-	109,883	90,211	58,265
National Development Bank PLC	487,303	54,298	27,143	487,303	54,298	39,374
Nations Trust Bank PLC	270,774	24,689	12,212	254,874	24,689	14,094
People's Leasing & Finance PLC	126,804	2,577	1,027	114,535	2,577	1,352
Seylan Bank PLC - Voting	61,589	4,794	1,946	61,590	4,794	3,018
		240,302	**106,369**		**366,218**	**211,519**

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

24.1 Financial assets mandatorily measured at FVPL include following:

Accounting policy

Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss

» debt investments that do not qualify for measurement at either amortised cost or FVOCI

» equity investments that are held for trading, and

» equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Refer Note 6 for the remaining relevant accounting policies.

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Investment in equity shares (Note 24.3)	356,866	340,923	356,866	340,923
Decrease in market value	(95,108)	(40,745)	(95,108)	(40,745)
	261,758	300,178	261,758	300,178
Investments in unit trusts (Note 24.4)	867,635	3,009,605	867,635	3,009,605
	1,129,393	**3,309,783**	**1,129,393**	**3,309,783**

24.2 Amounts recognised in profit or loss

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Fair value (losses)/gains on equity investment at FVPL (Note 12.4)	(44,575)	17,725	(44,575)	17,725
Dividends from equity investments held at FVPL recognised in profit or loss (Note 13)	14,174	9,543	14,174	9,543
	(30,401)	**27,268**	**(30,401)**	**27,268**

24.3 Equity securities designated as fair value through profit or loss

	Group/Company					
	31.03.2022			31.03.2021		
	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
CIC Holdings PLC	290,120	16,019	11,053	-	-	-
Citizens Development Business Finance PLC - Non voting	-	-	-	54,198	5,269	3,897
Commercial Bank of Ceylon PLC	778,193	62,935	48,793	818,194	66,170	69,956
Central Finance Company PLC	112,365	13,390	7,652	110,719	13,390	8,935
DFCC Bank PLC	91,368	5,036	4,386	86,940	5,036	5,182
Dipped Products PLC	80,000	5,503	2,600	80,000	5,503	3,712
LOLC Finance PLC	900,000	25,710	12,780	-	-	-
Hatton National Bank PLC - Voting Shares	-	-	-	301,793	33,775	38,026
Hayleys PLC	-	-	-	60,000	4,505	3,648
John Keells Holdings PLC	650,000	97,632	94,250	753,303	115,202	111,865
Lanka IOC PLC	-	-	-	811,240	24,058	15,414
Melstacorp PLC	1,200,000	68,443	49,320	-	-	-
Nations Trust Bank PLC	92,869	8,249	4,188	87,415	8,249	4,834
Pan Asia Banking Corporation PLC	-	-	-	100,000	1,790	1,400
People's Leasing PLC	472,667	8,779	3,829	426,936	8,779	5,038
Renuka Foods PLC	401,253	10,007	5,377	457,001	11,398	5,804
Royal Ceramics Lanka PLC	160,000	10,501	6,512	-	-	-
Sanasa Development Bank PLC	53,151	5,211	1,568	53,151	5,211	3,019
Singer Finance (Lanka) PLC	679,224	15,683	8,830	679,224	15,683	9,305
Softlogic Finance PLC	65,944	3,768	620	65,944	3,768	659
		356,866	**261,758**		**340,923**	**300,178**

Notes to the Financial Statements

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

24.4 Other investments designated as fair value through profit or loss

	31.03.2022			31.03.2021		
	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	40,191	860,000	867,635	126,496	3,000,000	3,009,605
	40,191	**860,000**	**867,635**	**126,496**	**3,000,000**	**3,009,605**
Company						
Investments in unit trusts	40,191	860,000	867,635	126,496	3,000,000	3,009,605
	40,191	**860,000**	**867,635**	**126,496**	**3,000,000**	**3,009,605**

24.5 Other investments designated as amortised cost

Accounting policy

Classification of financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

» the asset is held within a business model whose objective is to collect the contractual cash flows, and

» the contractual terms give rise to cash flows that are solely payments of principal and interest.

Refer Note 6 for the remaining relevant accounting policies.

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Commercial papers	-	-	2,014,797	-
	-	**-**	**2,014,797**	**-**

25. INVENTORIES

Accounting policy

Inventories are measured at the lower of cost and net realizable value. 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:

Raw materials - at actual cost on a weighted average basis

Work-in-progress - remaining incomplete work-in-progress are stated at cost

Finished goods - at the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs.

Stock-in-trade - 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.

Other stock - at weighted average cost

Goods-in-transit - at actual cost as at reporting date

Inventories are written down to reflect the lower of cost or net realizable value where required.

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Spare parts	2,502,013	1,080,849	705,137	699,759
Vehicles	1,176,690	1,034,700	350,294	320,445
Lubricants	670,643	251,089	670,643	251,089
Tyres	95,739	97,847	-	-
Equipment & machinery	261,518	194,381	142	24,498
3D Printers	6,078	9,143	6,078	9,143
Stock-in-trade	**4,712,681**	**2,668,009**	**1,732,294**	**1,304,934**
Work-in-progress	364,428	121,204	36,971	40,360
Raw materials ans others	17,635	21,470	17,636	21,470
Goods in transit (Note 25.1)	1,133,694	573,278	172,699	61,173
	6,228,438	**3,383,961**	**1,959,600**	**1,427,937**

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	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Spare parts and lubricants	**1,133,694**	573,278	**172,699**	61,173
	1,133,694	**573,278**	**172,699**	**61,173**

25.2 Inventories and trade receivables pledged as security for banking facilities 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	500,000
U M L Heavy Equipment Limited	Commercial Bank of Ceylon PLC	Overdraft, Short term loans, Letter of Credit	160,000	160,000

25.3 Restricted quantities not available for immediate sale at Unimo Enterprises Limited

A pending investigation by Sri Lanka Customs on compliance to local value addition percentage on a component sourced from a third party supplier had resulted in a suspension of selling 147 units of DFSK vehicles. Compliance of the third party suppliers for value addition is regulated by the Ministry of Industries and Cabinet appointed subcommittees. The company has no responsibility or obligation to oversee the value addition or operations of the third party vendors. Further, as at the balance sheet date and the date of the approval of the financial statement the aforementioned investigation remains open and outflow if any cannot be measured reliably.

Notes to the Financial Statements

26. TRADE AND OTHER RECEIVABLES

Accounting policy

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 assets. If not, they are classified as non-current .

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Trade receivables	1,025,744	1,182,009	826,243	625,882
Impairment allowance (Note 26.2)	(63,842)	(72,264)	(52,458)	(63,401)
	961,902	1,109,745	773,785	562,481
Other receivables	265,120	229,733	79,977	92,656
LC margin	632,500	-	-	-
Loans to employees	3,655	9,244	3,655	9,244
Pre-payments	100,689	221,169	34,945	48,138
Advances paid	1,150,965	495,892	182,097	51,527
Total trade and other receivables	**3,114,831**	**2,065,783**	**1,074,459**	**764,046**

26.1 Classification of trade receivables

Trade receivables are generally due for settlement within 30-90 days and therefore all are classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Fair values of trade receivables

Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

Information on the impairment of trade receivables and the Group’s exposure to credit risk, foreign currency risk and interest rate risk is given in Note 22.

26.2 Impairment allowance for trade receivables

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Balance at the beginning of the year	72,264	77,591	63,401	68,302
Decrease in impairment allowance recognised in profit or loss during the year	(6,111)	(4,391)	(8,425)	(4,901)
Receivables written off during the year as uncollectible	(2,311)	(936)	(2,518)	-
Balance at the end of the year	**63,842**	**72,264**	**52,458**	**63,401**

26.3 Loans to employees

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

	Group/Company			
	2022		2021	
	No. of employees	LKR '000	No. of employees	LKR '000
At the beginning of the year - non executive employees	199	7,818	199	14,414
Loans disbursed during the year	-	-	-	-
Recovered during the year	-	(3,682)	-	(6,596)
At the end of the year-non executive employees	**144**	**4,136**	**199**	**7,818**

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	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Unimo Enterprises Limited	Subsidiary	-	-	60,310	70,375
U M L Heavy Equipment Limited	Subsidiary	-	-	5,191	308,391
U M L Property Developments Limited	Subsidiary	-	-	-	1,440
		-	-	**65,501**	**380,206**

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	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Favourable balances				
Money market deposits	-	170,042	-	170,042
Call deposits	26,279	222,097	26,279	222,097
Cash at bank	484,018	449,228	268,069	244,656
Cash In hand	18,592	10,377	9,723	7,717
	528,889	**851,744**	**304,071**	**644,512**
Unfavourable balances				
Bank overdrafts used for cash management purposes	(186,171)	(71,682)	(83,385)	(48,557)
Net cash and cash equivalent for the purpose of cash flow statements	**342,718**	**780,062**	**220,686**	**595,955**

Notes to the Financial Statements

28. CASH & CASH EQUIVALENTS (CONTD.)

In September 2015 the Department of Inland Revenue issued seizure notices on six bank accounts of Orient Motor Company Limited for non-payment of NBT (Orient Motor Company Limited was a fully owned subsidiary of United Motors Lanka PLC then and was subsequently amalgamated with United Motors Lanka PLC on 30 November 2019). OMCL had set-off the NBT due against a GST refund that was available which has been approved by Commissioner General of Inland Revenue (CGIR). Orient Motor Company Limited filed a fundamental rights petition in the Supreme Court against the Department of Inland Revenue on the basis that these outstanding taxes were not payable as they have been set off against due refunds approved by CGIR.

During the year the Company and CGIR came to a settlement and accordingly a joint motion was filed in the Supreme Court seeking approval to proceed with the agreed settlement. Court granted permission and as per the settlement CGIR agreed to the refund due and the Company agreed to settle all dues up to year of assessment 2015/16. According to the settlement company provided LKR 14,665,718 in accounts for year 2021/22.

When the case was taken up on 12 November 2021, it was communicated that the parties were in the process of carrying out their obligations under the settlement. Accordingly, the court made an order, terminating proceedings subject to the Terms of Settlement. IRD is in the final stages of giving effect to the settlement agreed, in their system. UML has made part payments and is awaiting for completion of all work by IRD in their system before completing agreed settlement.

Overdraft facilities of the Company are unsecured. Refer Note 39.2 for details of Corporate guarantees given for related companies.

The Group's/Company's exposure to interest rate risk is disclosed in Note 22.6.b.

29. STATED CAPITAL

	No of Shares		Group		Company	
	2022	2021	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 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	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
At the beginning of the year	5,380,532	5,258,843	5,017,658	4,904,258
Revaluation of land	490,740	135,210	454,000	126,000
Deferred tax on revaluation of land	(49,074)	(13,521)	(45,400)	(12,600)
At the end of the year	**5,822,198**	**5,380,532**	**5,426,258**	**5,017,658**

31. INTEREST-BEARING BORROWINGS

Accounting policy

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.

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
At the beginning of the year	2,105,799	5,642,677	500,000	2,089,424
Obtained during the year	7,916,096	41,142,168	1,020,000	28,495,850
	10,021,895	46,784,845	1,520,000	30,585,274
Payments made during the year	(8,172,496)	(44,679,046)	(1,520,000)	(30,085,274)
Loans outstanding as at 31 March	1,849,399	2,105,799	-	500,000
Accrued loan interest	7,212	1,180	-	411
At the end of the year	**1,856,611**	**2,106,979**	**-**	**500,411**

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

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Non current liabilities				
Long term loans	-	3,150	-	-
Current liabilities				
Short term loans	1,856,611	2,103,829	-	500,411
	1,856,611	**2,106,979**	**-**	**500,411**

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 and debt repayment schedule

Terms & conditions of the outstanding loans are as follows:

	Effective interest rate	Year of Maturity	31.03.2022 Face value LKR '000	31.03.2022 Carrying value LKR '000	31.03.2021 Face value LKR '000	31.03.2021 Carrying value LKR '000
Group						
Long term loans-secured	Market rate	2022	-	-	15,750	15,750
Short term loans-secured	Market rate	2022	1,856,611	1,856,611	1,590,818	1,590,818
Short term loans-unsecured	Market rate	2022	-	-	500,411	500,411
			1,856,611	**1,856,611**	**2,106,979**	**2,106,979**
Company						
Short term loans-unsecured	Market rate	2022	-	-	500,411	500,411
			-	**-**	**500,411**	**500,411**

Notes to the Financial Statements

32. EMPLOYEE BENEFIT OBLIGATIONS

Accounting policy

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.

Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

a) Employees' Provident Fund

The Company and employees contribute 12% and 10% respectively of the salary of each employee to the approved Private Provident Fund. Other companies in the Group and their employees contribute at 12%, 10% 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 the Central Bank of Sri Lanka.

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

Defined benefit plans - retiring gratuity

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan. The Company is liable to pay retirement benefits under the Payment of Gratuity Act No. 12 of 1983. The liability for the gratuity payment to an employee arises only on the completion of five years of continued service with the Company 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 2022.

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 Lanka Limited. 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.

32.1 Retirement benefit obligations

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Present value of funded obligations	224,438	282,299	200,136	251,995
Retirement benefit obligation (Note 32.5)	**224,438**	**282,299**	**200,136**	**251,995**

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	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Employees joined before 1992/93				
Mutual fund (Note 32.3)	162	206	162	206
Employees joined after 1992/93				
Reimbursable right (Note 32.4)	34,671	46,627	29,184	41,679
	34,833	**46,833**	**29,346**	**41,885**

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 2022 is LKR 161,702 (2021 - LKR 205,664). The gratuity liability of employees joined after 1992/93, is externally funded and an agreement has been entered in to with AIA Insurance Lanka Limited and covers 797 employees of the Company as at 31 March 2022.

32.4 Movement in fair value of reimbursable right

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
At the beginning of the year	46,627	66,964	41,679	62,542
Return on reimbursable right (Note 32.6)	3,742	6,244	3,334	5,817
Benefits paid by reimbursable right	(13,728)	(18,019)	(13,728)	(18,019)
Benefits payable by reimbursable right	(5,601)	(3,360)	(5,601)	(3,360)
Dividend adjustment to the plan asset	148	-	-	-
Gains/(losses) in Other Comprehensive Income (Note 32.6)	3,483	(5,202)	3,500	(5,301)
Fair value of reimbursable right at the end of the year	**34,671**	**46,627**	**29,184**	**41,679**

Notes to the Financial Statements

32. EMPLOYEE BENEFIT OBLIGATIONS (CONTD.)

32.5 Movement in the present value of the defined benefit obligations

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
At the beginning of the year	282,299	239,546	251,995	214,145
Expenses recognised in profit and loss (Note 32.6)	18,366	50,694	16,188	44,068
Actuarial (gains)/losses in Other Comprehensive Income (Note 32.6)	(56,513)	18,520	(48,691)	15,260
Benefits paid during the year	(19,714)	(25,326)	(19,356)	(21,478)
Adjustment	-	(1,135)	-	-
Defined benefit obligation at the end of the year	224,438	282,299	200,136	251,995

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

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Recognised in profit and loss				
Defined benefit obligations				
Current service costs	19,838	28,748	16,443	24,153
Past service costs	(24,058)	-	(20,415)	-
Interest on obligation	22,586	21,946	20,160	19,915
	18,366	50,694	16,188	44,068
Defined benefit plan				
Return on reimbursable right	3,742	6,244	3,334	5,817
	3,742	6,244	3,334	5,817
Recognised in Other Comprehensive Income				
Defined benefit obligations				
Actuarial gains/(losses) recognised during the year	56,513	(18,520)	48,691	(15,260)
	56,513	(18,520)	48,691	(15,260)
Reimbursable right				
Gains/(losses) recognised during the year	3,483	(5,202)	3,500	(5,301)
Dividend adjustment to reimbursable right	132	59	(16)	59
	3,615	(5,143)	3,484	(5,242)
	60,128	(23,663)	52,175	(20,502)

32.7 Actuarial assumptions

Principal actuarial assumptions are as follows:

	Group		Company	
	2022	2021	2022	2021
Rate of discount as at 31 March (%)	13.1%	8.0% - 8.4%	13.1%	8.0%
Future salary increases (%)	8.4% - 10%	8.4% - 9%	8.7%	8.7%
Normal retirement age	60 years	55 or 60 years	60 years	55 or 60 years
Staff turnover rate (%)	2.2% - 10%	4% - 22%	4.2%	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 defined benefit obligation (LKR '000)	(13,945)	15,750	(11,752)	13,223
A percentage point change in the salary escalation rate				
Effect on the present value of defined benefit obligation (LKR '000)	17,223	(15,435)	14,513	(13,059)

32.9 Maturity profile of the defined benefit obligation

	Group		Company	
	2022 LKR'000	2021 LKR'000	2022 LKR'000	2021 LKR'000
Maturity profile-discounted				
Within the next 12 months	13,197	46,683	12,338	44,640
Between 1 to 2 years	63,539	52,609	61,671	50,190
Between 2 to 5 years	39,915	71,545	37,535	56,878
Beyond 5 years	107,787	111,462	88,592	100,287
Total	224,438	282,299	200,136	251,995
Maturity profile-undiscounted				
Within the next 12 months	14,067	49,195	13,148	47,069
Between 1 to 2 years	80,888	61,425	78,476	58,596
Between 2 to 5 years	72,156	106,083	68,054	83,680
Beyond 5 years	687,135	341,539	550,180	309,311
Total	854,246	558,242	709,858	498,656

Notes to the Financial Statements

33. DEFERRED TAX ASSETS / LIABILITIES

Accounting policy

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, provision for defined benefit obligations, lease assets and lease liabilities.

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.

33.1 Deferred tax assets

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
At the beginning of the year	507,080	477,549	189,714	182,926
Tax losses reversed	-	(41,643)	-	(41,643)
(Reversal)/origination of timing differences-recognised in profit or loss	(32,150)	66,873	(7,833)	44,769
(Reversal)/origination of timing differences-recognised in Other Comprehensive Income	(13,136)	4,301	(11,686)	3,662
At the end of the year	**461,794**	**507,080**	**170,195**	**189,714**
Composition of deferred tax assets				
Property, plant and equipment	5,212	4,386	-	-
Retirement benefit obligation	52,647	66,494	48,033	60,479
Provisions	99,280	120,993	70,488	74,737
Lease liability	88,424	81,987	51,674	54,498
Tax losses	216,231	233,220	-	-
Net deferred tax assets	**461,794**	**507,080**	**170,195**	**189,714**
Closing deferred tax assets @ 24%	257,898	311,477	170,195	189,714
Closing deferred tax assets @ 18%	203,896	195,603	-	-
	461,794	**507,080**	**170,195**	**189,714**

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	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
At the beginning of the year	315,655	322,866	291,749	323,505
Charge/(reversal) of timing differences-recognised in Profit or Loss	1,351	(20,732)	(6,497)	(44,356)
Origination of timing differences- recognised in Other Comprehensive Income on revaluation of land	49,074	13,521	45,400	12,600
At the end of the year	366,080	315,655	330,652	291,749
Composition of deferred tax liability				
Property plant and equipment	139,976	147,423	137,789	147,863
Gains on revaluation of land	140,688	91,614	131,488	86,088
Investment property-buildings	-	-	1,305	1,292
Investment property-land	-	-	9,200	5,526
Leased assets	85,416	76,618	50,870	50,980
Net deferred tax liability	366,080	315,655	330,652	291,749
Closing deferred tax liability @ 24%	172,293	204,362	169,358	200,134
Closing deferred tax liability @ 18%	32,493	19,679	-	-
Closing deferred tax liability @ 14%	20,606	-	20,606	-
Closing deferred tax liability @ 10%	140,688	91,614	140,688	91,615
	366,080	315,655	330,652	291,749

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 gain of LKR 490,740,000 related to the land revaluation. Deferred tax of 10% has been provided in the financial statements for the year ended 31 March 2022.

33.3 Expenses recognised in statement of Other Comprehensive Income

	Group		Company	
	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
(Reversal)/origination of timing differences-recognised in Other Comprehensive Income (Note 33.1)	(13,136)	4,301	(11,686)	3,662
Origination of timing differences-recognised in Other Comprehensive Income (Note 33.2)	(49,074)	(13,521)	(45,400)	(12,600)
	(62,210)	(9,220)	(57,086)	(8,938)

Notes to the Financial Statements

34. LEASE LIABILITIES

Accounting policy

Accounting for leases - where the Company is the lessee

The Group's lease hold property includes land and 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 was elected not to separate lease and nonlease 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.

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

Lease liabilities include the net present value of the fixed payments (including insubstance 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 of 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.

34. LEASE LIABILITIES (CONTD.)

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	281,348	248,315	227,074	286,457
Additions during the year	197,119	153,898	148,913	78,556
Interest expense	32,278	36,493	23,228	41,875
Adjustments-termination of lease contracts	(8,334)	-	(8,334)	-
Adjustment for rent concessions	(1,737)	(10,644)	(1,257)	(5,243)
Payments made during the year	(188,729)	(146,714)	(174,317)	(174,571)
At the end of the year	**311,945**	**281,348**	**215,307**	**227,074**
Classified as non-current liabilities	218,740	180,985	81,961	74,651
Classified as current liabilities	93,205	100,363	133,346	152,423
	311,945	**281,348**	**215,307**	**227,074**
Amounts recognised in profit or loss				
Interest on lease liabilities	32,278	36,493	23,228	41,875

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
Maturity analysis of lease liability - discounted cash-flows				
Less than 2 years	186,635	159,032	148,662	187,463
2- 5 years	76,529	94,912	25,947	24,089
6-10 years	32,436	22,222	24,354	10,339
Over 10 years	16,345	5,182	16,344	5,183
	311,945	**281,348**	**215,307**	**227,074**
Maturity analysis of lease payments				
Less than 2 years	229,078	196,426	161,396	208,342
2- 5 years	102,140	128,361	41,038	39,881
6-10 years	70,701	48,788	61,270	34,007
Over 10 years	53,531	38,386	53,531	38,386
	455,450	**411,961**	**317,235**	**320,616**

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 amounting to LKR 1,737,098 to the Group and LKR 1,257,098 to the Company were accounted as gains in Profit or Loss statements during the year ended 31 March 2022 respectively.

Notes to the Financial Statements

35. TRADE AND OTHER PAYABLES

Accounting policy

Trade 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.

Accrued and other payables

Payables are 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.

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.

Warranty provision

The provision for warranty relates mainly to vehicles sold for which the Company gives warranty commencing from the date of sale. The warranty received from the principal is effective from date of shipment. This results a time gap during which the Company is exposed to warranty liability. A provision for warranty is recognised to cover such exposure to a liability. The provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said warranty provision will be reversed upon expiration of the warranty period.

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."

Trade and other payable	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Trade payables	2,722,358	1,735,440	735,837	501,691
Taxes payable	70,109	39,467	257	489
Contract liabilities				
Advances received from customers	489,683	303,346	68,613	45,910
Free service contracts	5,694	22,456	1,396	7,257
Extended warranty	337	875	337	875
Accrued and other payables	226,597	217,578	101,108	63,693
	3,514,778	2,319,162	907,548	619,915

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

		Group		Company	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		LKR '000	LKR '000	LKR '000	LKR '000
Unimo Enterprises Limited	Subsidiary	-	-	4,409	2,040
U M L Property Developments Limited	Subsidiary	-	-	7,359	801
		-	-	11,768	2,841

37. CURRENT TAXATION

	Group		Company	
	2022	2021	2022	2021
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	68,284	(66,378)	76,454	(57,718)
Income tax charge for the year	78,576	130,764	62,708	128,803
	146,860	64,386	139,162	71,085
Under provision in respect of previous years	22,140	57,916	15,676	57,916
WHT set off against income tax	(8,238)	-	(8,094)	-
ESC set off against income tax	(35,987)	(16,583)	(14,554)	(16,583)
Income tax paid	(93,990)	(37,435)	(76,971)	(35,964)
At the end of the year	30,785	68,284	55,219	76,454

The income tax liability comprise of:	Group		Company	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	LKR '000	LKR '000	LKR '000	LKR '000
37.1 Current tax liabilities	59,514	76,941	55,219	76,454
37.2 Current tax receivable	(28,729)	(8,657)	-	-
	30,785	68,284	55,219	76,454

Notes to the Financial Statements

38. CASH FLOW INFORMATION

38.1 Reconciliation of profit before tax to cash flows from operating activities

		Group		Company	
	Note	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Profit before income tax expense		449,235	646,392	352,526	905,876
Adjustments for;					
Provision for depreciation/amortisation	18	221,761	255,808	182,423	210,037
Profit on disposal of property, plant and equipment	13	(53,125)	(37,897)	(46,485)	(37,772)
Net gains on disposal of financial assets at the fair value through profit or loss	12.4	(13,559)	(70,183)	(13,559)	(70,183)
Net change in fair value - financial asset at fair value through profit or loss	12.4	44,575	(17,725)	44,575	(17,725)
Change in fair value of investment property	12.4	-	-	(36,740)	(8,210)
Interest expense		76,729	343,482	32,540	218,790
Interest income	14.1	(86,613)	(93,349)	(121,989)	(148,870)
Dividend income from equity investment	13	(20,972)	(15,157)	(17,468)	(14,803)
Dividends received from subsidiary	13	-	-	(75,000)	(150,000)
Impairment on trade receivables and losses on warranty claims	12.3	(5,792)	(6,558)	1,137	(1,824)
Provision for employee benefit obligations	32	18,410	49,599	16,232	44,108
Amortisation of right-of use assets	21	146,450	138,815	141,036	145,466
Return on reimbursable right	32.6	(3,742)	(6,244)	(3,334)	(5,817)
(Write-back)/write-down of inventory to lower of cost or NRV (net realisable value)	12	(31,659)	(90,637)	4,490	(75,270)
WIP write offs	18	723	-	-	-
Fair value adjustment on unit trusts	12.4	(7,635)	(9,605)	(22,432)	(9,605)
Operating profit before working capital changes		734,786	1,086,741	437,952	984,198
(Increase)/decrease in inventories		(2,812,818)	3,811,701	(536,153)	2,616,988
(Increase)/decrease in trade and other receivables		(1,043,256)	1,409,811	(311,550)	2,029,741
Increase/(decrease) in amounts due from related parties		-	-	314,705	(244,462)
Increase/(decrease) in amounts due to related parties		-	-	8,927	(61,955)
Increase in trade and other payables		1,195,616	1,571,543	287,633	119,100
Cash (outflow)/inflow from operating activities		(1,925,672)	7,879,796	201,514	5,443,610

38.2 Reconciliation of liabilities arising from financing activities

	Group		Company	
	31.03.2022 LKR '000	31.03.2021 LKR '000	31.03.2022 LKR '000	31.03.2021 LKR '000
Bank borrowings				
At the beginning of the year	2,105,799	5,642,677	500,000	2,089,424
Proceeds from borrowings	7,916,096	41,142,168	1,020,000	28,495,850
Repayments of borrowings	(8,172,496)	(44,679,046)	(1,520,000)	(30,085,274)
At the end of the year	1,849,399	2,105,799	-	500,000

39. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Accounting policy

Contingent liabilities

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".

39.1 Capital commitments

There were no capital commitments with regard to property, plant and equipment and intangible assets 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 31.03.2022 LKR '000	Outstanding as at 31.03.2021 LKR '000
Unimo Enterprises Limited	Sampath Bank PLC	Letter of credits, overdraft and term loans	1,445,000	527,911	311,158
	Standard Chartered Bank	Letter of credits, overdraft and term loans	500,000	-	-
	Bank of Ceylon	Letter of credits, overdraft and term loans	1,000,000	530,649	824,487
	Hatton National Bank PLC	Letter of credits, overdraft and term loans	1,500,000	1,203,770	-
	Pan Asia Banking Corporation PLC	Letter of credits, overdraft and term loans	600,000	12,880	-
	Commercial Bank of Ceylon PLC	Letter of credits, overdraft and term loans	1,000,000	-	-
	Nations Trust Bank PLC	Letter of credits, overdraft and term loans	2,200,000	1,255,504	937,056
U M L Heavy Equipment Limited	Pan Asia Banking Corporation PLC	Letter of credits, overdraft and term loans	400,000	-	33,269
	DFCC Bank PLC	Letter of credits, overdraft and term loans	100,000	-	-
	Commercial Bank of Ceylon PLC	Letter of credits, overdraft and term loans	315,000	315,000	100,000

Unimo Enterprises Limited has given bank guarantees to Sri Lanka Customs amounting to LKR 2,608 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 67.1 million as at the reporting date.

Restricted quantities not available for immediate sale at Unimo Enterprises Limited is given in Note 25.3 to the financial statements.

Notes to the Financial Statements

39. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES (CONTD.)

The Unimo Enterprises Limited, a fully owned subsidiary of United Motors Lanka PLC is considering taking legal action against a licensed commercial bank regarding certain unsettled letter of credits ("LCs"). The bank had settled LCs amounting to USD 1,880,982 to the principals on due date. However, it has not been debited and charged back to the subsidiary company after settlement to the principal, and thus the amount remained outstanding at the year-end. The exchange rate prevailed at the time of LC settlement was LKR 203 and the subsidiary has considered this exchange rate to account for the above payable balance to the bank. As adviced by the lawyers under the terms and conditions applicable to respective LCs, including Trade Financing General Agreement there is no provision for the said bank to delay debiting of the Company's bank account, specially after making settlement to the principal. The bank is obliged to debit the Company concurrently.

Subsequent to the Government's decision to float the Sri Lankan Rupee, the exchange rate prevailed at the year-end was LKR 299. Accordingly, as claimed by the aforementioned bank if the Company accounted for the outstanding LC settlement by using year-end exchange rate the Company would have incurred an additional exchange loss amounting to LKR 180 Mn for the year ended 31 March 2022.

Having considered the circumstances and the legal advice obtained, the directors of the Company determined any future cash outflows in lieu of the additional liability to be not probable, and hence have considered this as a contingent liability as at year-end.

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 and Heads of divisions 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.

40.3 Compensation to KMP

	Group		Company	
	2022 LKR.'000	2021 LKR.'000	2022 LKR.'000	2021 LKR.'000
Short term employment benefits	244,880	179,747	213,797	163,405
Post employment benefits-defined contribution plans	24,333	20,916	21,681	18,961
	269,213	**200,663**	**235,478**	**182,096**

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.

The Company/Group also has an obligation towards a post-employment benefit plan for the Key Management Personnel. The liability arising from the post-employment obligation has been provided for, based on an actuarial valuation and is disclosed under Employee Benefits in Note 32.1 to the Financial Statements

There are no share-based payments made to KMPs of the Company/Group.

No loans were granted to KMPs of the Company/Group.

40.4 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.

40.5 Recurrent related party transactions

Name of the related party	Relationship	Nature of the transactions	Aggregate value of related party transactions for 2021/22 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 and investment in commercial papers	4,793,200	91%	Market rates
U M L Heavy Equipment Limited	Subsidiary	Intercompany loans granted/ settled and investment in commercial papers	1,039,816	20%	Market rates

40.6 Recurrent related party disclosures

Transactions with subsidiaries and related entities.

a. Transactions with subsidiaries

Company	UEL LKR '000	UMPDL LKR '000	U M L Heavy LKR '000	Total 2021/22 LKR '000	Total 2020/21 LKR '000
Sale of spare parts	4,164	-	-	4,164	7,492
Sale of vehicles	-	-	-	-	2,400
Purchase of tyres	4,022	-	-	4,022	1,947
Purchase of spare parts	-	-	-	-	193
Sale of lubricants	4,769	-	7,210	11,979	-
Repairs and services provided	87,446	-	1,408	88,854	79,455
Services obtained	394	-	-	394	1,192
Purchase of vehicles	-	-	-	-	5,900
Interest received	87,517	-	25,216	112,733	82,041
Expenses incurred	65,667	1,452	18,111	85,230	153,487
Reimbursement of expenses	11,588	-	-	11,588	14,252
Hiring income received	2,100	-	2,134	4,234	4,865
Hiring rentals paid for vehicles	801	-	-	801	801
Rentals received for premises occupied	22,025	-	-	22,025	23,128
Rentals paid for premises occupied	-	98,043	-	98,043	98,043
Commission received	-	-	778	778	-
Fees on financial services provided	54,999	-	6,000	60,999	-
Dividend received	-	75,000	-	75,000	150,000
Investments in commercial papers	3,050,000	-	750,000	3,800,000	-
Commercial papers settlements	1,445,126	-	400,000	1,845,126	-
Loans granted	1,743,200	-	289,816	2,033,016	6,399,700
Loans settlements	1,743,200	-	558,500	2,301,700	6,131,021

Notes to the Financial Statements

40. RELATED PARTY DISCLOSURES (CONTD.)

b. Transactions between subsidiaries

Unimo Enterprises Limited with U M L Heavy Equipment Limited	Total 2021/22 LKR '000	Total 2020/21 LKR '000
Reimbursement of expenses	-	2,422
Sale of tyres	138	-
Expenses incurred	683	29

c. Transactions with the parent company-R I L Property PLC

United Motors Lanka PLC	Total 2021/22 LKR '000	Total 2020/21 LKR '000
Rentals paid for premises occupied	-	770
Reimbursement of expenses	-	14
Repairs and services provided	1,402	1,142

Unimo Enterprises Limited	Total 2021/22 LKR '000	Total 2020/21 LKR '000
Sale of vehicles	18,490	-

d. Transactions with other related entities of parent company-Pap Solar One (Pvt) Limited

	Total 2021/22 LKR '000	Total 2020/21 LKR '000
Repairs and services provided	322	-

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 2022 are in the proportions indicated below.

Subsidiary	Ownership interest	
	2022	2021
Unimo Enterprises Limited	100%	100%
U M L Property Developments Limited	100%	100%
U M L Heavy Equipment Limited	100%	100%

The 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 2022 LKR '000	Group 2021 LKR '000
Parent company	272,806	766,639
Subsidiaries	145,406	(207,248)
	418,212	559,391
Inter-company eliminations	(103,194)	(55,716)
Consolidated profit after income tax expenses	**315,018**	**503,675**

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD AND OTHER MATTERS

Change in Directorate

Mr. Thushara Jayasekara was appointed as an Executive Director to the Board with effect from 1 April 2022.

Mr. Ruwindhu Peiris was appointed as a Non-Independent Non-Executive Director to the Board with effect from 1 April 2022.

Impact of the COVID-19 related events and current economic conditions on the business operations

During the current year, due to continued uncertainties caused by COVID–19, the Group has considered whether any adjustment and changes in judgement, estimates and risk management are required to be considered and reported in the consolidated financial statements. The Group will continue to closely monitor the impact of COVID-19 and the current economic condition in the country as the situation progress to manage the potential business disruptions may have on its operations and financial performance.

Foreign currency fluctuation

Financial assets and liabilities denominated in foreign currencies which are expected to be realized and settled after the balance sheet date are disclosed in Note 22.6 to the financial statements. As at the year-end the Company has a net foreign currency exposure amounting to USD 1.4 Mn and JPY 12.2 Mn (Group USD 5.1 Mn and JPY 12.2 Mn). Due to the Government's decision to float the currency subsequent to the reporting period, there is an adverse movement on the USD and JPY rate which depreciated by 22% (USD) and 17% (JPY) as of 26 May 2022. This resulted in an exchange loss of LKR 341 Mn for the Group and LKR 100 Mn for the Company. Exchange rate fluctuation after the reporting period is not an adjusting event since the condition that gave rise to the exchange loss did not exist as of 31 March 2022. However, the Company has taken all possible actions to minimize the impact of the said losses.

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

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. 0.50 per share for the year ended 31 March 2022 amounting to LKR. 50,450,313 which is to be approved at the forth coming Annual General Meeting. In accordance with LKAS 10 - "Events after the reporting period" this dividend was not recognised as a liability as at 31 March 2022.

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 2022 and the audited statement of financial position as at 31 March 2022 have 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 2020/21).

The Company duly submitted the audited interim financial statements for the year 2021/22 to the CSE within applicable statutory deadlines (The Company also duly complied with this requirement for 2020/21).

1. STOCK EXCHANGE LISTING

The issued ordinary shares of United Motors Lanka PLC were listed with the CSE on 05 December 1989.

Information required as per Section 7.6 of the Listing Rules of the Colombo Stock Exchange

2. ANALYSIS OF SHAREHOLDERS

The number of ordinary shareholders as at 31 March 2022 was 3,635 (3,828 as at 31 March 2021)

(a) Resident /Non-Resident as at 31 March 2022

Range of Shareholdings (No. of Shares)	Resident			Non-Resident			Total		
	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total holdings	No. of share holders	No. of shares	% of total holding
Up to 1,000	2,350	811,028	0.80	29	15,455	0.02	2,379	826,483	0.82
1,0001 to 10,000	1,066	3,794,419	3.76	21	82,869	0.08	1,087	3,877,288	3.84
10,001 - 100,000	137	3,598,971	3.57	7	254,750	0.25	144	3,853,721	3.82
100,001 - 1,000,000	17	2,994,713	2.97	-	-	0.00	17	2,994,713	2.97
Over 1,000,000	6	83,132,768	82.39	2	6,215,653	6.16	8	89,348,421	88.55
Total	3,576	94,331,899	93.49	59	6,568,727	6.51	3,635	100,900,626	100.00

(b) Individuals/Institutions

	31March 2022			31 March 2021		
	No of shareholders	Total holdings (No. of shares)	% of total holdings	No of shareholders	Total holdings (No. of shares)	% of total holdings
Individual	3,488	32,144,024	31.86	3,683	30,423,999	30.15
Institutions	147	68,756,602	68.14	145	70,476,627	69.85
Total	3,635	100,900,626	100.00	3,828	100,900,626	100.00

(c) Public Shareholding

	31 March 2022	31 March 2021
Percentage (%)	24.47	24.57
No. of shareholders	3,619	3,818
The float adjusted market capitalization (LKR)	1,360,617,856	1,430,408,445

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.

3. SHARE TRADING

	2021/22	2020/21	2019/20	2018/19	2017/18
Market					
Number of transactions	8,698,799	4,762,434	1,255,759	810,331	1,089,473
Number of shares traded	54,819,648,085	37,966,240,706	10,255,022,162	4,925,186,283	8,721,432,695
Value of shares traded (LKR million)	1,151,628	675,136	186,176	167,420	245,435
Market days	240	229	231	240	237
Company					
Number of transactions	6,874	5,455	1770	1,240	2,707
Number of shares traded	6,843,652	6,282,463	1,662,689	1,850,189	35,696,069
Value of shares traded (LKR million)	600	409	109	154	2,788
Market days	234	210	204	189	217

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
2021/22	13,812	100.90	5,559.62	3,826.50	0.15	107
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

(b) Market prices

	2021/22	2020/21	2019/20	2018/19	2017/18
Highest (LKR)	110.00 (16.12.2021)	83.00 (18.12.2020)	80.00 (29.07.2019)	87.40 (23.07.2018)	90.00 (13.07.2017)
Lowest (LKR)	55.00 (20.04.2021)	45.00 (01.06.2020)	45.00 (20.03.2020)	66.00 (29.03.2019)	70.30 (14.11.2017)
Last Traded Price (LKR)	55.10	57.70	45.40	66.80	76.00

5. DIVIDENDS PAID

	2021/22	2020/21	2019/20	2018/19	2017/18
Dividend (LKR'000)	252,252	151,351	403,603	151,351	353,152
Profit (LKR'000)	272,806	766,639	117,327	730,365	1,456,697
Dividend payout ratio	92.47	19.74	344.83	20.72	24.24
Dividend per share (LKR)	2.50	1.50	4.00	1.50	3.50

Share information

6. VALUE CREATION FOR SHAREHOLDERS

	2021/22	2020/21	Change %
Net asset value per share-Company (LKR)	136.88	131.96	3.73
Earning per share (LKR)	2.70	7.60	(64.47)
Market price per share (LKR)	55.10	57.70	(4.51)
Return on equity (%)-After Tax	1.98	5.76	(65.63)

7. TWENTY LARGEST SHAREHOLDERS

	Shareholder	31 March 2022		31 March 2021	
		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	1,696,193	1.68
7	Mr. A. M. Weerasinghe	1,369,743	1.36	1,552,280	1.54
8	Mr. M. N. Deen	558,230	0.55	-	-
9	Mr. M. Z. M. Ghouse	480,783	0.48	-	-
10	Mr. S. D. Yaseen	243,300	0.24	243,300	0.24
11	Ms. L. E. M. Yaseen	200,000	0.20	200,000	0.20
12	Mr. P. Rathnayaka	156,000	0.15	156,000	0.15
13	Mercantile Investments and Finance PLC	150,000	0.15	150,000	0.15
14	Mr. M. S. Bahaudeen	146,004	0.14	-	-
15	Akbar Brothers Pvt Limited A/C No. 1	136,648	0.14	136,648	0.14
16	Mr. P. S. Weerasekera	125,870	0.12	-	-
17	Mr. S. A. C. Keerthisinghe & Ms. D.M.J.S. Dissanayaka	120,000	0.12	86,410	0.09
18	Mr. M. Anndreino Yaseen	119,430	0.12	119,430	0.12
19	Mr. V. A. Yaseen	119,427	0.12	119,427	0.12
20	Mr. J .A. Yaseen	119,427	0.12	119,427	0.12
* Others (shareholders under 20 largest shareholders as at 31 March 2021)				2,084,157	2.06
Total		92,023,540	91.20	92,945,757	92.12

Shareholders included in the twenty largest shareholdings as at 31 March 2021

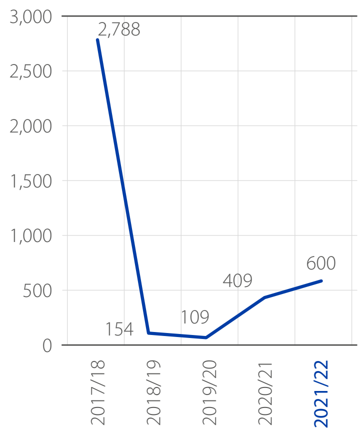
Shareholdings as at March 2021	No. of shares	% of total shareholding
Mr. D. G. Wijemanna	1,000,000	0.99
Bank of Ceylon Account No. 1	524,677	0.52
J. B. Cocoshell (Pvt) Ltd	458,496	0.45
Mr. M. H. M. Nazeer	100,984	0.10
Total	2,084,157	2.06

8. DIRECTORS' SHAREHOLDING

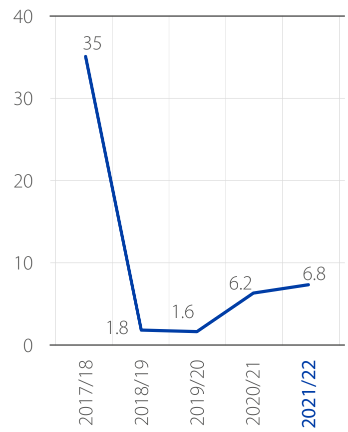
Name of Director	Capacity	No. of shares as at 31 March 2022	% of total holdings	Movement during the year	No. of shares as at 31 March 2021	% of total holdings
Mr. Devaka Cooray	Chairman/ Non-Executive Director	50,000	0.050	-	-	-
Mr. Chanaka Yatawara	Group CEO/Executive Director	1,696,193	1.681	-	1,696,193	1.681
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	0.011
Ms. Hiroshini Fernando	Non-Executive Director	-	-	-	-	-
Prof. Malik Ranasinghe	Non-Executive Director	-	-	-	-	-
Mr. Stuart Chapman	Non-Executive Director	-	-	-	-	-
Ms. Coralie Pietersz	Non-Executive Director	-	-	-	-	-
Mr. Junya Takami	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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue	12,884,249	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
Profit before taxation	449,235	646,392	(547,882)	423,468	866,458	1,438,602	2,353,603	1,625,881	2,174,345	2,702,651
Income tax	(134,217)	(142,717)	138,207	12,455	(197,558)	(312,495)	(651,380)	(363,549)	(566,624)	(689,737)
Profit for the year	315,018	503,675	(409,675)	435,923	668,900	1,126,107	1,702,223	1,262,332	1,607,721	2,012,914
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	5,822,198	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
Other components of the equity and retained earnings	7,720,749	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
Shareholders' funds	13,879,282	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
Total equity	**13,879,282**	**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**
Assets employed										
Current assets	11,030,280	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
Non current assets	9,368,539	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
Total assets	20,398,819	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
Current liabilities	(5,710,279)	(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)
Non current liabilities	(809,258)	(782,089)	(671,926)	(360,265)	(252,790)	(212,865)	(181,188)	(181,374)	(173,866)	(148,845)
Total liabilities	(6,519,537)	(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)
Net assets	**13,879,282**	**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**
Profitability										
Earnings per share (LKR)	3.12	4.99	(4.06)	4.32	6.63	11.16	16.87	12.51	15.93	19.95
Net assets per share at the end (LKR)	137.55	131.81	126.08	127.64	125.87	106.46	102.20	103.42	80.25	73.05
Return on average Net assets (%)	2.27	3.79	(3.32)	3.38	5.27	10.48	16.51	12.10	19.86	27.31
Others										
Market price per share (LKR)	55.10	57.70	45.40	66.80	76.00	78.00	83.00	88.10	123.00	96.00
Price earnings ratio	17.66	11.56	(11.18)	15.46	11.46	6.99	4.92	7.04	7.72	4.81
Annual sales growth (%)	(4.83)	37.50	(22.90)	(13.23)	(17.90)	17.13	45.22	(4.55)	(26.10)	(28.22)
Current ratio (times)	1.93	2.06	1.62	2.10	2.39	1.70	1.90	2.88	3.15	3.03

**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 2022*

Investor Information

Year		Shares at the beginning	Issued during the year	Stated Capital (LKR)	Market Value Per Share (Last Traded Price) (LKR)
1990/1991		10,000,000	-	100,000,000	23.75
1991/1992		10,000,000	-	100,000,000	53.00
1992/1993	Issued through Share Trust Scheme to employees	10,000,000	90,266	100,902,660	35.00
1993/1994	Issued through Share Trust Scheme to employees	10,090,266	91,230	-	-
	Bonus issue 1:5		2,036,300	122,177,960	60.00
1994/1995		12,217,796	-	122,177,960	27.50
1995/1996		12,217,796	-	122,177,960	31.50
1996/1997	Issued through Share Trust Scheme to employees	12,217,796	53,319	-	-
	Bonus issue 1:5		2,443,560	147,146,750	32.00
1997/1998		14,714,675	-	147,146,750	41.50
1998/1999		14,714,675	-	147,146,750	32.50
1999/2000		14,714,675	-	147,146,750	31.25
2000/2001		14,714,675	-	147,146,750	28.00
2001/2002		14,714,675	-	147,146,750	32.00
2002/2003	Bonus issue 1:1	14,714,675	14,714,675	294,293,500	31.00
2003/2004		29,429,350	-	294,293,500	28.00
2004/2005		29,429,350	-	294,293,500	51.75
2005/2006		29,429,350	-	294,293,500	80.00
2006/2007	Bonus issue 1:7	29,429,350	4,204,192	336,335,420	80.00
2007/2008		33,633,542	-	336,335,420	53.75
2008/2009		33,633,542	-	336,335,420	33.50
2009/2010		33,633,542	-	336,335,420	90.00
2010/2011	Subdivision of shares-every existing ordinary share was subdivided into two ordinary shares	33,633,542	33,633,542	336,335,420	152.20
2011/2012		67,267,084	-	336,335,420	108.00
2012/2013		67,267,084	-	336,335,420	96.00
2013/2014		67,267,084	-	336,335,420	123.00
2014/2015	Subdivision of shares-every two existing ordinary shares were subdivided into three ordinary shares	67,267,084	33,633,542	336,335,420	88.00
2015/2016		100,900,626	-	336,335,420	83.00
2016/2017		100,900,626	-	336,335,420	78.00
2017/2018		100,900,626	-	336,335,420	76.00
2018/2019		100,900,626	-	336,335,420	66.80
2019/2020		100,900,626	-	336,335,420	45.40
2020/2021		100,900,626	-	336,335,420	57.70
2021/2022		100,900,626	-	336,335,420	55.10

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.

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 cash flows 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)

An 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.

Notes

Notice of Meeting

Notice is hereby given that the Thirty Third Annual General Meeting of United Motors Lanka PLC will be held at 03.30 p.m. on Wednesday, 29 June 2022, via audiovisual means for the following purposes;

AGENDA

01. To receive and consider the Annual Report of the Board of Directors, the Audited Financial Statement for the year ended 31 March 2022 and Report of the Auditors thereon.

02. (i) To re-elect, Ms. Hiroshini Fernando who retires by rotation in terms of Articles 83 of the Articles of Association of the Company.

    (ii) To re-elect, Mr. Stuart Chapman who retires by rotation in terms of Articles 83 of the Articles of Association of the Company.

    (iii) To re-elect, Mr. Ruwindhu Peiris who retires in terms of Articles 89 of the Articles of Association of the Company.

    (iv) To re-elect, Mr. Thushara Jayasekara 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 73 years of age and that he be re-appointed as a Director of the Company."

03. To declare a final dividend of LKR 0.50 per share for the year ended 31 March 2022 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 2022/23.

06. To consider any other business of which due notice has been given.

By Order of the Board

RLHisham

Ms. Rinoza Hisham
Company Secretary

Colombo
31 May 2022

Notice of Meeting

Note:

1. The Thirty Third (33rd) Annual General Meeting of United Motors Lanka PLC will be a virtual meeting 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 3.30 p.m. on Wednesday, 29 June 2022.
   (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 the circular to shareholders and forward same to agm2022@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 Form of Proxy should be sent to reach the Company via e-mail to agm2022@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 agm2022@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 2021/22 will be available for perusal on the Company website, the Colombo Stock Exchange website and the social media sites of the Company.

Form of Proxy

I/We ....

of .... being a shareholder/shareholders of

United Motors Lanka PLC, hereby appoint ....

of .... whom failing

1) Mututantrige Parakrama Devaka Cooray	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) Ruwindhu Meemana Peiris	of Colombo or failing him
10) Thushara Banda Abeykoon Jayasekara	of Colombo

as my/our proxy to represent me/us and*...to vote on my/our behalf at the Thirty Third Annual General Meeting of the Company to be held at 3.30 p.m. on Wednesday, 29 June 2022, 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 herby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors, the Audited Financial Statements for the year ended 31 March 2022 and Report of the Auditors thereon		
2. To re-elect Ms. Hiroshini Fernando as a Director of the Company.		
3. To re-elect Mr. Stuart Chapman as a Director of the Company.		
4. To re-elect Mr. Ruwindhu Peiris as a Director of the Company.		
5. To re-elect Mr. Thushara Jayasekara 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 0.50 per share for the year ended 31 March 2022, 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 2022/23.		

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

....

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 agm2022@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
www.unitedmotors.lk

VAT Registration Number
294000038 - 7000

Tax Payer Identification Number
294000038

Auditors
Messrs PricewaterhouseCoopers
No.100, Braybrooke Place,
Colombo-02

Lawyers
Messrs Julius & Creasy
41, Janadipathi Mawatha,
Colombo-01

Registrars
Messrs P. W. Corporate Secretarial (Pvt) Limited,
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. Devaka Cooray

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
Ms. Coralie Pietersz
Mr. Junya Takami
Mr. Ruwindhu Peiris
(Appointed w.e.f. 1 April 2022)
Mr. Thushara Jayasekara
(Appointed w.e.f. 1 April 2022)

Company Secretary
Ms. Rinoza Hisham

Audit Committee
Ms. Coralie Pietersz - Chairperson
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Prof. Malik Ranasinghe
Mr. Stuart Chapman

Remuneration Committee
Prof. Malik Ranasinghe - Chairman
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Mr. Stuart Chapman

Nomination Committee
Mr. Stuart Chapman - Chairman
Mr. Chanaka Yatawara
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Prof. Malik Ranasinghe

Related Party Transactions Review Committee
Mr. Ananda Atukorala - Chairman
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,
100, Hyde Park Corner,
Colombo 02, Sri Lanka
Email : rinozah@unitedmotors.lk
Tel : +94 (011) 4696019/6015

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