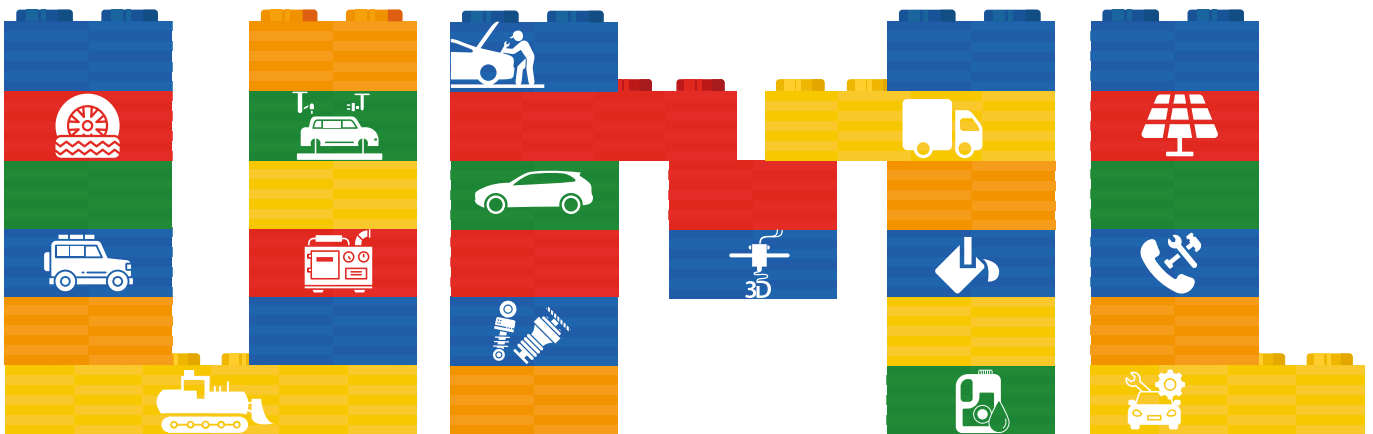
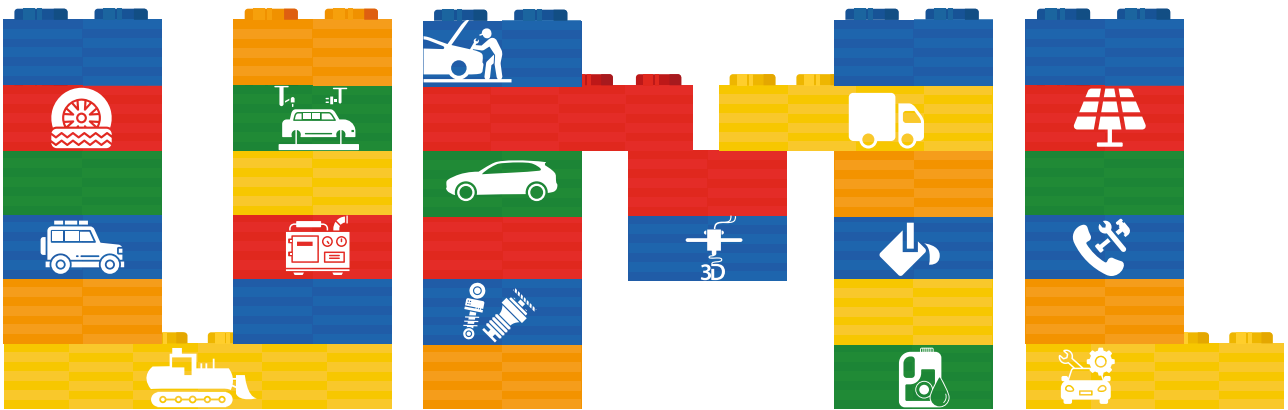


A SUM OF ALL PARTS

Annual Report 2022 - 2023



A SUM OF ALL PARTS



In any entity, its performance will be maximized when every unit and every team member brings the best forward and collectively achieves new parameters.

The past year was a true test to this belief as UML experienced one of its most challenging years with the ban on vehicle imports affecting its primary income generating source. If not for the extra ordinary efforts of our team, we would have been faced with a catastrophic situation.

In these circumstances, every staff member stepped up their game and supported their company in ways that were truly beyond expectation. In addition, the stakeholders placed their unwavering trust in us, giving the courage that was required to make this year the best it could be.

The year gone by has proved that UML is a dynamic and closely-knit team driven by ambition & purpose. The team is determined to carry on this legacy, as every part of it is constructed with a mechanism that will continue to turn the wheels, ensuring the Company reaches new heights going forward.

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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 recognized thus by LMD in the LMD 100 and Most Respected Entities. Furthermore, the company's 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 Turkiye.

A comprehensive United Motors branch network located in Orugodawatte, Ratmalana, 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 2,500 dealers island-wide for the distribution of tyres, genuine parts, lubricants, with representation in both urban and rural areas.

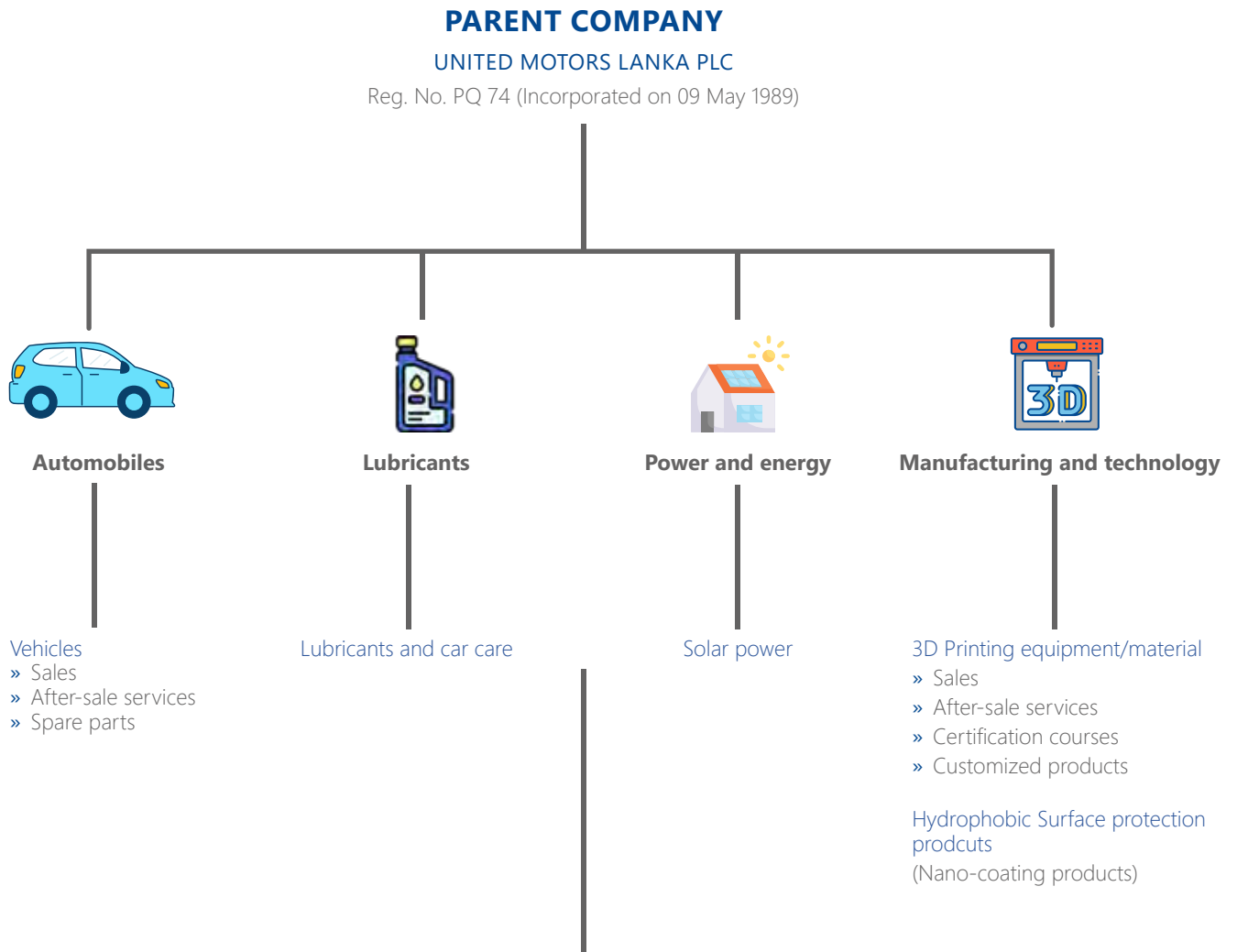
OUR VISION

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

OUR MISSION

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

GROUP STRUCTURE



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 (Resigned w.e.f. 31 March 2023)

Mr. Thushara Jayasekara - Executive Director-Finance

Ms. Rinoza Hisham - Company Secretary

SUBSIDIARIES

UNIMO ENTERPRISES LIMITED

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

U M L HEAVY EQUIPMENT LIMITED

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

U M L PROPERTY DEVELOPMENTS LIMITED

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



Automobile

Vehicles
» Assembly
» Sales
» After sales services



Equipment and machinery

Generators/
machinery
» Sales
» After sales services



Tyres

Tyres
» Sales



Equipment and machinery

Machinery
» Sales
» After sales services

Generators
» Sales
» After sales services



Property

Renting of warehouses

Directors

Mr. Devaka Cooray - Chairman
Mr. Chanaka Yatawara - Group Chief Executive Officer/Executive Director
Mr. Mahesh Gunathilake - Chief Executive Officer/Executive Director
(Resigned w.e.f. 20 May 2023)
Mr. Ananda Atukorala
Mr. Ramesh Yaseen
Ms. Hiroshini Fernando
Mr. Thushara Jayasekara
Mr. Raveendra Siriwardene

Ms. Rinoza Hisham - Company Secretary

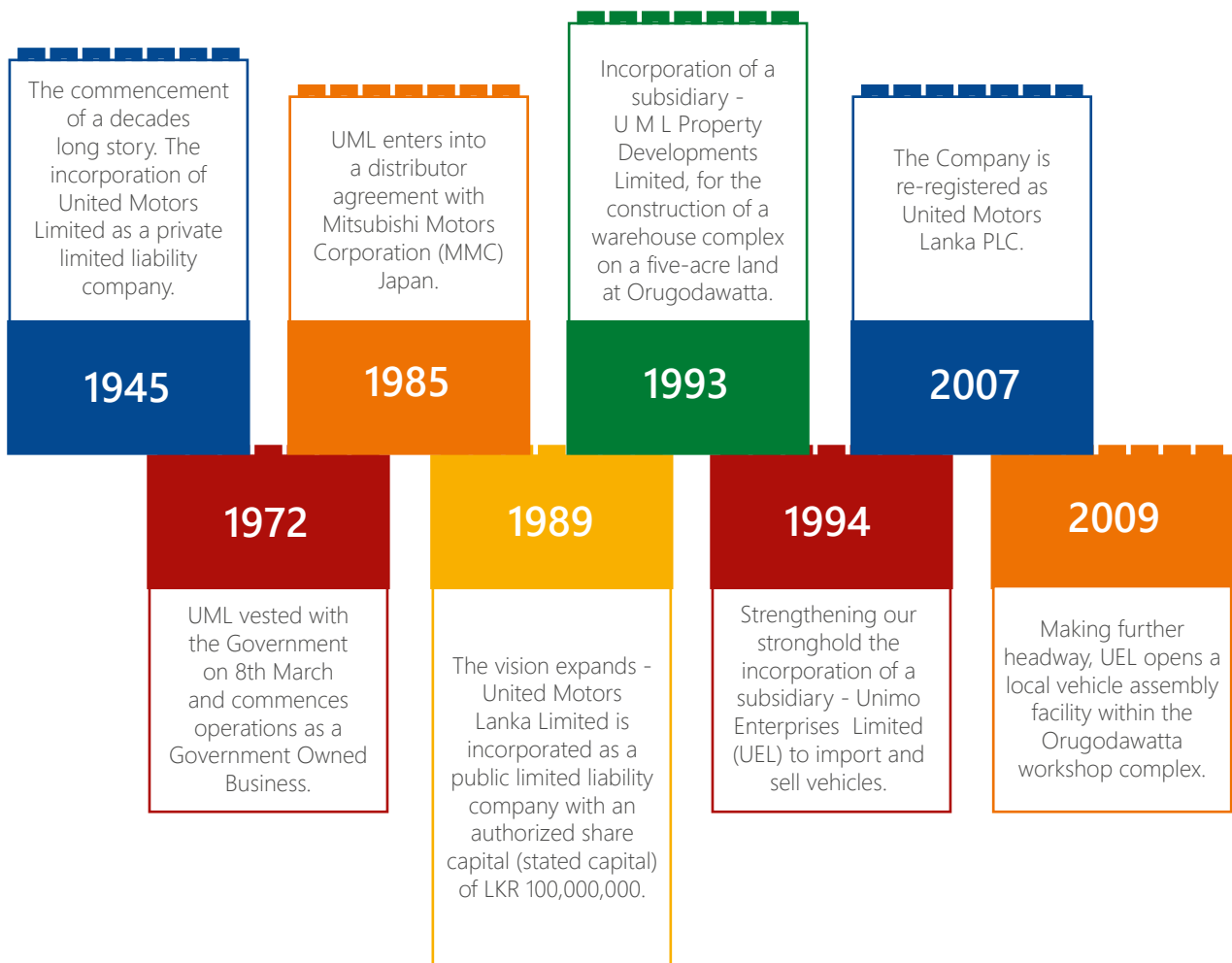
Directors

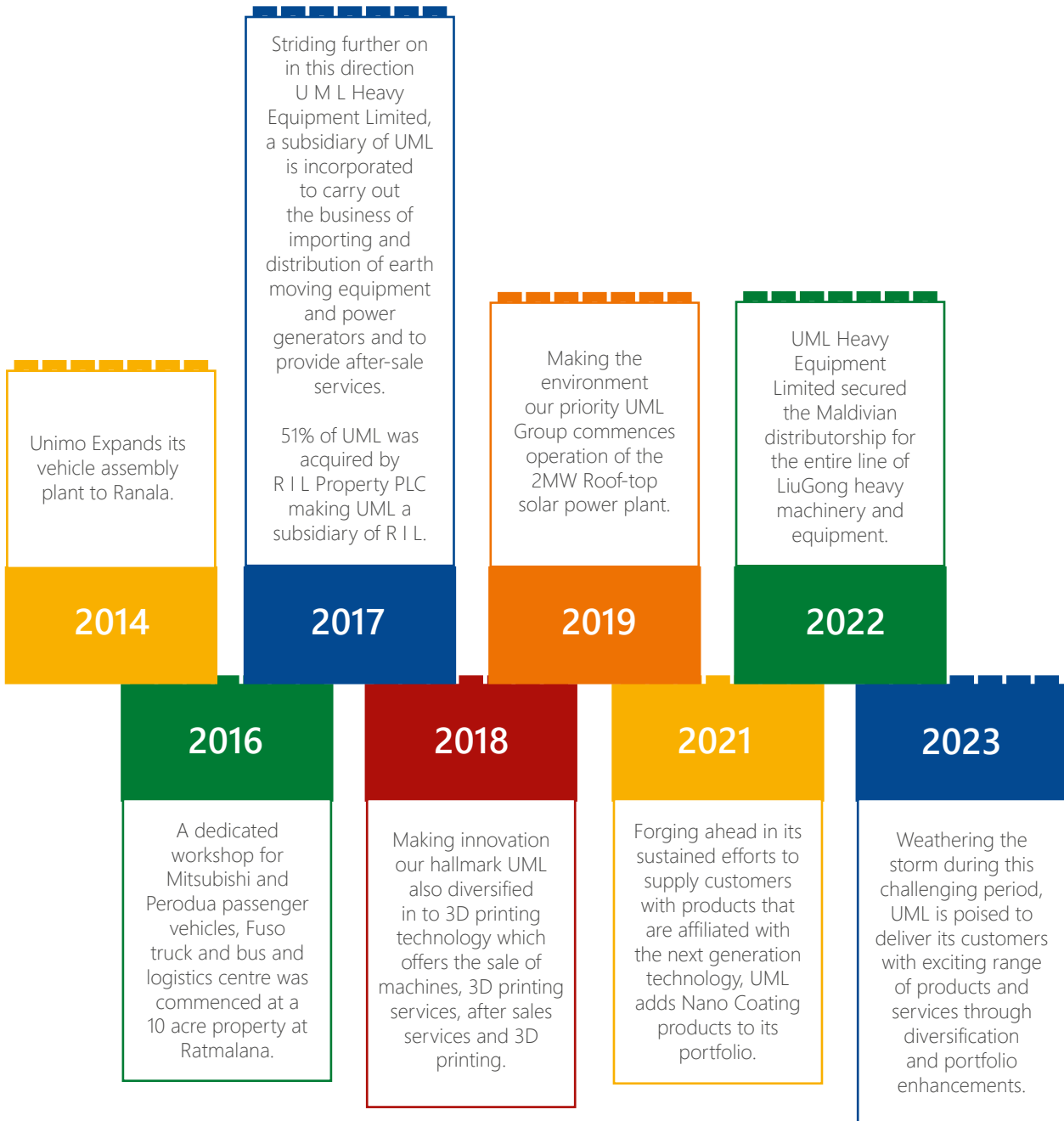
Mr. Devaka Cooray - Chairman
Mr. Chanaka Yatawara - Group Chief Executive Officer/Executive Director
Ms. Hiroshini Fernando
Mr. Thushara Jayasekara
Mr. Priyantha Ellepola
Mr. Gihan Pilapitiya
Mr. Buddhika Singhage
Ms. Rinoza Hisham - Company Secretary

Directors

Mr. Devaka Cooray - Chairman
Mr. Chanaka Yatawara - Group Chief Executive Officer/Executive Director
Mr. Thushara Jayasekara
Ms. Rinoza Hisham - Company Secretary

MILESTONES



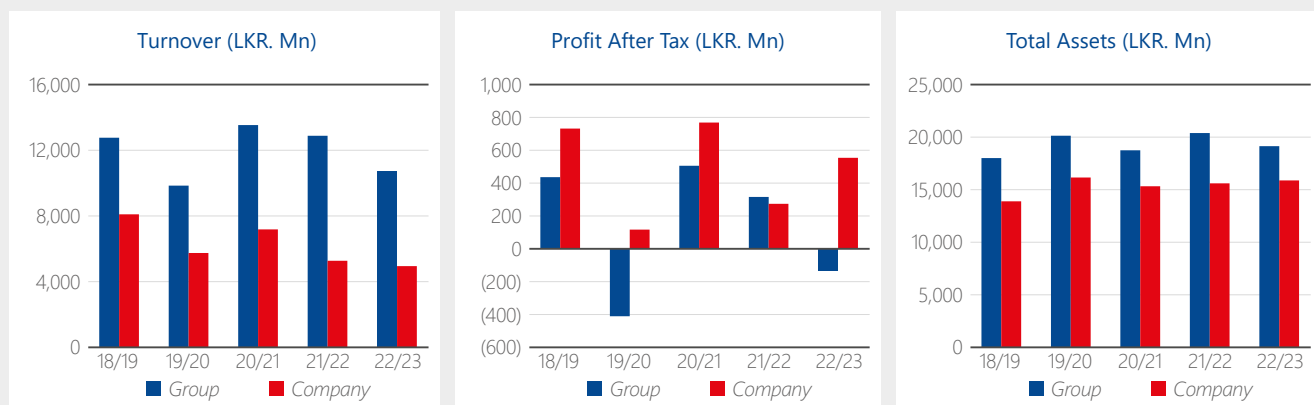


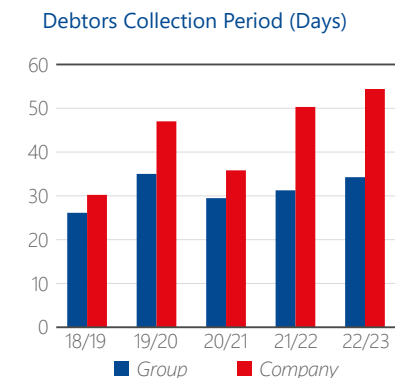
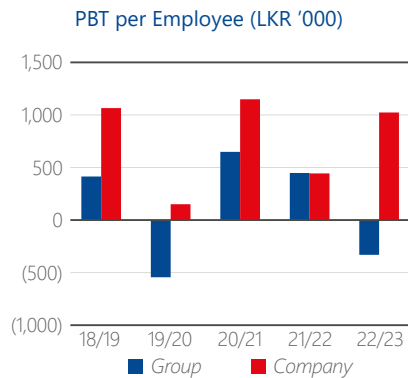
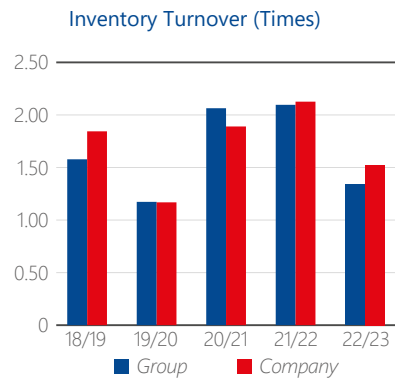
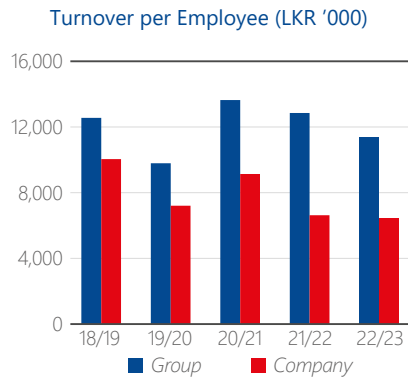
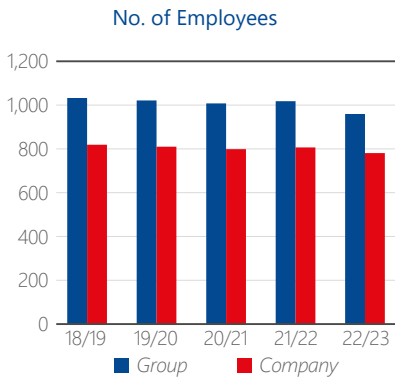
OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Group			Company		
	2022/23	2021/22	Change %	2022/23	2021/22	Change %
Profitability (LKR '000s)						
Turnover	10,736,341	12,884,249	(16.67)	4,940,801	5,268,274	(6.22)
Profit before tax	(312,436)	449,235	(169.55)	789,333	352,526	123.91
Profit attributable to equity holders of the Company	(131,091)	315,018	(141.61)	552,516	272,806	102.53
Financial position (LKR '000s)						
Investment in PPE and intangible assets	44,980	110,360	(59.24)	30,769	94,816	(67.55)
Non-current assets	10,007,635	9,368,539	6.82	9,282,321	9,067,704	2.37
Current assets	9,150,304	11,030,280	(17.04)	6,598,924	6,547,821	0.78
Current liabilities	4,319,483	5,710,279	(24.36)	551,877	1,191,266	(53.67)
Non-current liabilities	1,210,085	809,258	49.53	1,089,844	612,749	77.86
Shareholders' funds	13,628,371	13,879,282	(1.81)	14,239,524	13,811,510	3.10
Ratio						
Interest cover (times)	0.53	6.85	(92.26)	23.13	11.83	95.52
Profit before tax to revenue (%)	(2.91)	3.49	(183.38)	15.98	6.69	138.86
Return on capital employed (%)	(0.96)	2.27	(142.29)	3.88	1.98	95.96
Dividend cover (times)	-	-	-	3.65	1.08	237.96
Borrowings to equity (%)	21.95	14.72	49.12	0.40	0.60	(33.33)
Current ratio	2.12	1.93	9.84	11.96	5.50	117.45
Quick asset ratio	0.84	0.84	-	7.89	3.85	104.94
Share Performance						
Number of shares ('000)	100,901	100,901	-	100,901	100,901	-
Earnings per share (LKR)*	(1.30)	3.12	(141.67)	5.48	2.70	102.96
Dividend per share (LKR)**	-	-	-	1.50	2.50	(40.00)
Dividend yield (%)	-	-	-	2.50	4.54	(44.93)
Dividend payout (%)	-	-	-	27.37	92.59	(70.44)
Net assets per share (LKR)*	135.07	137.55	(1.80)	141.12	136.88	3.10
Market value per share as at 31 March (LKR)	-	-	-	59.90	55.10	8.71
Price earning ratio	-	-	-	10.93	20.41	(46.45)
Market capitalization as at 31 March (LKR '000s)	-	-	-	6,043,947	5,559,624	8.71
Highest recorded share price (LKR)	-	-	-	67.50	110.00	(38.64)

* 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 2023

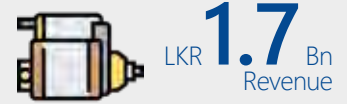
**Dividend per share represents the per share value at the point of payment





Spare Parts

Spare parts division reported a marginal increase in turnover



Lubricants

Lubricants division reported a sale of 0.9 Mn liters



Heavy Equipment

Export sales business has shown a growth



Assembled Vehicles

UML Group accounted for over 17% of new vehicle registration in 2022/23.

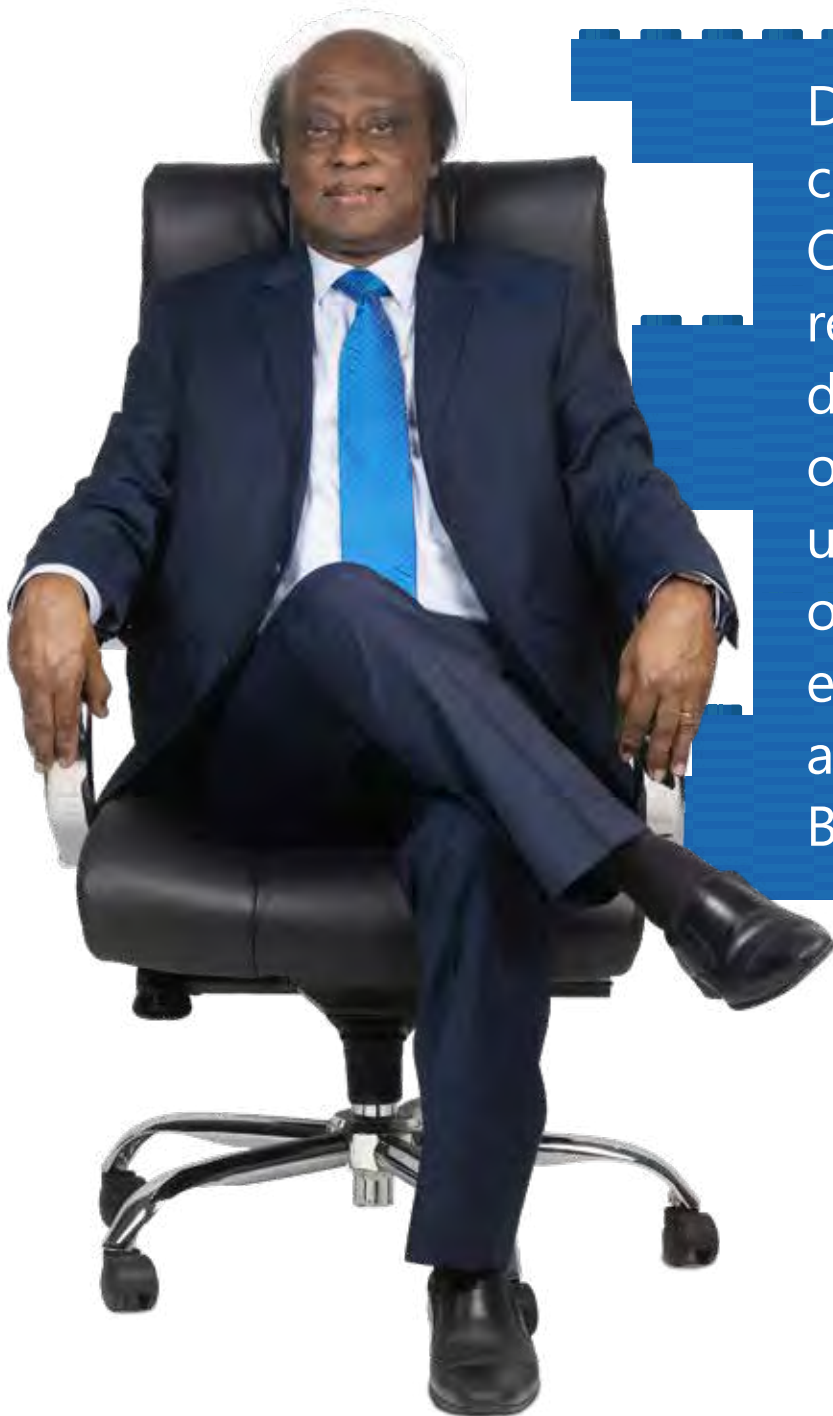


Solar Power

2 MW solar power plant generated 2426 MW



CHAIRMAN'S MESSAGE



Despite difficult circumstances, your Company achieved a reasonable bottom line, due to the dedication of our entire team under the guidance of our competent and experienced Group CEO and our committed Board Members.

Dear Shareholders

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the 34th 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 2023.

Despite difficult circumstances, your Company achieved a reasonable bottom line, due to the dedication of our entire team under the guidance of our competent and experienced Group CEO and our committed Board members. The Group, however made a loss as a result of the difficulties faced in the assembly operation, lack of heavy machinery sales and challenges faced by the Company in achieving greater profits due to the embargo on motor vehicle imports which enters its third year and the difficulty in importing spare parts due to the non-allocation of forex for the spare part sector which effectively led to our workshops not being able to source the required spares. As you are well aware, the impact of the fuel crisis also disrupted the transport sector considerably and curtailed economic activities throughout the country.

We live in extraordinary times. Hot on the heels of the retreating pandemic came fiscal and external imbalances that heightened economic, political and social conflict. Record low foreign exchange reserves and the credit rating downgrades reduced Sri Lanka's access to international financial markets, which resulted in the country suspending its external debt servicing in April 2022 to safeguard dwindling forex reserves. As a result restrictions on the import of non-essential products including motor vehicles continued to conserve foreign reserves which substantially impacted Group operations. The tightening of the monetary policy to contain soaring inflation squeezed the disposable incomes of people and also constricted the profitability of our business. The release of the LKR to free float in the

market resulted in its depreciation against the USD by almost 100%, which significantly increased import costs together with a steep increase in the costs of production. The resultant events led to a shortage of fuel, food and other essentials and caused soaring inflation and at the same time the rapid rise in interest rates curtailed private sector credit.

Performance

The transport and the construction industry, in which our key operations are the sectors which had the highest impact. Our subsidiaries, mainly Unimo Enterprises which is in the area of assembly of vehicles, suffered a hefty blow due to the reduction in customer demand customers as the imposition of higher personal income taxes reduced the disposable income and steep rise in interest rates resulted in a substantial increase in leasing rates. This led to a decline in the buying power of the people and consequently reduced sales during the year.

As a result of the complete collapse of the construction sector during the year due to the slowdown in economic activities, U M L Heavy was unable to sell construction related machinery in the local market.

However, the outlook is becoming more optimistic as economic fundamentals improve. No sooner the transport sector recovered with the availability of fuel and the lifting of the restrictions on spare part imports, we were able to increase the repairs and maintenance carried out at our workshops and also made profits on lubricant sales. Sales of assembled vehicles also rose with the recent reduction in leasing rates.

Following certain far-thinking strategies adopted by the Group, U M L Heavy has been successful in the sales of most of its construction equipment to foreign markets and entered the Maldivian market in a larger way.

We are hopeful that the Government will effect a partial relaxation of imports of certain categories of vehicles during the ensuing financial year.

Future Direction

As the economy stabilises, we will be moving forward with cautious optimism to leverage our competitive advantages, capitalise on growth drivers and pursue operational efficiencies across the board that will fast-track profitability.

I believe that the resilience of a business lies in its ability to not only navigate adverse conditions but also to adapt to them rapidly. I am confident of the ability of the UML Group to continue adapting to changing market conditions while consistently delivering sustainable stakeholder value. The performance delivered to date despite uncertain markets in one of the country's underperforming industries is a testament to our ability to thrive and survive in injurious circumstances.

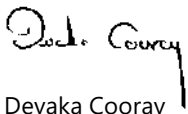
The fortunes of our business have been heavily dependent on policies over the years that have not been favourable to the automobile industry due to their inconsistencies. In order to mitigate the risks encountered by our portfolio, the next years will see the changing of gears to businesses that are less susceptible to a regulatory environment and provide higher value additions and solutions to broader sustainability issues. To further this commitment, we will pursue areas of related businesses that will complement our existing core businesses and enable us to spread the risk. In line with this strategy, we are hoping to introduce locally assembled electric vehicles and mid-size commercial trucks to the market in the coming year.

Chairman's Message

Acknowledgements

I take this opportunity to express my appreciation to my Board of Directors for their vision and guidance that initiated synergistic decisions in a challenging environment and kept us on track. I also thank our Group CEO, Mr. Chanaka Yatawara, who drove far-sighted strategies that optimised operational efficiencies.

This was a year that tried and tested us, none more than our employees, and my special thanks to them for enabling us to navigate through an ambiguous market. In closing, I express my gratitude to our shareholders, business partners and all other stakeholders for their continued trust and loyalty. Our stability over the years would not have been possible without you.



Devaka Cooray
Chairman

30 May 2023

GROUP CEO'S REVIEW OF OPERATIONS



Being able to make an operational Group profit under these circumstances meant that we have made our business significantly more efficient and leaner by maximizing our remaining sources of revenues & margins while keeping cost to a minimum.

Group CEO's Review of Operations

United Motors Group consists of three main companies, two of which are engaged in the automobile and related industries and the third in the construction machinery industry.

Both industries continued to be adversely impacted by the poor macro-economic situation that prevailed in the country. The import ban on vehicles that has lasted for three years is still in force. The construction industry as a whole has come to a standstill due to most public and private sector projects being postponed due to the immense challenges faced by the sector.

With this backdrop, the year was extremely challenging for the Group. Other major macro-economic factors too affected the operation negatively. The 80% devaluation of the currency, interest rates doubling, shortage of fuel, increase in personal taxes, restrictions in forex allocation for imports & the political instability had a severe impact on imports and on consumption of high valued goods.

With so many challenges that affected imports of non-essential goods, the Group had very little opportunities to have a healthy year. We, however ended up making a LKR 553 million profit for UML but unfortunately incurred a Group loss of LKR 131 million which also included some unexpected provisions we had to make.

Being able to make an operational Group profit under these circumstances meant that we have made our business significantly more efficient and leaner by maximizing our remaining sources

of revenues & margins while keeping costs to a minimum. This I believe is a healthier platform going forward into the new financial year.

With the import ban in place, the effect on the industry as a whole was catastrophic, with no sales recorded by the many franchise holders in the country representing international brands. Unimo Enterprises however was one of just two companies that had sales & a high market share in the passenger segment due to the license to assemble locally.

United Motors Lanka PLC (UML)

As the parent company in the Group that represents Mitsubishi vehicles, FUSO & Canter Trucks, the year commenced with plans to scale the after sales and the Valvoline lubricant operation due to the ban on vehicle imports. Our strategy worked well, with UML making a profit of LKR 553 million by the end of the financial year.

The journey however was very challenging with many unforeseen difficult situations having to be faced and addressed. With the shortage of forex in the country, we struggled for several months to get forex allocations for imports of spare parts and lubricants, which were the only available revenue generating streams for the Company. We had to reconsider the mix of customers we served, in order to get better margins with the limited stocks we had. With the shortage of the parts to service our customers, we started to source & collect parts from all other vendors in the country who had imported parts

earlier. This strategy helped us survive during this difficult time & service our customers.

Unimo Enterprises Ltd

We began the year with many expectations for Unimo to deliver healthy profits even under these circumstances as we had a license to assemble the DFSK brand and the demand was promising. The import ban for vehicles doesn't apply for local assembly of vehicles. The challenge in this industry however, is to source components from local suppliers who we have no control over in relation to their compliance to the Standard Operating Procedure (SOP) issued by the Ministry of Industries. Even though it's not our responsibility to oversee these component manufacturers, who are registered with the Ministry of Industries, one such supplier had fallen short of the domestic percentage of value addition. This resulted in a customs inquiry that lasted for over a year, severely affecting our operation & profitability.

We, however didn't stop our efforts promoting the brand and sold over 400 units during the year once the matter was resolved. Today the brand name is well recognized due to our strong marketing activities. We believe the new year will benefit from these efforts.

We are also excited with the approval we have received to assemble JMC light duty trucks. We will be the only company operating in this segment in the short term and hope to commence the operation in June 2023.

Vehicle registrations and market share

Product	2014/15	M/S	%	2015/16	M/S	%	2016/17	M/S	%	2017/18	M/S	%	2018/19
Cars	14,242	592	4%	51,206	947	2%	19,580	2,097	11%	10,400	1,502	14%	8,286
SUV	2,615	441	17%	2,660	691	26%	1,410	208	15%	1,422	141	10%	3,662
D/Cab	1,469	892	61%	1,167	558	48%	1,247	197	16%	758	175	23%	752
S/Cab	4,120	56	1%	4,112	13	0%	3,325	6	0%	910	3	0%	909
Vans	472	121	26%	794	66	8%	595	93	16%	424	9	2%	349
Ambulance	25	2	8%	21	0	0%	106	0	0%	23	0	0%	539
Total	22,943	2,104	9%	59,960	2,275	4%	26,263	2,601	10%	13,937	1,830	13%	14,497

U M L Heavy Equipment Ltd

U M L Heavy is the distributor for JCB construction equipment and generators. The industry as a whole was struggling with construction cost tripling and in addition, due to the Government not settling private companies for hundreds of billions of rupees for over a year. In this scenario most projects were postponed and as a result, there was no demand for machine sales. Most machines owned by customers were idling for years in their own yards without work. This resulted in heavy finance costs for inventory with little income to support the expenses. As a result the Company reported a significantly large loss of LKR 197 million.

The construction industry is however one with high growth potential in any developing country like ours. It is important to continue to build strong relations with our customers even during these difficult times for future sales. Our team put in a lot of effort in after sales to build such strong relationships and also demonstrate that we are a reliable partner to work with under any circumstances.

Overall

The year was extremely tough due to the reasons mentioned above. The Group ended with a loss of LKR 131 million. We are however, satisfied that the UML operation made decent profits and the after sales operations and the lubricant business were able to grow their profits along with many cost rationalization initiatives. Going forward, we believe that we can perform better even with

the prevailing import ban due to the reduced finance cost, that cost the Group approximately LKR 574 million for the year.

In March 2023 this year, the matter with Customs was finally settled and we have commenced our assembly operation after struggling with it for a year. We are confident that Unimo will turn to profitability in 2023/24. We are also looking forward to two other projects under consideration for the Company.

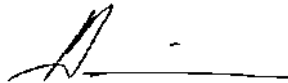
U M L Heavy is going to be the more challenging business due to the complete lack of activity in the industry. We have now moved our focus to the Maldives and have already started operations in the market. We will be more dependent on the Maldives operation in the ensuing year.

Overall, we expect the Group to turn around even in these conditions and be profitable in 2023/24. In addition, we are being slightly hopeful that the import ban will be lifted during the latter part of the year, if Sri Lanka's economy can show progress to the satisfaction of the Government.

Appreciation

In closing, I want to express my gratitude to the Management team for their unwavering support and for working together to achieve the best results under challenging circumstances.

I also want to thank UML Group Chairman, Mr. Devaka Cooray and the rest of the Board for their confidence, understanding and guidance which was critical for us to be motivated during one of the toughest years in the history of UML. We are even more determined in delivering better returns to our shareholders and stakeholders in the coming years.



Chanka Yatawara

*Group Chief Executive Officer/
Executive Director*

30 May 2023

	M/S	%	2019/20	M/S	%	2020/21	M/S	%	2021/22	M/S	%	2022/23	M/S	%
	1,363	16%	3,408	818	24%	2,028	769	38%	858	160	19%	392	49	13%
	455	12%	2,657	508	19%	1,558	647	42%	913	801	88%	965	408	42%
	69	9%	541	158	29%	642	192	30%	119	44	37%	16	5	31%
	2	0%	632	2	0%	126	1	1%	85	0	0%	421	0	0%
	6	2%	96	0	0%	62	0	0%	13	1	8%	7	4	57%
	0	0%	53	0	0%	1	0	0%	99	0	0%	64	0	0%
	1,895	13%	7,387	1,486	20%	4,417	1,609	36%	2,087	1,006	48%	1,865	466	25%

BOARD OF DIRECTORS



From left:

Mr. Devaka Cooray - *Chairman/Non-Executive Director (Independent)*
Mr. Chanaka Yatawara - *Group Chief Executive Officer/Executive Director*
Mr. Ananda Atukorala - *Non-Executive Director (Independent)*
Mr. Ramesh Yaseen - *Executive Director- (After-Sales Services)*
Ms. Hiroshini Fernando - *Non-Executive Director (Non-Independent)*



From left:

Professor Malik Ranasinghe - *Non-Executive Director (Independent)*

Mr. Stuart Chapman - *Non-Executive Director (Independent)*

Ms. Coralie Pietersz - *Non-Executive Director (Independent)*

Mr. Thushara Jayasekara - *Executive Director-Finance*

Ms. Rinoza Hisham - *Company Secretary*

Not pictured

Mr. Junya Takami - *Non-Executive Director (Independent)*

Mr. Ruwindhu Peiris - *Non-Executive Director (Non-Independent)*

Board of Directors

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 the Chairman of Unimo Enterprises Limited, U M L Property Developments Limited and U M L Heavy Equipment Limited.

Mr. Cooray is also an Independent Non-Executive Director of Hatton National Bank PLC, JAT Holdings PLC and HVA Foods PLC. He also serves on the Board of Colombo Medical & General Company Limited, Lanka Tours and Trades (Pvt) Limited and George Steuart & Company 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 was 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	Member - Remuneration Committee
% of Company shares held	0.050
Number of Directorships in other companies	11

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
Number of Directorships in other companies	04

Mr. Ananda Atukorala*Non-Executive Director (Independent)*

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

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

Mr. Atukorala possesses 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, Sri Lankan Airlines, Sri Lankan Catering Limited, NDB Capital Holdings (Pvt) Limited, Unawatuna Boutique Resort (Pvt) Limited, Unimo Enterprises Limited, NDB Zephyr Partners Limited (Mauritius), NDB Securities (Pvt) Limited, The Hill Club Company Limited and Arni Holdings & Investments (Pvt) Limited. He also serves as the Chairman of the National Agency for Public-Private Partnership (NAPPP), Ministry of Finance, Economic Stabilization and National Policies.

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 and 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 and as 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 - Board Audit Committee (resigned w.e.f. 31 March 2023) Member - Nomination Committee Member - Remuneration Committee
% of Company shares held	0.003
Number of Directorships in other companies	10

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 and previous appointments

Mr. Yaseen is a Director of Unimo Enterprises Limited.

He was a former Director of Readywear Industries Limited.

Memberships in Board Sub Committees	NIL
% of Company shares held	0.011
Number of Directorships in other companies	01

Board of Directors

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, Unimo Enterprises Limited, 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 - Board Audit Committee Member - Nomination Committee Member - Remuneration Committee Member - Related Party Transactions Review Committee
% of Company shares held	NIL
Number of Directorships in other companies	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.

He is also the Chairman of the Information and Communication Technology Agency of Sri Lanka

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 - Board Audit Committee Member - Nomination Committee Member - Related Party Transactions Review Committee
% of Company shares held	NIL
Number of Directorships in other companies	03

Mr. Stuart Chapman*Non-Executive Director (Independent)*

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

Ms. Coralie Pietersz*Non-Executive Director (Independent)*

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

Ms. Pietersz is an Associate Member of the Institute of Chartered Accountants in England and Wales, 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.

She counts over 25 years of senior management 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 Peoples' Leasing and Finance PLC R I L Property PLC and Panasian Power PLC.

Previous appointments

Ms. Pietersz was the former Finance Director of Hapugastenne Plantations PLC and Udupussellawa Plantations PLC. 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. Ms. Peitersz also served on the Board of Seylan Bank PLC as a Non-Executive Director for 09 years.

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

Board of Directors

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 experience including Aftersales, Marketing strategy, Product planning, and sales covering different regions such as Europe, Middle East, Africa and South Asia.

Expertise: Automobile

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

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: IT

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	Member - Related Party Transactions Review Committee (<i>resigned w.e.f. 31 March 2023</i>)
% of Company shares held	Nil
Number of Directorships in other companies	01

Mr. Peiris resigned from the Board of United Motors Lanka PLC with effect from 31 March 2023.

Mr. Thushara Jayasekara

Executive Director - Finance

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

Mr. Jayasekara is a 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 24 years of post-qualifying experience as a Chartered Accountant.

Expertise: Finance

Other current appointments

Mr. Jayasekara is also a Director at 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
Number 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 Post Graduate Institute of Management (PIM) 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)



Mr. Shalain De Silva
General Manager
(Marketing)

Senior Management Team

Head of Departments/Deputy General Managers



Ms. Sureshinie Fernando
Deputy General Manager
(Internal Audit & Monitoring)



Ms. Rinoza Hisham
Deputy General Manager
(Human Resources)/Company
Secretary & Legal

Deputy General Managers and Assistant General Managers



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



Mr. Indike Manthilake
Deputy General Manager
(Information Technology)



Mr. Saman Kumara
Assistant General Manager
(Technical)



Mr. Torrel Hopwood
Assistant General Manager
(Special projects)



Mr. Sudhakaran K.Pillai
Assistant General Manager
(Technical)



Mr. Thusitha Gunathilaka
Assistant General Manager
(Branch Operations)

Senior Management Team

Deputy General Managers and Assistant General Managers contd.



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)

Assistant General Managers



Ms. Dharshani Perera
Assistant General Manager
(Finance)



Mr. Auranga Dissanayake
Assistant General Manager
(New Fuso)



Mr. Kumara Abeywardana
Assistant General Manager
(Branches)



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



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

Senior Management Team

Assistant General Managers and Head of Business Unit



Ms. Dilini Pieris
Assistant General Manager
(Human Resources & Administration)



Mr. Wijaya Pathirana
Assistant General Manager
(Engineering)



Mr. Buddhi Dissanayake
Assistant General Manager
(Truck & Bus)



Mr. Asanka Alwis
Business Unit Manager
(3D Printing)

Subsidiaries CEO/DCEO



Mr. Dimuthu Udugamasooriya
Deputy Chief Executive Officer
(U M L Heavy Equipment Limited)

Not pictured

Mr. Mahesh Gunathilake
*Chief Executive Officer/
Executive Director*
(Unimo Enterprises Limited)
Resigned w.e.f. 20 May 2023

Senior Management Team

Senior Management Team/Heads of Business Unit - Unimo Enterprises Limited



Mr. Hemaka Rajapakse
Deputy General Manager
 (Operations)



Mr. Nilantha Nanayakkara
Assistant General Manager
 (Chinese Passenger Vehicles)



Mr. Shirantha Palliyaguru
Assistant General Manager
 (Z100 Passenger Cars)



Mr. Dilip Weerasinghe
Assistant General Manager
 (tyre)



Ms. Nishani Palihena
Assistant General Manager
 (Finance)

Not Pictured

Ms.Thamali Niroshini
Assistant General Manager
 (Perodua)
Resigned w.e.f. 30 April 2023



Mr. Amila Palliyaguru
Head of Business Unit
(K-Car)



Mr. Likshitha Perera
Business Unit Manager
(Glory 330)

U M L Heavy Equipment Limited

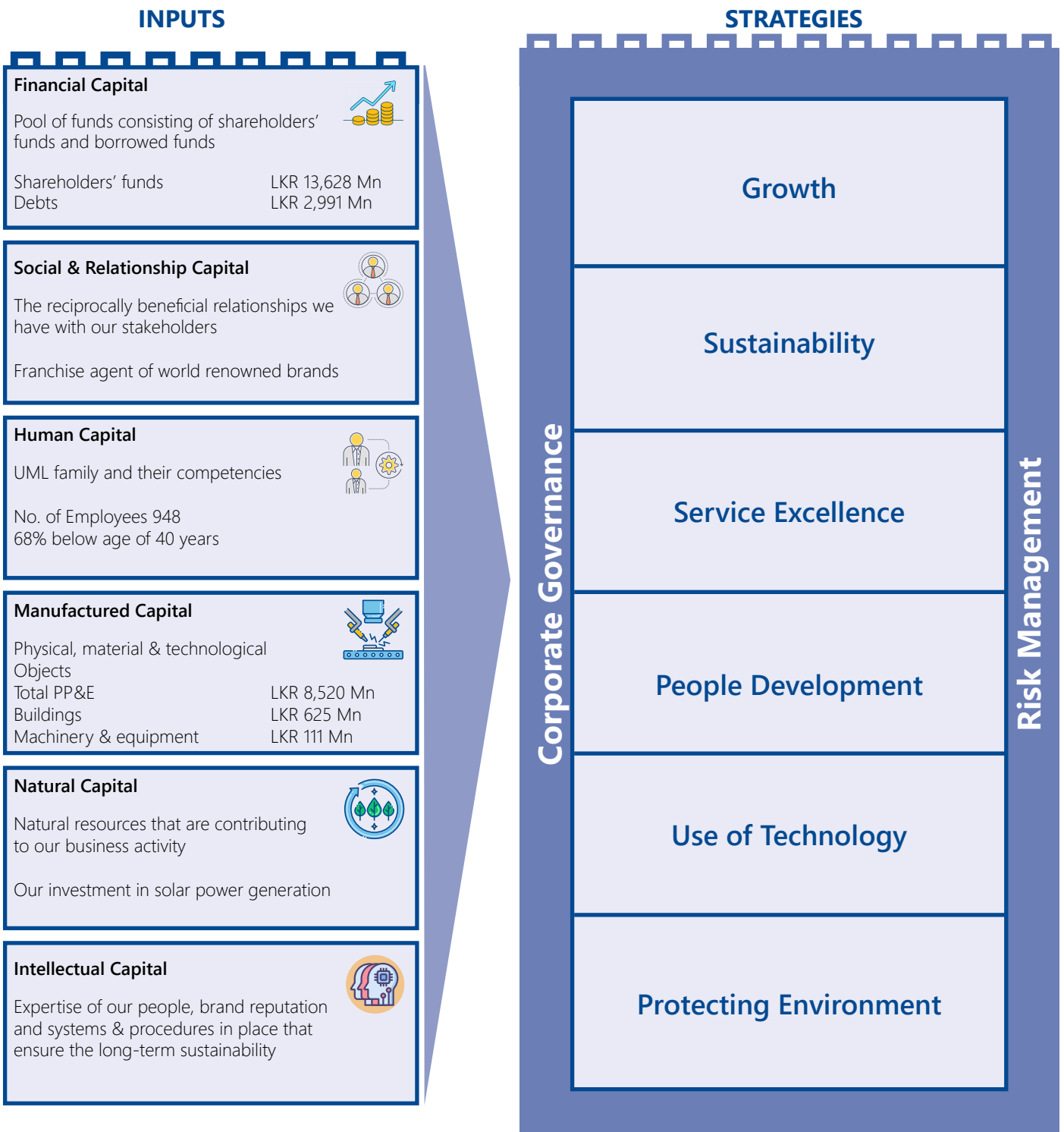


Mr. Iroshan Dhanapala
Assistant General Manager
(Sales)

MANAGEMENT DISCUSSION AND ANALYSIS

Our Value Creation Model

Our value creation model depicts how we create value within the Group to achieve our Vision and Mission. Resources from six capitals are converted using our strategies within a robust Corporate Governance Framework and Risk Management practices through identified activities to obtain desired outcomes to all stakeholders.



Our Vision

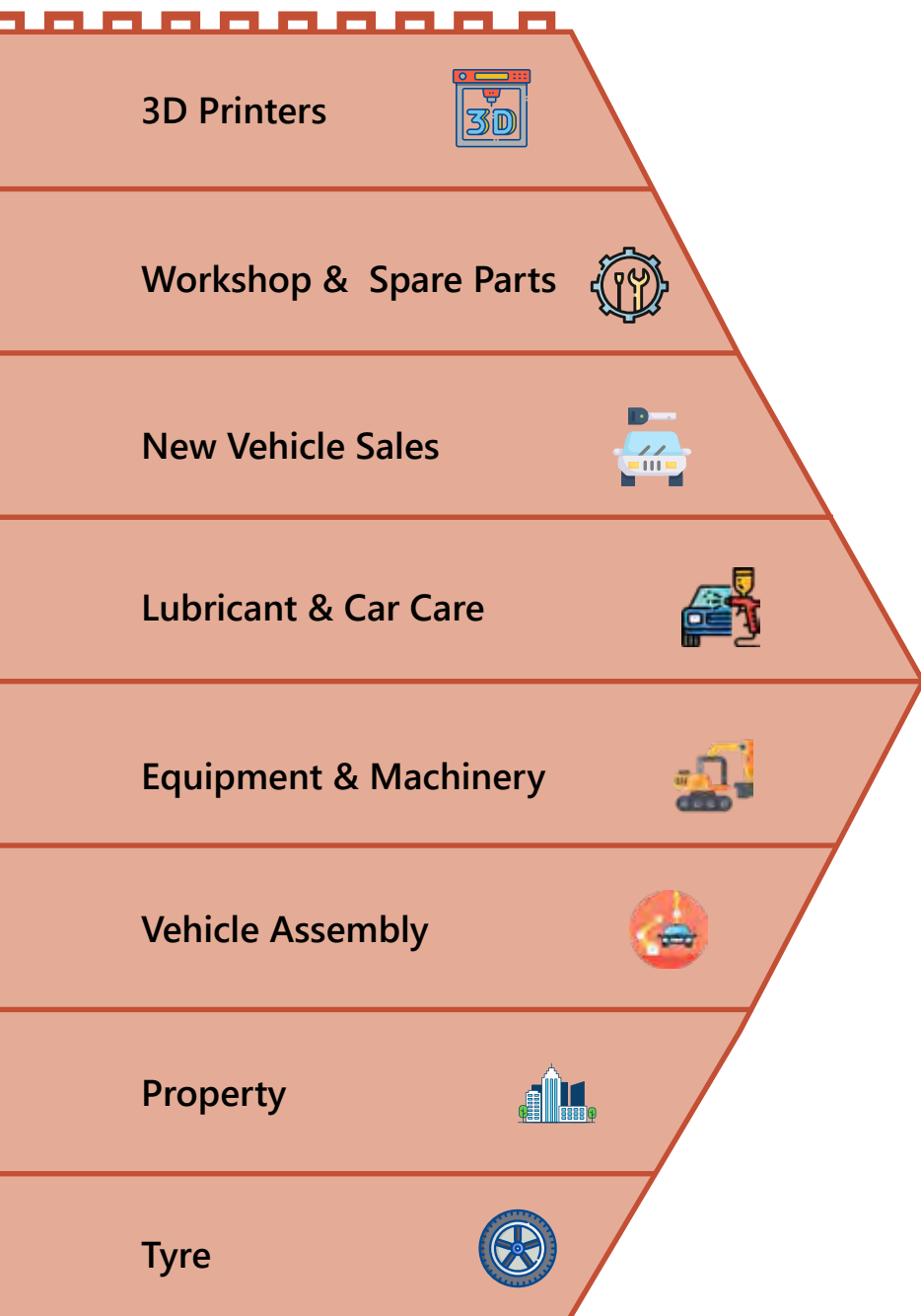
To be the best Company in Sri Lanka through diversification while maintaining the leadership position in the transport industry.

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, whilst ensuring optimum returns to shareholders.

ACTIVITIES

OUTCOMES



Financial Capital

PAT	LKR (131) Mn
EPS	LKR (1.30)
NAV	LKR 135.07
Interest	LKR 663 Mn

Social & Relationship Capital

Customer Satisfaction Index	97%
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Human Capital

Remuneration and rewards	LKR 1,353 Mn
Training hours	6,135

Manufactured Capital

Revaluation surplus	LKR 412 Mn
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Natural Capital

Electricity generated through solar power	2,426 MWh
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Intellectual Capital

Won the Gold Award for the 13th Consecutive year for its Annual Report in the Automobile Category

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.

	Shareholders and investors	Employees		
Stakeholder expectations	<ul style="list-style-type: none"> Financial performance/return on investment Governance Transparency and disclosure Sustainable growth 	<ul style="list-style-type: none"> Job satisfaction Training and development Career advancement opportunities Rewards & recognition Work-life balance Value driven corporate culture Diversity 		
Our Strategic response	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	
<ul style="list-style-type: none"> • Service excellence • Service quality • Affordability of services • Convenience • Rapid response 		<ul style="list-style-type: none"> • Contractual performance • Future business opportunities • Maintaining healthy relationship • Timely settlement of dues • Ease of working • Growth potential 		<ul style="list-style-type: none"> • Commitment to community upliftment • Ethical business conduct • Environmental performance • Responsible business practices • Minimum negative environment impact from the Company operations 	
<ul style="list-style-type: none"> • Maintain service excellence • Effective complaint resolution • Continuous introduction of new products which promote greater customer convenience • Effective marketing and communication • Price competitiveness 		<ul style="list-style-type: none"> • Contractual agreements to promote sustainable procurement • Local sourcing • Engaging in fair and equitable procurement • on time payment 		<ul style="list-style-type: none"> • 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

Russia's invasion of Ukraine and the ongoing war caused severe commodity and energy price shocks and trade disruptions, provoking the beginning of a significant reorientation and adjustment across many economies in 2022. More contagious COVID-19 strains emerged and spread widely. Outbreaks particularly affected activity in economies in which populations had lower levels of immunity and in which strict lockdowns were implemented, such as in China. Although these developments imperiled the recovery, activity in many economies turned out better than expected in the second half of 2022, typically reflecting stronger-than-anticipated domestic conditions. Labour markets in advanced economies, most notably, the United States, have stayed very strong, with unemployment rates historically low. Even so, confidence remains depressed across all regions compared with where it was at the beginning of 2022, before Russia invaded Ukraine and the resurgence of COVID-19 in the second quarter.

On the surface, the global economy appears poised for a gradual recovery from the powerful blows of the pandemic and of Russia's invasion of Ukraine and the subsequent war. China is rebounding strongly following the reopening of its economy. Supply-chain disruptions are unwinding, while the dislocations to energy and food markets caused by the war are receding. Simultaneously, the massive and synchronous tightening of monetary policy by most central banks should start to bear fruit, with inflation moving back toward its targets.

The sudden failures of Silicon Valley Bank and Signature Bank in the United States, and the loss of market confidence in Credit Suisse, a global systemically important bank (GSIB) in Europe, have been a powerful reminder

of the challenges posed by the interaction between tighter monetary and financial conditions and the buildup in vulnerabilities. Amplified by new technologies and the rapid spread of information through social media, what initially appeared to be isolated events in the US banking sector quickly spread to banks and financial markets across the world, causing a sell-off of risk assets.

The baseline forecast, which assumes that the recent financial sector stresses are contained, is for growth to fall from 3.4% in 2022 to 2.8% in 2023, before rising slowly and settling at 3% in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7% in 2022 to 1.3% in 2023. In a plausible alternative scenario with further financial sector stress, global growth declines to about 2.5% in 2023.

Global Auto Industry

The industry is continuing to deal with major global disruptions, not just from COVID-19, but from so many other elements of the global economy. Factors such as the tensions in Asia Pacific and the war in Ukraine have created a climate of uncertainty and hesitation. Then, of course, shortages from microchips to labour are affecting almost every touchpoint along the automotive supply chain.

However, one of the most significant global trends continues to be the industry's focus on the development of electric vehicles (EVs), whether it is improving battery performance or expanding the charging infrastructure. These ambitions are resulting in a significant increase in research and development (R&D) by vehicle manufacturers, who seem to be charging ahead with EV technology despite the many other challenges they currently face.

Passenger car registrations

World Full-year global new car registrations moved back to 2021 volumes at 66.2 million units, assisted by the improvements in semiconductor supplies, combined with a sales recovery in the last quarter of 2022. However, global vehicle demand is still trending well below pre-pandemic levels, and a comparison with 2019 volumes (74.9 million units) highlights how far registrations have dropped. Passenger car registrations in the European region declined by 10.4% during 2022 to 12.8 million units. The main factor impacting the region's performance was again the shortage of semiconductors. In addition, the war in Ukraine continued to hold the Eastern European market back, with major declines in the countries directly involved in the conflict: Ukraine (64.7%) and Russia (62.7%). Despite a slight rebound in the final quarter of

On the surface, the global economy appears poised for a gradual recovery from the powerful blows of the pandemic and of Russia's invasion and Ukraine and the subsequent war. China is rebounding strongly following the reopening of its economy.

2022, full-year sale volumes in North America were down 8.7% compared to 2021, at 12.7 million units. The same trend was observed in the US, where passenger car sales contracted by 9.2% during 2022, affected by supply chain and logistics issues. Demand for cars in South America during the last year was up by a modest 1.8%, with nearly 2.8 million units sold. Brazil, the region's largest market, managed to close flat year-on-year, thanks to a recovery in the last quarter. Japan's passenger car sales were down by 5.1% compared with 2021, as higher energy prices, combined with depreciation of the Yen, led to a decline in real disposable income affecting vehicle sales. On a similar note, South Korean new car registrations declined by 3.0% in 2022 compared to a year earlier. Demand in China increased by 7.6% year-on-year to 21.7 million cars sold, reflecting some payback from brought-forward demand. The withdrawal of Government electric vehicle incentives by the end of 2022 helped to convince customers to make their purchases within the year. Indian passenger car sales grew by 23.1% in 2022, reaching 3.8 million units, as an accumulation of savings combined with lower interest rates convinced customers to buy new cars. An increasing preference for personal mobility was also an important driver of this growth.

Passenger car production

World Passenger car production in Europe fell by 1.6% in 2022, with contrasting underlying trends between the European Union and Eastern Europe. The EU contributed to an increase in production levels, with a gain of 7.1% for the full year. However, overall volumes across the region were significantly impacted by the collapse of the Russian and Ukrainian markets, which were down 67.4% and 79.7% respectively. Despite ongoing supply chain and logistics challenges, North American car production rose by 10.3% in 2022 compared with the previous year, reaching a total of 10.4 million units. This growth was primarily

driven by strong demand for new vehicles in the US, the region's largest market, which led to an 11.7% increase in its production to 7 million units. South American volumes maintained a positive trend during the second half of 2022. As a result, full-year performance remained solid, with more than 2.1 million cars produced, up 9.1% compared to 2021. Reflecting this trend, production in Brazil increased by 6.1% to nearly 1.8 million units. As a result of stronger production in the third quarter of 2022, Japanese output remained on a par with 2021 volumes at 6.6 million units. South Korean passenger car production grew by 7.6% to 3.4 million units as export recovery and growth in domestic demand led to an increase in production. As lockdowns were lifted and with demand strongly stimulated by Government incentives, vehicle production rapidly recovered in China, despite logistics and supply chain pressures. As a result, Chinese car production increased by 11.7% last year, with 23.2 million vehicles built, representing 34% of global production. Boosted by robust domestic demand and higher consumer confidence, Indian car production reached 4.3 million units in 2022, resulting in strong growth of 21.6%. Overall, more than 68 million passenger cars were manufactured worldwide in 2022, an increase of 7.9% from a year earlier. This was nonetheless still 5.6 million units below pre-crisis production levels in 2019.

Sri Lankan Auto Industry

With the import ban on motor vehicles continuing throughout the year under review, RMV registrations which peaked at 86,880 units in 2015/16 dropped to all time low and was recorded at 2,685 units in financial year 2022/23. This was a slight drop from 2,803 units registrations last year. These numbers were also dominated by assembled vehicles. Highest registrations were in SUV category with 965 vehicles. UML Group registered 471 units at RMV during the year which was 18% of the brand new vehicle registrations

during the year under review. Though the Government has announced that import ban on large number of items will be lifted from June 2023 it is very unlikely that motor vehicle imports will be allowed at this moment in time. As a result, brand new vehicle importers are likely to have challenging environment where they will have to maximize on after sales & spare part sales until ban on vehicle imports are lifted.

Sri Lankan Economy

In the year under review Sri Lanka faced its worst economic crisis since independence. From the first half of 2020 country lost inflows from tourism due to COVID-19 pandemic. Further Government revenues reduced due to substantial tax cuts offered at the beginning of 2020. Ban of chemical fertilizer to move into organic farming without proper mechanism in place, reduced agricultural production substantially. Above factors coupled with economic mismanagement over the years led to the downturn in 2022.

Government of Sri Lanka announced pre-emptive default of foreign debt obligation in April 2022 which resulted in country being downgraded by all international rating agencies.

The Central bank of Sri Lanka removed the US Dollar peg which was at LKR 200 and allowed Sri Lankan rupee to float from 08 March 2022. As a result, Dollar which was at LKR 200 at the time of floating moved up to LKR 367 by end of 2022.

Colombo Consumer Price Index (CCPI) reached all time high of 69.8% in September 2022 on year on year basis. This was as a result of food inflation of 93.7% and non-food inflation of 57.6%. With the gradual recovery of the economy from latter part of 2022 inflation also has decreased. In March 2023 Colombo CCPI decreased to 50.3% on year on year basis with food inflation coming down 47.6% and non-food inflation down to 51.7%.

Management Discussion and Analysis

The Central Bank tightened monetary policy to combat rising inflationary pressures and as a result market interest rates increased substantially during 2022. One-year treasury bill interest rate increased to 30.5% in September 2022. However, with some of the measures taken by Central Bank, market interest rates have come down towards end of the year under review. As at 31 March 2023 one-year treasury bill rate has come down to 24.31% and is expected to come down further.

When the crisis began Government decided to approach IMF for an extended fund facility arrangement. Staff level agreement was reached in September 2022 for a total funding US Dollars 3 billion over 4-year period. IMF Board approved this facility on 20 March 2023 and Sri Lanka received the first tranche of this bailout package few days thereafter.

Tourist arrivals which was badly affected during the COVID-19 pandemic and subsequent unrest in the country recovered towards the latter part of the year. As a result, 125,495 tourist arrivals were recorded in March 2023. Sri Lankan migrant workers' foreign remittances which was badly affected in early part of 2022 started to recover towards latter part of 2022 and early part of 2023. In March 2023 worker remittances were recorded at a two year high of US Dollars 568 million according to the data released by the Central Bank Sri Lanka.

In 2022, the Sri Lankan economy registered its deepest economic contraction since independence. According to the provisional estimate of the department of senses and statistics the real GDP contracted by 7.8% in 2022, compared to the growth of 3.5% in 2021.

With the import ban on motor vehicles continuing throughout the year under review, RMV registrations which peaked at 86,880 units in 2015/16, dropped to all time low and was recorded at 2,685 units in financial year 2022/23. This was a slight drop from 2,803 units registrations last year.

BUSINESS REVIEW

Group Performance

	2022/23	2021/22
	LKR'000	LKR'000
Revenue	10,736,341	12,884,249
(Loss) / profit after tax	(131,091)	315,018

The main business of the Group is import and sale of motor vehicles. The ban on import of vehicles which prevailed right through the year hampered Group performance. Though the assembly of vehicles with local value addition was allowed to continue it had its own problems. As a result, brand new vehicle registrations which in 2015/16 reached 86,880 units dropped to all time low of 2,685 units in 2022/23. Further as the country went through its worst ever economic crisis all macro-economic variables worked against the Group. Specially the rapid rise in the interest rates severely affected the performance in the year under review.

The Group tried to mitigate the impacts of the above by capitalising on vehicle assembly operation, after sales and lubricant & car care sales. All costs were re-looked at and wherever possible non value adding costs were removed.

Despite all challenges faced, group was able to generate a revenue in excess of LKR 10 billion yet again. The LKR 10.7 billion revenue achieved in the year under review was 16.7% less than LKR 12.9 billion recorded in 2021/22. Group loss after tax for the year under review was LKR 131 million as against the Group profit of LKR 315 million recorded in the preceding year. The Group performance reflects the difficult environment in which the Group operated during the year under review

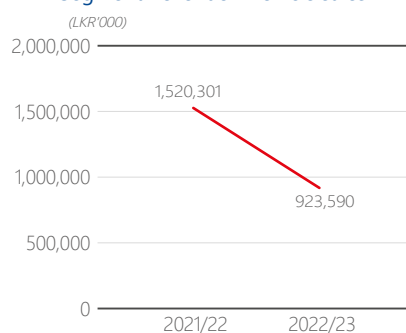
Company Performance- United Motors Lanka PLC

	2022/23	2021/22
	LKR'000	LKR'000
Revenue	4,940,801	5,268,274
Profit after tax	552,516	272,806

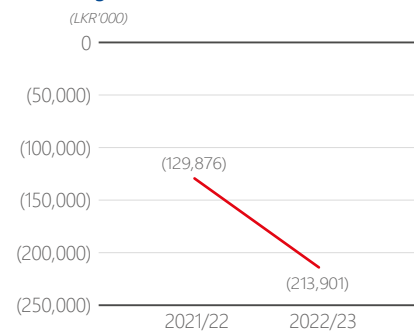
Due to the impact of ban on vehicle imports UML contribution to the Group turnover fell below 50% in the year under review and was recorded at 46%. Despite facing the brunt of economic crisis healthy performance in after sales and lubricant & care operation helped UML to achieve 94% of last year's revenue. Even with all the difficulties and challenges faced during the year the company ended the year on a high with a profit of LKR 552 million in Comparison to the LKR 273 million profit recorded in the year before.

Vehicle Sales Segment

Segment Revenue - Vehicle sales



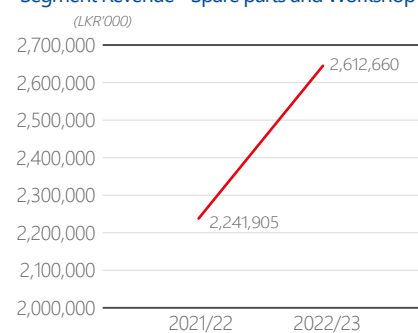
Segment Result - Vehicle sales



The import ban that continued throughout the year affected the vehicle sales segment badly. As there were no new vehicles to sell both Passenger Vehicle Sales division and Truck & Bus sales division moved into selling used vehicles in 2022/23. During the year under review 115 trade in vehicles were sold by both divisions. However, this was not enough to make these divisions profitable. Revenue from this segment came down to LKR 924 million from LKR 1.5 billion a year earlier. This is 39% reduction in turnover year on year. New vehicle sales division and Truck & Bus sales division ended the year with a loss of LKR 214 million which was an increase from LKR 130 million loss incurred year earlier.

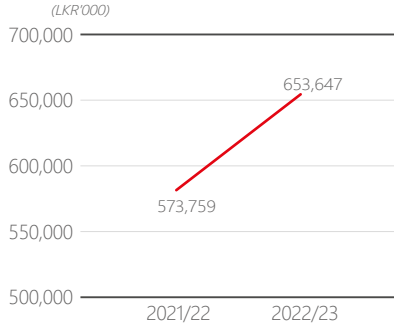
Spare Parts and Workshop

Segment Revenue - Spare parts and Workshop



Business Review

Segment Profit - Spare parts and Workshop



For most part of the year importing spare parts was a major challenge. With Central Bank of Sri Lanka announcing pre-emptive default of foreign debt obligations principals were concerned about securing their payments through the local banking system. Imports had to be done with advance payment to suppliers. However, it is very encouraging to note that with IMF executive Board approving 48-month Extended Fund Facility of USD Dollar 3 billion to support Sri Lanka's economic policies and reforms, situation has improved in all fronts.

Brand new vehicle owners usually tend to get all their repairs and services done by the franchise agent. However, as years go by and vehicle change hands, new owners tend to move away from franchise agents due to lack of knowledge and low cost options. Therefore, the reduction of brand new vehicle sales to 2,685 units and 2,803 units in 2022/23 and 2021/22 respectively had a significant impact on both Spare Part and Workshop operation.

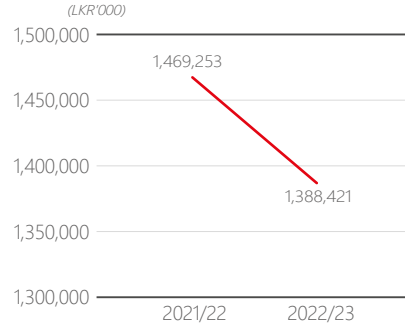
The threat of substitutes for genuine parts business in the country has increased as the consumption of unregulated counterfeit parts and used body parts increased as a result of Dollar appreciation against the Rupee. However, we strive to retain our customers and increase our market share by offering 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.

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 part availability, identifying the closest UML branch to the customer's location, and obtaining technical advice from UML Engineers.

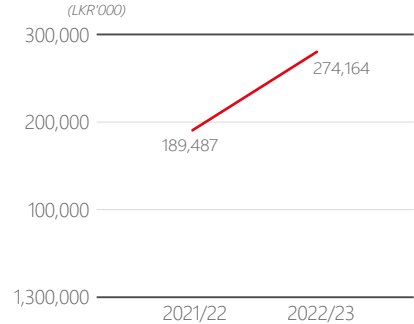
Spare part and workshop operations generated revenue of LKR 2,612 million during the year under review which was 17% higher than last year's revenue of LKR 2,240 million. The profit from the Spare parts and workshop operations increased by 14% from LKR 574 million to LKR 654 million as a result of revenue growth.

Lubricants and Car Care

Segment Revenue - Lubricants and car care



Segment Profit - Lubricants and car care



In 2022/23, the division recorded strong volume and revenue amidst various environmental challenges discussed above. Revenue from lubricants and car care products achieved rupees one billion turnover mark for the second consecutive year and finished at LKR 1.39 billion, which was a 5% decrease over the LKR 1.47 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 of this segment increased to LKR 274 million from LKR 189 million achieved in the year before, which was an impressive increase of 45%. Debtors' collection under the current environment is a very challenging task as many businesses are struggling with cash flow difficulties. However, in 2022/23 the division was able to improve its debtor position considerably while maintaining a healthy collection period.



Special appreciation award from Prestone

UNIMO Enterprises Limited (UEL)

	2022/23	2021/22
	LKR'000	LKR'000
Revenue	5,476,586	6,685,494
Profit/(loss) after Tax	(517,983)	156,249

The impacts of worst economic crisis Sri Lanka went through since independence did not spare UEL as well. Though the Government banned import of vehicles it allowed the local assembly of vehicles.

The rapid increase in market interest rates as a result of economic crisis faced by the country had a major impact on the performance of UEL for the financial year 2022/23. Though the inventories reduced from LKR 3.9 billion as at 31 March 2022 to LKR 3 billion by 31 March 2023 the reduction was not in line with our expectation. Funding this high inventory at very high interest rates that prevailed during the year under review increased net finance cost of the company to LKR 1.044 billion from LKR 134 million a year earlier. This massive increase resulted in UEL making a loss for the year under review.

DFSK division sold 458 i-Auto and 580 vehicles during 2022/23. This was substantial reduction from 693 units sold during the previous year. However, this was 17% of brand new vehicle registration for the year under review. Increasing of leasing interest rates to above 30% during the year under review deterred potential customers from taking the purchasing decision. Further substantial increase in personal income tax reduced the disposable income of potential customers and as a result large number of advance cancellations and potential customer drop outs were witnessed in the year under review. On a positive note leasing interest rates are slowly but surely coming down and giving hope for a better year ahead. During latter part of the year Government decided to allow purchase of locally assembled vehicles for government employee permit and this has increased the demand for both 580 and i-Auto vehicles.

In the year under review Company was able to sell 44 units of Z100 vehicles and 14 units Glory 330 vehicles. However, these numbers were not at all enough for these divisions to have any profit. Perodua division concentrated on buying and selling operation and also were involved in facilitating DFSK sales.

Yokohama tyre division profit reduced to LKR 1.4 million in the current financial year in comparison to LKR 40.5 million recorded last year.

The Customs inquiry that started in 2021 has now been settled and some units that were kept under the custody of Sri Lanka Customs have now been released for sale.

U M L Heavy Equipment Limited (UMLH)

UMLH operations have been badly affected by the economic downturn in the country. The construction industry was probably the worst hit by the economic crisis as the Government decided to put on hold most ongoing constructions as well new constructions that have been planned. Majority of contractors haven't been paid by the Government for work already done and as a result most contractors were facing huge cash flow difficulties. Commercial banks were also reluctant to fund contractors further due to cash flow woes of the contractors. The private sector construction projects too have been struggling with the significant

escalation of raw material costs, lack of fuel to operate machinery and to transport workers to project sites.

Above negative conditions faced by our customers in turn badly affected our performance.

	2022/23	2021/22
	(LKR '000)	(LKR '000)
Revenue	406,266	1,009,458
Loss after tax	(197,182)	(71,990)

The Company generated revenue of LKR 406 million during the year under review which was a drastic reduction of 60% from last year's revenue of LKR 1 billion. Loss after tax for the year under review also increased to LKR 197 million from LKR 72 million year earlier. This was mainly due to the higher interest expense of LKR 176 million in the financial year 2022/23 compared to the interest expense of LKR 29 million year earlier as a result of very high market rates that prevailed due to economic crisis.

JCB New Machine Sales Business

	2022/23	2021/22
No of Units	16	88
Revenue (LKR '000)	286,434	878,447

Though JCB heavy line machines are new to the market compared to other long-standing brands, we have been able to increase its awareness in the market with increased coverage and credibility among leading contractors. Strategies are in place to increase the total market share by following "market development strategies" such as developing the market through expanding coverage Island wide and targeting single business owners in rural markets.

The post COVID-19 impacts together with economic downturn in the country were huge challenges for the Company to complete the expected

Business Review

market coverage. Irrespective of the limited resources we had deployed, in order to manage the cost, our coverage was far above the competition.

Amidst many challenges in 2022/23 we were able to sell 16 new machines during the year under review. This was significantly low compared to 88 machines sold last year. The division had generated a revenue of LKR 286 million in 2022/23 which was a significant decrease of 67% compared to the revenue of LKR 878 million in the previous financial year.

Export Market

	2022/23	2021/22
No of Units Exported	14	11
Revenue (LKR '000)	227,398	88,212

Despite many challenges in 2022/23, Export Sales Business has shown growth during the year. Due to the lack of operations in the construction industry, the contractors and machine owners have started to resell/ export their machineries in order to manage their costs and cash flows. The company was able to export new machines to Maldives and United Kingdom as well. Among them was the biggest excavator of the JCB product range JCB 380. Company exported 14 units for the year under review, which was an improvement from the 11 units sold last year. UMLH export business generated a revenue of LKR 227 million in 2022/23 compared to the LKR 88 million recorded in the previous financial year.

Maldives JCB Dealership Business

Maldives economy is highly dependent on the construction industry and its contribution to GDP is quite considerable. Understanding the potential of the Maldives market, since its inception UMLH have been interested in it but started focusing on Maldives from 2019.

The initial market size of Maldives was approximately 20% of the Sri Lankan market but with drastic decrease in imports in Sri Lanka due to the foreign exchange crisis and economic crisis, the Maldives market is now closer to 35% of the Sri Lankan Market. UMLH has got significant contribution from the Maldives market, throughout the last four years with the dedicated follow-up and visits to the market. We have understood that physical presence in Maldives is not feasible and also not required to penetrate the market there.

JCB India (JCBI) wanted the physical presence of their agent in Maldives and as UMLH was not willing to have physical presence in Maldives they appointed new dealer for the market in the year under review. However, they agreed to allow UMLH to serve existing inquiries during next year. As a result of the above move by JCBI, UMLH has managed to get the "LiuGong China" dealership for Maldives. LiuGong offers a wide range of products, special pricing and new growth strategies with which we expect to increase the market share gradually with new principal. With Sri Lankan construction industry yet to take off we will have focused attention to sell more units in Maldives in the coming year.

Used Machine Sales Business

	2022/23	2021/22
No of Units	4	3
Revenue (LKR '000)	32,471	31,100

2022/23 was a challenging year for used machinery sales also due to economic downturn. Most of the leading construction companies started to export their machines to various countries and in most times below the cost. UMLH has developed a used equipment yard targeting rural machine owners to display their machines in the yard. UMLH will facilitate foreign buyers to visit and inspect used machineries in this yard.

UMLH was able to export one used road roller to Netherland as well as two used backhoe loaders to United Arab Emirates. The division generated a revenue of LKR 32 million during the year under review which was a 4% increase from last year's revenue of LKR 31 million. Due to high number of small timers in this business, keeping a healthy margin is a challenge.

The product portfolio for the next financial year will comprise of used backhoe loaders, used excavators and used road rollers. 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 and After Sales Business

	2022/23	2021/22
Spare Parts Revenue (LKR'000)	38,132	21,566
Workshop Revenue (LKR'000)	39,710	38,847

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. UMLH Spare parts business has also grown by supporting JCB customers for their warranty replacements and minimizing the downtime of JCB equipment supplied by UMLH.

JCB Spare Parts revenue and Workshop Revenue will be main components in total revenue in the coming years. During the year under review, the Spare parts division made a revenue of LKR 38.1 million compared to LKR 21.57 million recorded in the previous financial year. Further, Revenue generated from workshop repairs also increased to LKR 39.7 million in 2022/23 from LKR 38.8 million recorded in 2021/22.

JCB Power Generator Sales Business

	2022/23	2021/22
No of Units (Direct/Facilitation)	14	13
Revenue (LKR '000)	9,528	39,477
Commission Income (LKR '000)	2,722	-

UMLH started Power Generator Business in 2019 under the JCB Brand. JCB generators are quite new to the Sri Lankan market compared to reputed European, Indian and Japanese brands available in Sri Lanka. In 2022 with the sudden power cuts due to the economic crisis, the market for power generators increased. However, due to lack of foreign exchange in some cases we linked local customers with JCB India for direct imports. UMLH is planning to capitalize on the opportunities already created in Power Generator Market during the next financial year.

Until the local construction industry re-ignite with Government leading the way, the Company is looking to whether the storm by cutting down on non-value adding costs and maximizing efficiency across the Company. We will also look to penetrate in to niche markets like power generator business and annual service contracts for non JCB brands. Further until construction work pick up in Sri Lanka we will be concentrating more on Maldivian operation.

FINANCIAL CAPITAL

Financial capital is the life blood of any business and it is represented by the pool of funds consisting of shareholders' funds and borrowed funds. These resources are used to achieve short-term and long-term goals of the Group.

We as a Group always looked to reduce borrowing costs while ensuring we have enough and more facilities available to drawdown in case of a need.

Extracted from Statement of Financial Position - Group

Year ended 31 March	2023 LKR'000	2022 LKR'000
Non-current assets	10,007,635	9,368,539
Current assets	9,150,304	11,030,280
Total assets	19,157,939	20,398,819
Equity	13,628,371	13,879,282
Non-current liabilities	1,210,085	809,258
Current liabilities	4,319,483	5,710,279
Total liabilities	5,529,568	6,519,537
Net Asset	13,628,371	13,879,282
Net Assets per share	135.07	137.55

Group Total Assets were at LKR 19.2 billion at the end of the review period which was a reduction from total asset position of LKR 20.4 billion achieved a year earlier. Group Net Assets were at LKR 13.6 billion as at 31 March 2023 which is a decrease of LKR 251 million in comparison to last year. Group interest-bearing borrowings increased from LKR 1,857 million to LKR 2,926 million during the financial year 2022/23. Interest-bearing borrowings mainly consist of short term loans obtained by subsidiary companies to fund working capital.

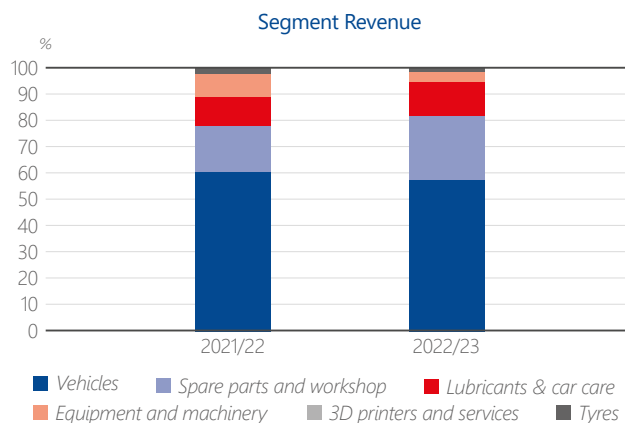
Net asset per share of the Group decreased slightly from LKR 137.55 per share to LKR 135.07 per share. Current ratio of 2.12 and quick assets ratio of 0.84 shows that UML Group has a sound liquidity position.

Segment Revenue

In a highly unfavorable environment for the auto industry, the Group recorded a revenue of LKR 10.7 billion for the year under review, which is still a drop of 17% in comparison to LKR 12.8 billion revenue recorded last year.

Locally assembled vehicles were the main contributor to the Group vehicle sales segment. However, the segment witnessed a revenue drop of 21% under the prevailing circumstances and recorded a segment revenue of LKR 6.2 billion during the year under review. Despite conducting operations under adverse macro-economic conditions, Spare Parts and Workshop segment and the

Lubricants and Car Care segment delivered a steady growth contributing to 37% of the total Group revenue against the 28% in previous financial year. Equipment and machinery, 3D Printers and Services and Tyres segments recorded revenue drop when compared to last financial year.



EBIT and EBITDA

	2022/23	2021/22
PBT - LKR'000	(312,436)	449,235
PAT - LKR' 000	(131,091)	315,018
EBIT - LKR'000	350,267	525,964
EBITDA - LKR'000	532,665	747,725

Earnings per share -

Basic and diluted	(1.30)	3.12
Dividend per share	1.50	2.50

Group EBIT and EBITDA values decreased over previous financial year mainly due to import ban on vehicles, import restrictions of spare parts and lubricants, high inflation, high interest rates and currency depreciation that prevailed during the year under review. Increased personal income tax rates reduced the disposable income of people which in turn resulted in demand drop.

Expenditure

	2022/23 LKR' 000	2021/22 LKR'000	Increase/ (decrease)
Administrative expenses	2,506,293	1,818,301	37.8 %
Distribution expenses	380,575	421,510	(9.71 %)
Finance cost - net	574,299	(9,884)	5,910 %

During the year under review the Group continued to focus on cost management, effective utilization of resources and fair treatment of our valued employees.

Administrative Expenses

Colombo Consumer Price Index (CCPI) increased to 69.8% on year-on-year basis by September 2022. The CCPI was at 18.7% on year-on-year basis in April 2022. The steep rise in inflation is a reflection of the general price levels in the country. Among these were the huge price increases in Electricity, Fuel and water. In the financial year 2022/23, administrative expenses increased by 37.8 % compared to year earlier mainly driven by above mentioned price increases.

Distribution Expenses

Due to vehicle import ban and negative business sentiments that prevailed during the year under review distribution expenses decreased by 10% from LKR 422 million to LKR 381 million. However, we continued to spend on promoting Heavy Machines in Maldives and DFSK vehicles in Sri Lanka. Due to the situation that prevailed in the country social media became the most important medium to reach customers.

Finance Expenses

Average Prime Lending Rate (AWPLR) which was at 9.71% at the start of the year increased to 29.67% by November 2022 and then gradually declined to end the year at 21.4%. United Motors maintained a substantial cash balance though Unimo Enterprises Ltd and UML Heavy Equipment Ltd had to borrow substantially for their operations. The borrowings of the two subsidiaries outweighed the cash balance at United Motors and as a result the group ended with Finance Cost of LKR 574 million for the year under review. This was a drastic change from a net finance income Group had a year ago.

Earnings Per Share and Dividends Per Share

	2022/23	2021/22
	LKR'000	LKR'000
Net Assets Value per share (NAV)	135.07	137.55
Earnings Per Share (EPS)	(1.30)	3.12
Dividend Per Share (DPS)	1.00	2.5

For the year under review, Earnings Per Share was LKR (1.30) corresponding to the LKR 3.12 recorded last year. For the year 2022/23 an interim dividend of LKR 1.00 was paid in May 2023 final dividend of LKR 1.25 was proposed by the Board of Directors for the year ended 31 March 2023 which is to be approved at the forth coming Annual General Meeting.

MANUFACTURED CAPITAL

Manufactured capital is the collection of physical, material & technological objects that are available to a company to use in achieving its short term and long term goals. It includes investments in property plant & equipment and the quality of information and communication technology used across the Company.

Property Plant & Equipment

During the year under review to maintain our high standards in attending to repairs and maintenances of customer vehicles UML invested LKR 12 million in machinery and tools. Bringing in latest technology to our business we invested further LKR 6.5 million in purchasing computers. Office equipment worth LKR 4.5 million was also acquired in 2022/23. Infrastructure upgrade for the paint booth at Ratmalana was carried out at a cost of LKR 3.2 million during the year under review.

The Group had a healthy property plant and equipment balance of LKR 8.5 billion as at 31 March 2023. This includes LKR 7.5 billion investment in freehold land. This mainly consists of freehold lands at Hyde park corner, where our head office is situated, Orugodawatte where our main workshop is located and Ratmalana where our latest state of the art workshop is located. As at 31 March 2023 Investment in Buildings amounted to LKR 1 billion.

Due to the prevailing import ban on vehicles we have not expanded our branch network. In fact, we are in the process of withdrawing from branches which are dedicated for sales and are not adding value to our current operation. However, we have spent considerable amount of money in maintaining our latest workshop at Ratmalana, our biggest workshop at Orugodawatte and other workshops around the country.

With the successful implementation of 2 MW rooftop solar power plant UML considered other workshops for possible rooftop solar systems. Accordingly, Kurunegala, Matara & Ratnapura workshops were identified for second phase. Work has commenced on all three projects in the year under review and are expected to be completed in the financial year 2023/24. This project is expected to generate approximately 700kW.

Investments in Technology

Realizing the importance of bringing latest technology to our Group we invested in SAP, one of the leading ERP solutions in the world in 2018. The substantial investment made is bearing fruit now. Through the annual maintenance agreement, we maintain an upgrade the SAP system to fulfil changing expectations of both our internal customers and external customers.

UML Mobile App

In order to engage with our customers in a smooth manner, UML has developed a mobile app. It can schedule services, mechanical repairs, and accident repairs at the convenience of the consumer. Without placing a single phone call to any of the sales staff located near the UML branches, spare parts quotations can be received via the mobile app. Every single consumer is covered for any malfunctions as per our business culture. For any emergency vehicle breakdowns, a customer can use the mobile app to send a transport carrier to their location with only one request.



SOCIAL & RELATIONSHIP CAPITAL

Customer Engagement

The UML Group is proud to have maintained its customer-centric approach to business both during and after the COVID-19 pandemic. While the group relied heavily on digital channels to reach customers in the past few years, it successfully expanded its reach through a mix of digital and traditional mediums, such as TV, radio, and outdoor promotions.

However, in a bid to adapt to the ongoing import restrictions, many business units within the Group shifted their focus to pre-owned vehicle sales, which required a new advertising and promotional strategy to attract the right customer segment. Digital channels were especially effective for this purpose, allowing customers to make faster decisions and shop for vehicles at their convenience. These operations, which first began as UML Group brands, further extended to the sale of multi brands.

In addition, the locally-assembled brand new DFSK SUV brand used a mix of channels to reach a wider audience.

The Group also continued to invest in building the Valvoline lubricants brand, engaging with channel partners supporting them with an aggressive signage drive around the country and recognizing their top performers.

The Group's after-sales service also enhanced its digital presence, actively engaging with customers via social media

and offering special promotions to encourage the use of its state-of-the-art facilities. Customers were educated on the benefits of choosing UML Group for reliable after-sales services, and online service booking facilities were promoted as a fast and convenient option.

Furthermore, as the construction industry in the country faced a standstill due to the economic crisis, UML Group expanded its reach by venturing into new markets, such as the Maldives and other key international destinations, to market its construction equipment of JCB and the newly appointed agency LiuGong.



"Valvoline Champions Night" award ceremony held at Kandalama hotel

Reaching Our Customers

Remaining within easy reach of customers is critical. UML Operates 13 physical locations around the island, providing clients with convenience in purchasing vehicles, spare parts, or obtaining any after-sales services.



During the year under review, the centralized call center was enhanced with physical and human resources. This was with the intention of delivering superior customer service. Through the use of the company's Call Center, UML maintained continuous dialogue with consumers in order to determine the level of satisfaction they experienced with the company's products and services and to solicit their comments.

This assisted in taking the essential measures for the improvements that were required. During the period under consideration, the customer service call center had interactions with 69,224 current and potential clients.



Social & Relationship Capital

Group's brands are represented through 46 social media channels and 3 websites providing customers with access to information on the Company's products and services 24x7.

Number of social media platforms increase during the period due to the expansion of JCB certified overseas business & LiuGong brand. Dedicated platforms were set up for overseas markets, which reached to customers in Maldives, Vietnam, Philippines, UAE, South Africa & Mexico with localized content.

Keeping up with the emerging trends, the Group entered in to TikTok with the objective of engage with the younger audience. 1,905,236 customers engaged the company through the social media platforms.

Group's 3 websites were optimized to provide customers more user friendly browsing experience. The sites attracted 95,350 visitors during the year.



UML also commenced outdoor activations with the lifting of social distancing guidelines. Several promotions were held at prominent locations in Colombo and outstation areas. Customers were able to physically inspect the vehicle and go for test drives, both of which helped speed up the decision-making process over the purchase.



United Motors, United Automart & U M L Heavy websites



United Automart vehicle display at the CMTA per-owned fiesta



DFSK Display at One Galle Face Mall

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

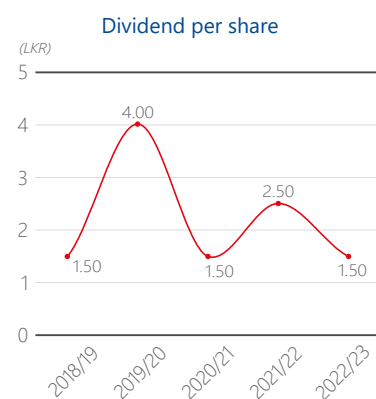
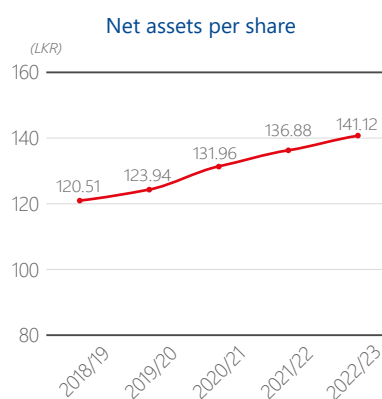
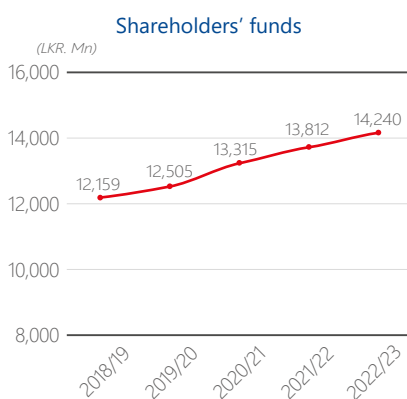
The entire business is modelled to create sustainable value to all stakeholders and the key portion of the value created through business is distributed to our shareholders as its primary stakeholders.

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.

	2018/19	2019/20	2020/21	2021/22	2022/23
Shareholders' funds - Company (LKR million)	12,159	12,505	13,315	13,812	14,240
*Dividend per share - Company (LKR)	1.50	4.00	1.50	2.50	1.50
Net assets per share - Company (LKR)	120.51	123.94	131.96	136.88	141.12
Market capitalization - Company (LKR million)	6,740	4,581	5,822	5,560	6,044

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



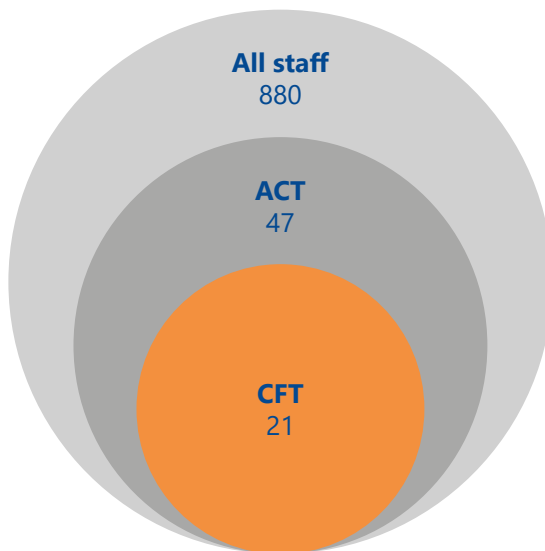
Social & Relationship Capital

අපි United to serve

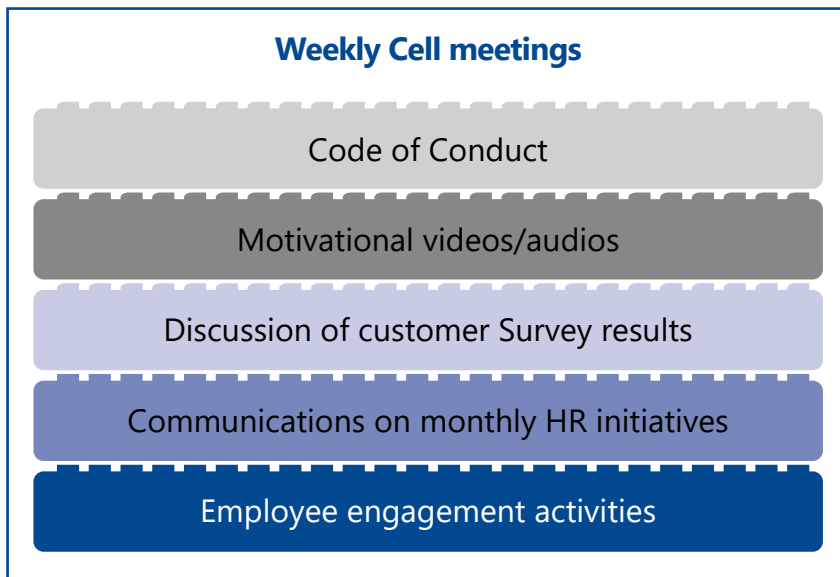
The “අපි United to serve” is an internal initiative aiming to transform United Motors Group into a customer-centric organization by improving customer care at all levels of the organization.

The engaged staff in an organization will be motivated to serve the customers better and helps to enable a customer-centric culture.

The CFT (Cross Functional Team), which is the driving force of the “අපි United” front, continues to initiate events and programmes to achieve their main goal of customer satisfaction. The CFT entails highly energetic individuals striving toward the organization’s success through various methods and activities which continue to drive the main purpose. The Accelerated Care Team (ACT) comprises 47 members representing the entire Group, nominated as leaders of their cells. ACT is responsible for implementing and sustaining the internal and external customer care initiatives introduced by the CFT in their respective cells.



Structure of අපි United to serve



Cell Meetings

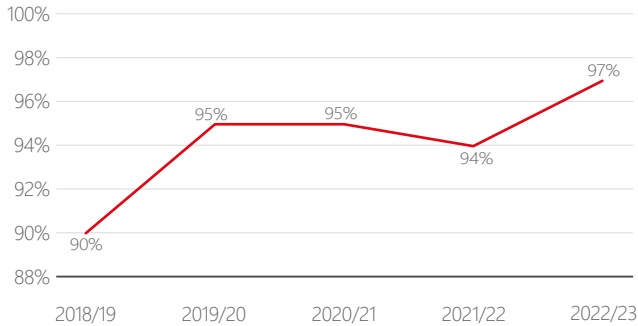
To enhance and maintain the level of service throughout the Group, cell meetings are conducted in all 47 cells every Tuesday by the respective ACT members. At these meetings in addition to the regular agenda of reading of the pledge and the Code of Conduct, Q&A sessions, and playing videos/audios on customer service/motivational themes, the cell members also take part in several activities initiated by CFT, such as discussion of customer survey results, sharing/communication of monthly HR initiatives, and employee engagement activities.

Many employee engagement activities were conducted through the CFT to motivate staff to strive towards high customer satisfaction.

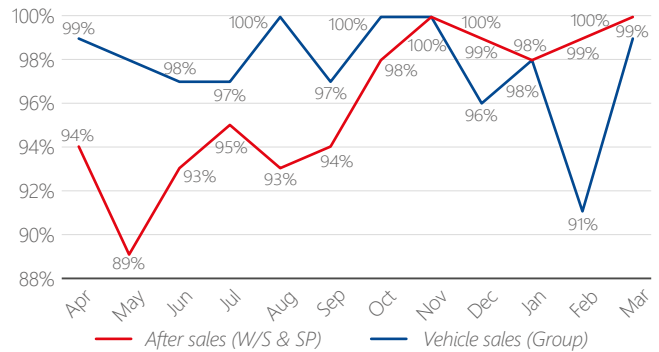
External and Internal Customer Surveys

External Customer Surveys are carried out to evaluate and analyze customer satisfaction as a base Index throughout the organization. Being a customer-centric organization that is driven by serving and sustaining a loyal customer base, the CFT attempts to maintain a high customer satisfaction rate. The satisfaction levels of the customers are measured by conducting comprehensive call surveys by a special team on products and services offered by the Group.

Overall customer satisfaction index



Analysis of external survey results - 2022/23



No. of surveys	Satisfaction level
After-sales - 2,193	96%
Sales - 277	98%
Total - 2,470	97%

Whilst evaluations are conducted for external customers, internal customer surveys are also carried out to evaluate the customer service of the staff members of the Group towards their colleagues. Starting from telephone etiquette, grooming etiquette, level of response to internal customers as well as the maintenance of their working environment are evaluated through this surveys. The sole purpose of conducting both external and internal customer surveys is to ensure that the employees of United Motors Group are fully equipped and ready to serve and delight the customers to achieve a high standard of customer satisfaction.

Exceptional Customer Service

Based on the customer feedback we received via emails, letters, and messages, we identified several staff members from different divisions who have provided a “Wow” service to their customers. The respective customer feedback and the appreciation message for such staff were communicated to all staff members via emails and social media platforms within the Group to encourage other employees on the same.



Appreciation for “Wow” service

Social & Relationship Capital

The centralized customer service division that was initiated by the CFT during the year acts as an interface between the Company and the customers and handles all surveys, complaints and social media inquiries.

The Complaint Management System ensures that complaints received from customers are attended to and resolved within 48 hours.

At the ACT gathering this year, in addition to the routine training, all ACT members who served **අයි United** for more than five years were also recognized.



ACT gathering

Way Forward

We are in the process of looking for new ways of practicing several activities to uplift the message of service excellence while ensuring the satisfaction of our employees. As a company having a mission to create lifelong relationships with customers, the CFT has planned several employee engagement activities to make them committed for excellence with the highest level of integrity. Further, customer-centric functions, processes, and activities are also in line to provide high-quality service, having the ultimate goal to make United Motors Group the best company in Sri Lanka in the transport industry.



අයි United team

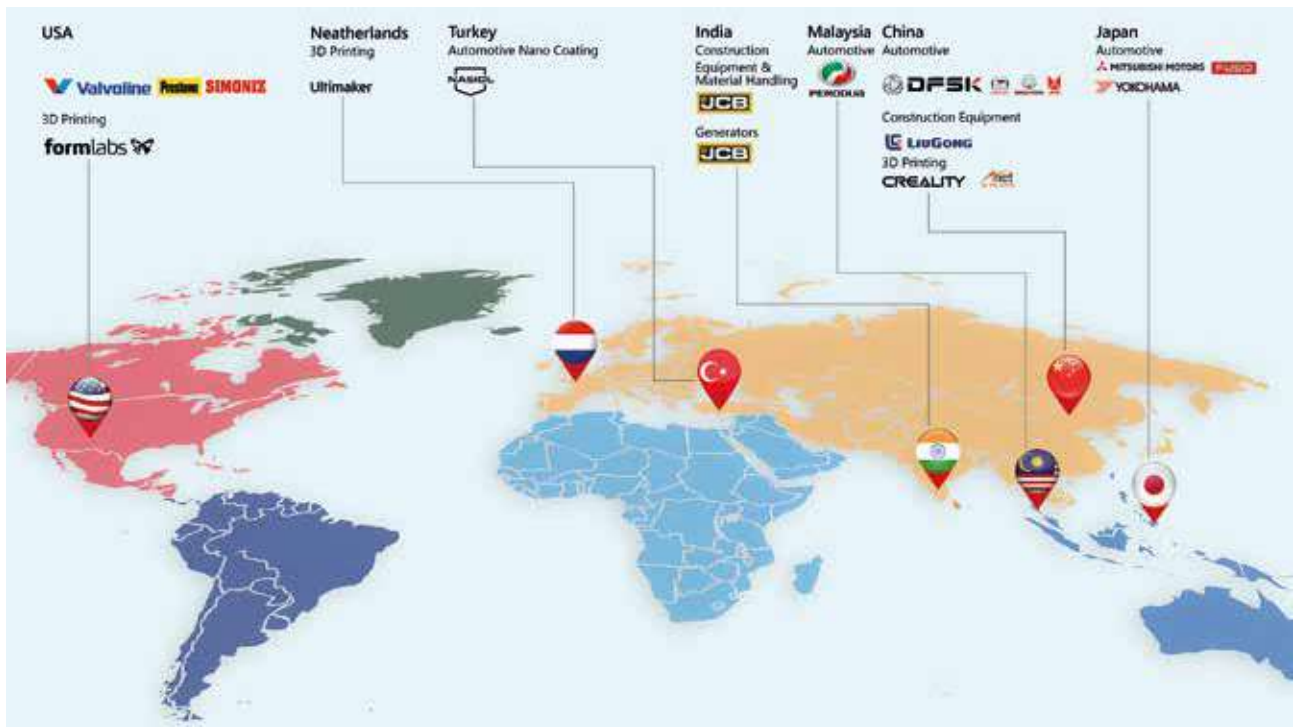
Our Partners

The UML Group has leveraged the decades of experience for which it is renowned to strengthen its operations through strategic alliances with some of the world’s most prestigious brands. Over the years, UML has established and nurtured strong partnerships with companies and brands that embody exceptional core values, unparalleled product quality, and cutting-edge technology.

In collaboration with our partners, we introduce new products to the market while conducting research to provide local customers with the most suitable options. It is our long-standing relationships with our partners that enable us to strictly adhere to industry best practices, both locally and globally.

We meticulously select our local suppliers - those who can meet our principals’ requirements and standards while observing a rigorous quality policy - to ensure that the Group always receives products and services of the finest quality.

Lubricants & Car Care



HUMAN CAPITAL

We at United Motors strongly believe that our people are the cornerstone of our success and we recognize human talent as one of the key drivers of innovation, growth and stability. In order to stay abreast with the challenging environment, the Company continuously invests in acquiring, building and retaining the best talent. Having a competent team of professionals and skilled staff contributed to the success of the Group over the years.

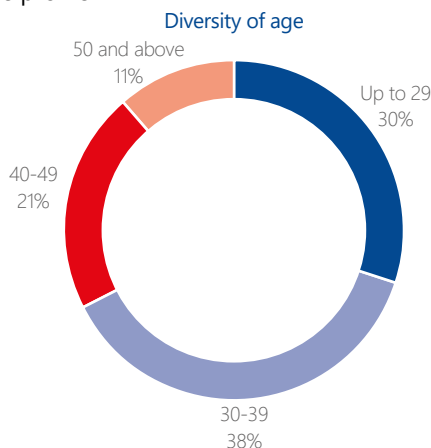
A variety of financial and non-financial benefits are on offer to ensure employee development, recognition and retention. This, in turn has benefitted the Company in terms of enhanced employee productivity and their long-term commitment to the Company.

Team United

The "Team United" comprises of 948 employees with diverse capabilities, skills and knowledge. We always encourage young talent to join our team and as a result, the majority - 68% of the employees are in the age group of 20-39. Development of human capital since the inception of our company had enabled growth in our profitability and sustainability in the industry.

Category	Senior management	37
	Managers & Executives	327
	Non-Executive	584
Types of employment	Permanent	920
	Contract	28

Employee profile

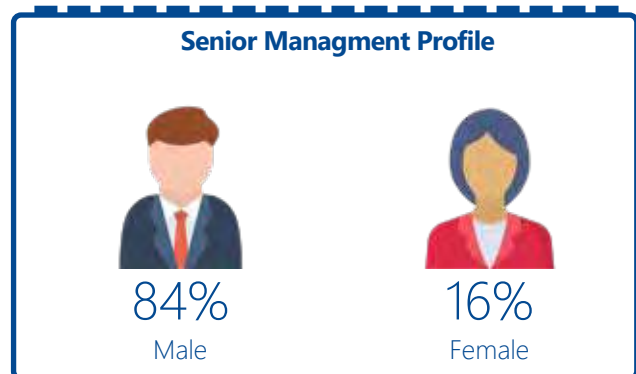
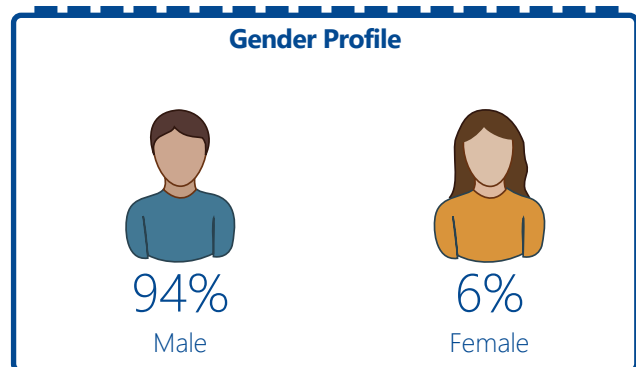


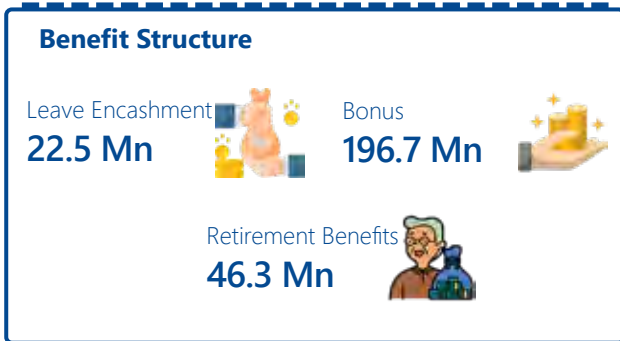
Retaining talent within the organization is of utmost importance in building a strong team. The retention rate at UML Group was 80%, due to the resignations and retirements of 200 employees during the year. From the total cadre, the majority - 52% was in the labour category while the executive category was 34.5%. The increase in the number of resignations of the Group was mainly due to migration, which poses a significant risk to the organization.

	Labour	Clerical	Executive
No. of resignations	104	27	69
% of resignations	52	13.5	34.5

Profile of resigned employees

As an equal-opportunity employer, we strive to maintain a balance. However, as a result of the natural tendency in Sri Lanka, the females have less interest in the automobile industry, the percentage of female employees in the Company was at 6%. Nevertheless, we encourage and value the contribution of female employees for the growth of the Company and able to increase the Senior Management composition of female employees up to 16% during the year from 15% last financial year.





Performance-Driven Culture

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

A comprehensive performance management system is used throughout the Company. The performance evaluation comprises SMART targets, taking into account the impact of competition and the challenges faced by the Company. The Company targets are cascaded down to the divisional level and to each individual level. In an effort to retain high-performing employees, our Company provides our employees ample opportunities for their career advancement.

We strongly believe that our performance management initiatives can be built on a strong foundation that is provided by organizational alignment. We have shared goals and information across departments with an interdependency among work groups to eliminate duplication of effort and interdepartmental conflicts.



Training and Development

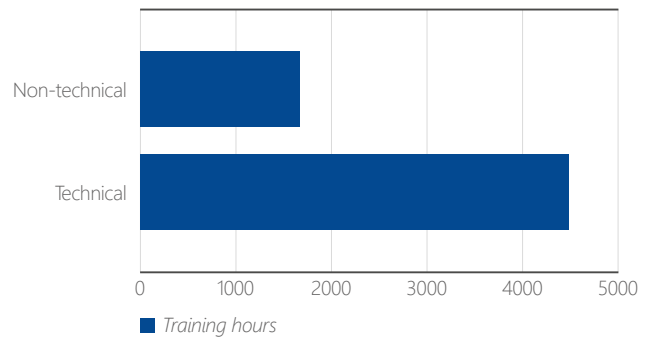
A comprehensive plan for employee development is a crucial requirement for achieving future business needs in the dynamic and complicated operational environment of today.

Training needs analysis is used to identify the gaps in employee competencies. Through need based training and development activities, we strive to create a learning organizational culture that enables our employees to perform their job roles effectively, gain competitive advantage and achieve self-development.



Technical training

The talent development plan entails scheduled training sessions, industrial training, classroom training, virtual training programmes and on-the-job training.



The business requirements and dynamics of each division are reflected in the training programmes that are carried out, totaling more than 6,000 training hours. Sales and product training, technical skills development, customer care training, leadership development and competency development were among the main training areas that were focused during the year. Pre and post assessments, coaching and mentoring interventions, special projects etc. were included to assess the effectiveness of these programmes.

Human Capital

Employee Engagement

Having identified that employee commitment and engagement are the key factors for increased productivity and employee retention, our main focus was to encourage employee engagement and satisfaction thereby achieve employee loyalty and customer satisfaction.

The Cross Functional Team (CFT) was formulated to achieve the organizational goals through internal and external customer satisfaction. The Accelerated Care Team (ACT) which is responsible for implementing and sustaining the internal and external customer care initiatives introduced by the CFT in their respective cells, was engaged in carrying out the employee engagement and customer satisfaction activities of the Company.



Christmas challenge

Monthly challenges

With the assistance of CFT and ACT, we were able to get all staff involved in the monthly activity challenges through the 47 cells they represent. The Christmas photo challenge was conducted in December 2022, where the cells had to present a creative photograph which depicts the true purpose of Christmas. In January 2023, through the TikTok challenge, the cells had to showcase their best customer service in a short video.



Green challenge

Green challenge was carried out in February 2023, where the cells were expected to upcycle which is also known as creative reuse. The employees were requested to transform by products, waste materials and unwanted items into new materials or products in an artistic way, perceived to be of greater quality with an environmental value too. The creativity and the talent that emerged through our staff were showcased by a number of innovative items presented for the competition.



Christmas challenge

In parallel with World Happiness Day, the employees were requested to create a video expressing their happy moments in work life. The main objective of all these monthly initiatives was to make employees enthused at work and be motivated to move forward.

During the year, all retired staff received a service appreciation award at a special event, for their invaluable contribution to organizational growth and development. Moreover, on International Women's Day, we organized a special programme to appreciate the contribution and dedication of the women at UML who never cease to inspire. We value the importance of recognizing people who are demonstrating excellence in a variety of ways, and we assure that they will be supported.



Annual pirith ceremony



Women's day celebrations



Recognition for retiring employees

Industrial Relations

The Company is committed to upholding and improving relationships with its workforce, which includes their right to be treated with dignity, respect and fair play. Industrial Relations are well maintained across the Group in compliance with applicable laws, regulations, statutory obligations, awards, agreements and guidelines. The Company's approach to industrial relations is a two-way approach and workers are free to engage in open dialogue. The open-door policy at UML further fosters a harmonious work environment that promotes trust.

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

Child Labour

We have zero tolerance to child labour and comply with the principles set out by the International Labour Organization (ILO) on this requirement. We oppose any forms of coerced or compulsory labour anywhere in our operations and are committed to eliminating 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 between the employees, the Company and other stakeholders and are designed to ensure transparency, integrity and ethical behaviour in all interactions.

Way Forward

The Company is geared up to train and develop our human capital through mentoring, coaching, leadership development and succession planning. This year our focus will be more on employee engagement through monthly motivational communications and celebrations of various special days and events. As a responsible employer, we have planned to increase the value of our employees through learning and development and employee engagement activities.



Green challenge

NATURAL CAPITAL

Natural Capital is the world's stock of natural resources, which includes geology, soils, air, water and all living organisms. Ecosystem consists of all the organisms and the physical environment with which they interact.

We at UML always try to carry out our business preserving the eco systems. We strive to reduce the carbon footprint of our operation. Main pillars in our natural capital strategy are efficient use of electricity & water and proper management of waste disposal.

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

Making the environment our priority and considering the high electricity consumption across the Group, a strategic decision was taken in 2018/19 to setup a 2 MW rooftop solar power plant in our workshops at Ratmalana and Orugodawatte. The Project was completed with a considerable investment and commenced electricity generation from 2019.

The performance of initial 2MW solar power plant is given in the table below.

	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	56,297	44,511
2022/23	2,426	510	1,916	56,642	44,704

As shown above Group's first venture in to solar has been highly successful. Considering the success of the initial venture UML considered other workshops for possible rooftop solar systems. Accordingly, Kurunegala, Matara & Ratnapura workshops were identified for the second phase. Work commenced on all three projects in the year under review and are expected to be completed in the financial year 2023/24. This project is expected to generate approximately 700 kW.

Efficient use of Water

We use considerable amount of water in our workshops. All our workshops have water treatment plants to ensure waste water is treated and is disposed responsibly or recycled for other uses. Mostly recycled water is used for vehicle undercarriage washing and gardening purposes. Awareness programme are also being conducted among employees to emphasize the importance of efficient use of water.

Waste Disposal Management

In the current context electronic waste (e-waste) has become a major concern in preserving the eco system. Therefore, having a proper process in place for e-waste disposal is a critical obligation of any responsible corporate. The significance of this issue extends beyond environmental concerns and encompasses profound impacts on social well-being, the economy and corporate social responsibility (CSR). Therefore, it is imperative for an organization of the United Motors Lanka PLC's scale to recognize the magnitude of e-waste related challenges and actively engage in sustainable disposal practices.

The improper disposal of e-waste poses significant social and environmental consequences. Toxic substances found in electronic devices, such as lead, mercury, and flame retardants have detrimental effects on human health. Local communities near e-waste dump yards also bear the brunt of these health risks.

Furthermore, e-waste mismanagement contributes to environmental degradation. When improperly disposed of in landfills or incinerated, hazardous chemicals and heavy metals seep into soil and water systems, contaminating ecosystems and compromising biodiversity. Such pollution poses long-term risks to the integrity of ecosystems and the sustainability of natural resources.

The economic implications of improper e-waste disposal are significant. Valuable resources embedded in electronic devices, including gold, silver, copper and rare earth elements are wasted when not recycled responsibly. This leads to resource depletion, increased demand for raw material extraction and consequent environmental degradation. The scarcity of these resources also drives up prices, affecting industries reliant on electronic components and hindering technological advancements.

As a responsible corporate we prioritize e-waste management as part of our CSR efforts. By adopting sustainable practices, we positively impact the social and environmental spheres. Implementing comprehensive e-waste disposal processes not only mitigates environmental harm but also fosters a circular economy, minimizing the need for raw material extraction and reducing waste generation. Therefore, United Motors Lanka PLC has signed up with Infinity Green International (Pvt) Ltd, for the disposal of electronic waste. Infinity Green is certified and licensed by the Central Environmental Authority of Sri Lanka to collect e-waste, transport, recycle and export.

INTELLECTUAL CAPITAL

Intellectual capital refers to the intangible assets that contribute to the Company's bottom line. These assets include expertise of employees, organizational processes and some knowledge contained within the organization.

The Expertise of our People

We at UML Group believe that human resource is the most critical factor in achieving efficiency and competitive advantage. Our HR policies and procedures are built on equity and fairness.

The Group offers strong value proposition and as a result retention rates have remained high, with 52% in labour and 34.5% in executive categories. Our team comprised of 948 employees at the end of the year under review representing diverse capabilities and age groups. Out of the total number of employees 67% were in the age group of 20-39 years. Female employees accounted for 6 % of the total employees. Employees with minimum of 5 years experience was at 55%.

Due to the economic crisis in the country large number of people migrated to other countries. This resulted in increased number of resignation across all industries but at UML we were able to handle it without any disruption to our operation. Attracting and retaining employees was a tough challenge during the year due to ban on import of vehicles.

Our Systems and Processes

At UML we have a robust and evolving processes that provide all necessary data and information to provide best customer satisfaction at all times. Process owners are identified for each process and they have been given the responsibility to update processes in line with changing environment while ensuring controls are not compromised.

Realizing the importance of process, in 2018 UML invested in SAP one of the leading ERP brands in the world. After the go-live in 2019 SAP has redefined most of the processes at UML. SAP modules such as Financial Accounting and Controlling(FICO), Material Management (MM), Production Planning and Quality Management(PPQM), Hybris Marketing and Dealer Business Management(DBM) have all been instrumental in redefining and evolving process at UML.

Our Brand and Reputation

In 2022, for the 13th consecutive year UML won the Best Annual Report Award for Automobile Sector.

The Company has been continuously listed among the top 100 companies in the country by LMD. It is a validation of the strong financial performance, hard work and effort put in by the management and employees during these challenging times.

Further we have been recognized as one of the "Most Respected" companies in the country by LMD. This continues achievement reflects the high standards of conduct and ethical values instilled into the culture of the Company. It is an endorsement of the commitment to operate with integrity, transparency, and respect towards all stakeholders. This recognition demonstrates that the Company has earned trust, credibility, and goodwill with its customers, employees, suppliers, regulators, and society as a whole.



Winner of the Best Annual Report 2022 in the Automobile sector.

HOW WE GOVERN

The challenges in the year under review continued to test the resilience of our Corporate Governance Framework structures and systems. Given the uncertain macro environment that prevailed during the year under review, we have maintained stringent oversight and controls over all business activities, while adopting flexible and prudent strategies to safeguard the interests of all stakeholder. 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. Good Corporate Governance is not limited to legal and regulatory requirements alone but viewed as the foundation for financial integrity, sustainable value creation and investor confidence. The trust we have earned over the years as a reputed automobile company clearly reflects our adherence to the highest standards in Corporate Governance.

This report aims to provide an overview of the Corporate Governance Framework including the structure, principles, policies and practices of Corporate Governance at UML.

Governance Framework

The Corporate Governance Framework has guided the Board, Board Committees, Management and staff in performing their stewardship roles. The Company operates within its internal governance benchmarks while complying with both voluntary as well as mandatory governance requirements. In setting the Governance Framework, in addition to internal framework the Board takes into account the external regulations which comprise of Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, Listing Rules of the Colombo Stock Exchange, Companies Act No. 07 of 2007, other Acts that are applicable and the best practices.

The internal and external regulations 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

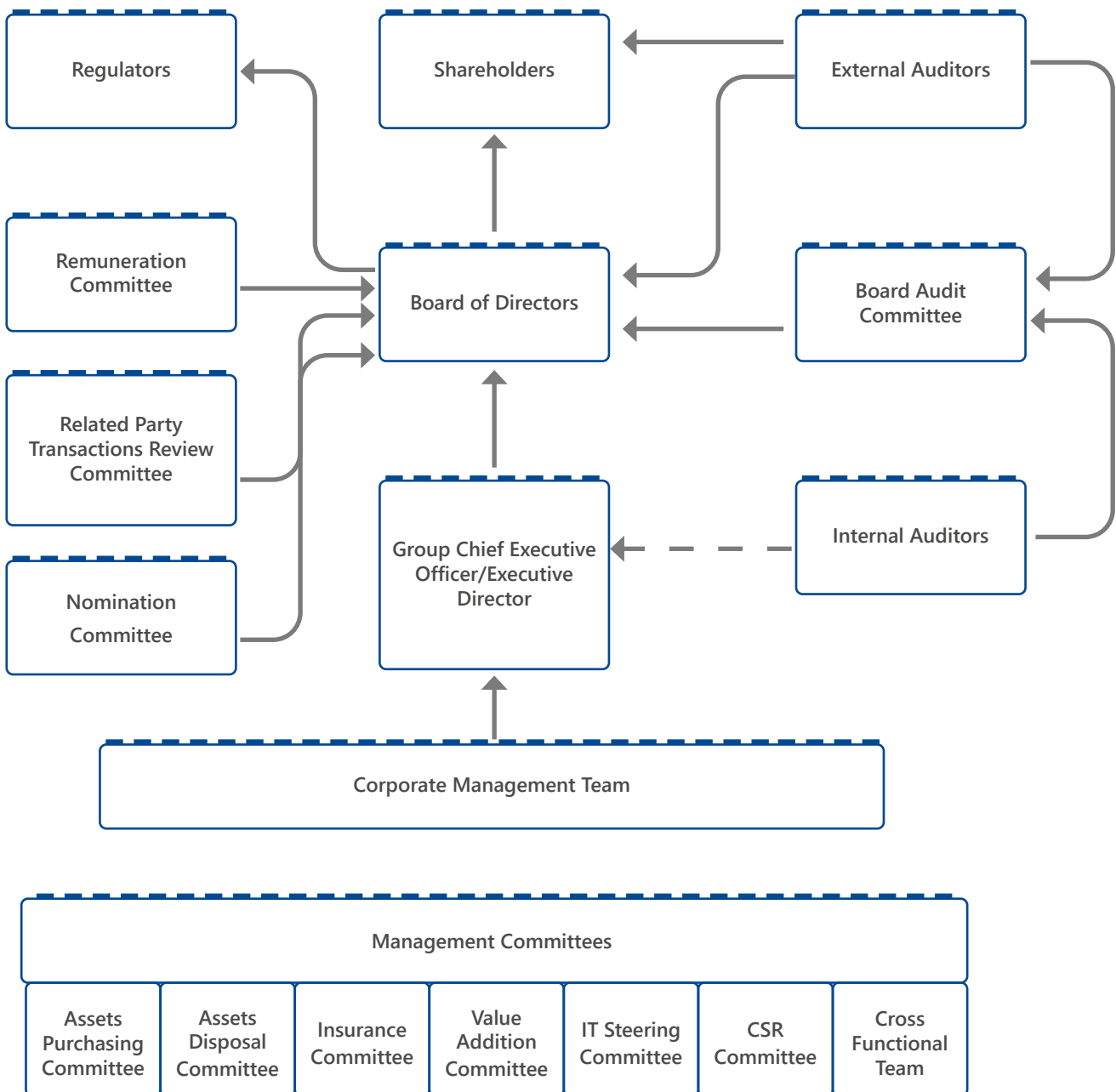
External Governance Framework

- 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 thereto.
- Shop and Office Act and Wages Board Ordinance, EPF & ETF Acts, Gratuity Act and Termination of Employment of Workmen Act and other relevant Acts and Ordinances
- 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 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

Board of Directors

Structure and the functioning of the Board of Directors

The Board of Directors, the highest decision making authority with the 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 controls. The Board and the Corporate Management Team have a clear mutual understanding of their respective roles, delegations and boundaries.

The Board comprised of eleven Directors as at 31 March 2023 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 eleven Directors of whom eight including the Chairman hold office in a Non-Executive capacity as at 31 March 2023.

Executive Directors - 3

- Mr. Chanaka Yatawara - Group Chief Executive Officer
- Mr. Ramesh Yaseen - Director-After-Sales Services
- Mr. Thushara Jayasekara - Director-Finance

Independent Non-Executive Directors - 6

- Mr. Devaka Cooray - Chairman
- Mr. Ananda Atukorala
- Prof. Malik Ranasinghe
- Mr. Stuart Chapman
- Ms. Coralie Pietersz
- Mr. Junya Takami

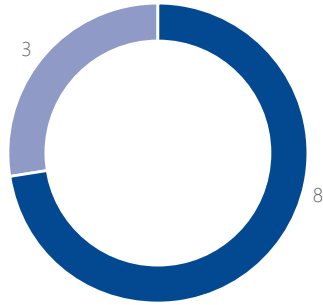
Non-Independent Non-Executive Director - 2

- Ms. Hiroshini Fernando
- Mr. Ruwindhu Peiris

The Board comprises members with expertise in Automobile, Marketing & Sales, Finance & Accounting, Banking, Engineering and IT. 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 18 to 22.

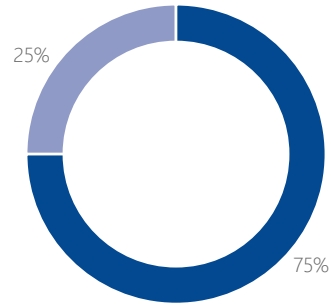
Board composition

Executive, Non-Executive Directors



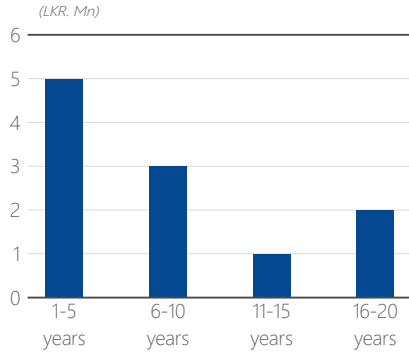
■ Non-Executive Directors
■ Executive Directors

Independent, Non-Independent Directors



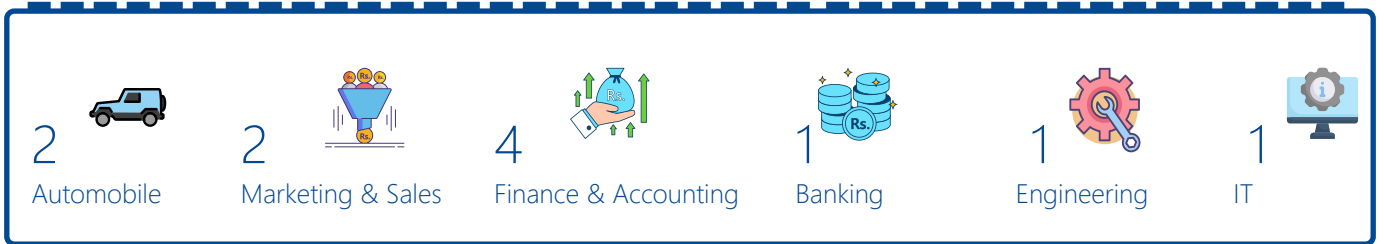
■ Independent Directors
■ Non-independent Directors

Tenure on the Board

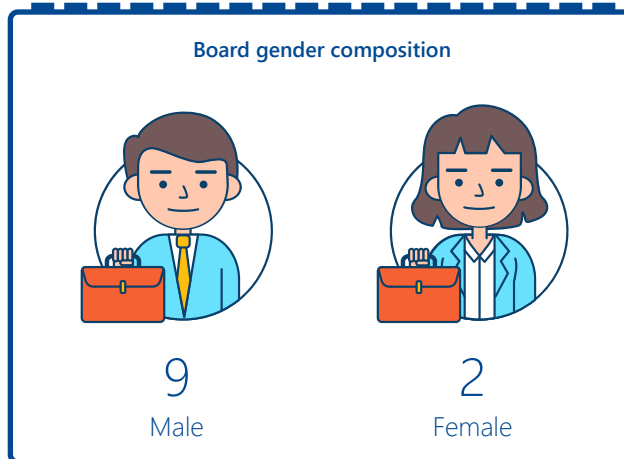


6/8
Non-Executive
Directors are
Independent

Board of Director's industry experience



Board gender composition



How We Govern

Board Independence

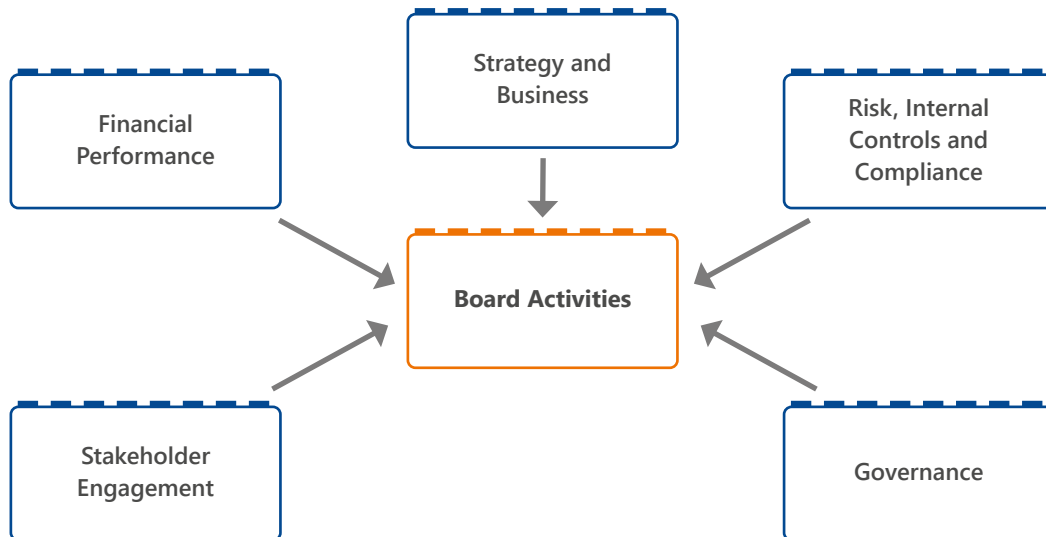
Out of eight Non-Executive Directors, all directors are independent other than Ms. Hiroshini Fernando and Mr. Ruwindhu Peiris.

The Board determines the independence or non-independence of all Non-Executive Directors based on their declaration to the Board annually. Mr. Ananda 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 the Board

Board responsibilities

- Provide strategic direction and entrepreneurial leadership
- Ensuring the formulation and implementation of a sound business strategy and establish a process of monitoring and evaluation of progress on strategy implementation, budgets and plans to mitigate risks
- Evaluates and approves all investment proposals and restructuring plans for existing businesses
- Establish systems of risk management, internal control and compliance
- Ensure compliance with laws and regulations
- Set corporate values and promote ethical behaviours and set tone at the top
- Ensure all stakeholder interests are considered in corporate decisions
- Ensure succession planning and the continuous ability to operate without any disruption
- Safeguard assets



Key areas of focus for 2022/23

Strategy and business	Risk, internal controls & compliance	Governance	Stakeholder engagement	Financial performance
<ul style="list-style-type: none"> • Oversight of the strategic plan and impact of risks & opportunities • Evaluating potential investment opportunities • Approval of budget 	<ul style="list-style-type: none"> • Review of the risks • Optimization of internal control framework • Compliance oversight • Review of cyber security risks and oversight of the information security 	<ul style="list-style-type: none"> • Appointments and rotations of Directors • Review of Sub-Committee compositions, terms of reference and activities • Succession planning of Board and Senior Management • Board evaluation and action plan to implement recommendations • Review of policy framework 	<ul style="list-style-type: none"> • Review of shareholder communication • Review of regulatory issues • Employee succession planning • Monitoring of staff retention, staff turnover, training and development 	<ul style="list-style-type: none"> • Financial impact from volatility in macro environment • Performance review of the Company and subsidiaries • Approval of Financial Statements and Annual Report • Optimizing capital structure • Propose dividend payments

Board 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 Group Chief Executive Officer/Executive Director, the Chairman and Executive Director-Finance. 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 Directors are provided with a comprehensive package of information for regular Board meetings which is circulated in advance of the scheduled meetings. This includes an executive summary with detailed analysis of financial and non-financial information. Urgent Board papers are submitted at short notice or tabled at the meetings on an exceptional basis.

The regularity of Board meetings and the structure and process of submitting information have been agreed and documented by the Board. The attendance at meetings is summarized on page 70.

Board Sub Committees

The Board has delegated some of its functions to Board Sub-Committees, enabling the committees to focus on their delegated areas of responsibility and impart knowledge and experience in areas where they have greater expertise. Each of the Board Sub-Committee has its own written Terms of Reference. Chairperson/Chairman of the Committees are accountable for the effective functioning of the Committees and report regularly to the Board on activities and highlight critical matters for the Board attention. Minutes of these meetings are tabled and discussed at the Board meetings. The Terms of Reference of the Committees are reviewed and approved by the Board annually.

How We Govern

The Company has four Board Sub-Committees.

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

Board Audit Committee	
Composition	Areas of oversight
Ms. Coralie Pietersz - (IND/NED) - Chairperson	Monitor and review adequacy and effectiveness of internal controls, governance and financial reporting. Monitor and assess effectiveness of risk management processes. Exercise independent oversight of the Company's assurance functions - internal and external audit. Review compliance with the accounting standards in the preparation of Financial Statements. Review compliance with relevant legal, regulatory requirements.
Mr. Ananda Atukorala - (IND/NED)	
Ms. Hiroshini Fernando - (NIND/NED)	
Prof. Malik Ranasinghe - (IND/NED)	
Mr. Stuart Chapman - (IND/NED)	

Remuneration Committee	
Composition	Areas of oversight
Prof. Malik Ranasinghe - (IND/NED) - Chairman	Review remuneration policy.
Mr. Devaka Cooray - (IND/NED)	Formulate a policy on remuneration of CEO, Executive Directors and KMPs.
Mr. Ananda Atukorala - (IND/NED)	Evaluation of performance of CEO, Executive Directors and KMPs.
Ms. Hiroshini Fernando - (NIND/NED)	Approval of salary increments, bonuses and incentives.
Mr. Stuart Chapman - (IND/NED)	

Nomination Committee	
Composition	Areas of oversight
Mr. Stuart Chapman - (IND/NED) - Chairman	Identify and recommend suitable Directors for appointment to the Board and Board Sub Committees.
Mr. Ananda Atukorala - (IND/NED)	
Mr. Chanaka Yatawara - GCEO/ED	Review the structure, size, composition and competencies of the Board and make recommendations.
Ms. Hiroshini Fernando - (NIND/NED)	Succession planning for the CEO and key management personnel. Consider and recommend the re-appointment of the current Directors.
Prof. Malik Ranasinghe - (IND/NED)	

Related Party Transactions Review Committee	
Composition	Areas of oversight
Mr. Ananda Atukorala - (IND/NED) - Chairman	Review related party transactions policy.
Ms. Hiroshini Fernando - (NIND/NED)	Monitor compliance with the relevant rules.
Prof. Malik Ranasinghe - (IND/NED)	Market disclosures on related party transactions.
Mr. Stuart Chapman - (IND/NED)	Scrutiny of related party transactions and avoid conflict of interest.
Mr. Ruwindhu Peiris - (NIND/NED)	

More details of Board Sub Committees are given in the Sub Committee reports.

Sub Committee Meetings

Sub Committees has its own schedule of meetings as set out in the respective Committee reports. The regularity of Sub Committee meetings and the structure and process of submitting information have been agreed and documented in the Terms of Reference. The attendance at meetings is summarized on pages 70 and 71.

Role of Chairman and Chief Executive Officer

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 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.

Key leadership roles and responsibilities	
<p>Chairman Leads the Board, preserving good Corporate Governance, ensuring that it works effectively and acting in the best interest of the Company.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Sets ethical tone for Board and the Company; • Leading the Board in providing strategic oversight and leadership to the Board; • Sets Board's agendas in consultation with Company Secretary, GCEO/ED and Executive Director-Finance; • Ensuring effective, regular communication with stakeholders and their views are communicated to the Board; • Ensuring effective participation of all Board members and smooth functioning of the Board; • Ensuring balance of power between Executive and Non-Executive Directors; • Monitoring the effectiveness and performance of the Board of Directors and its Sub-Committees; • Ensuring the provision of accurate, timely and clear information to Directors. 	<p>Group Chief Executive Officer Accountable to the Board for exercise of authorities delegated and for the performance of the Company.</p> <p>Responsibilities</p> <ul style="list-style-type: none"> • Sets objectives, targets and provide strategic direction in the implementation of short and long term plans; • Developing and recommending budgets to the Board, supporting Company's strategy; • Monitoring and reporting the performance and compliance with regulatory and policy framework to the Board; • Establishing an appropriate organization structure for the Company; • Setting the tone for ethical leadership and creating an ethical environment; • Ensuring a culture that is based on the Company's values; • Ensuring that the Company operates within the approved risk appetite; • Ensuring proper succession planning of Corporate Management team and assessing their performance.

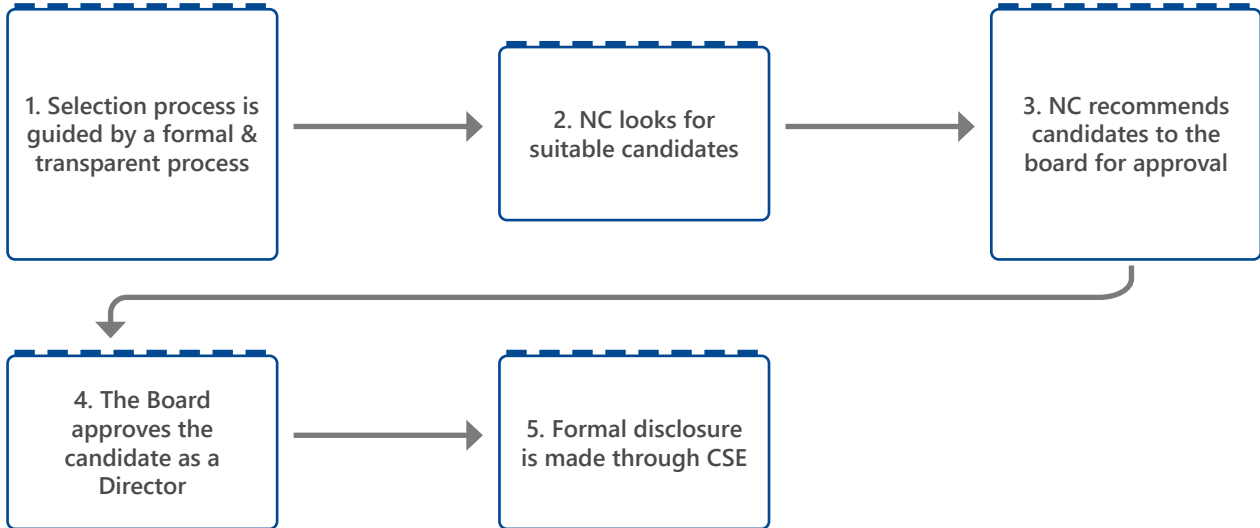
Role of Independent Non-Executive Directors

- Complements 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;
- Safeguards the interests of all stakeholders;
- In situations of conflicts between management and shareholder's interests, aims towards the solutions which are in the best interest of the Company;
- Improves corporate credibility and governance standards.

How We Govern

Appointments, Resignations and Retirement of Directors

The Nomination Committee (NC) has set in place a formal and transparent procedure for the nomination of candidates for appointment as Directors.



Appointments	Retirements	Resignations
Mr. Ruwindhu Peiris (IND/NED) w.e.f. 1 April 2022	There were no retirements during the year.	Mr. Ruwindhu Peiris resigned w.e.f. 31 March 2023.
Mr. Thushara Jayasekara (ED) w.e.f. 1 April 2022		

Appointments, resignations and retirement of Directors were communicated to shareholders through CSE announcements. The communication of appointments typically includes 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 on 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.

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 from time to time was sought on matters in accordance with the above provision. The Company has obtained a Directors' and Officers' Liability insurance policy.

Induction and Training

Newly appointed Directors are provided with an orientation pack with all relevant external and internal regulatory documents. Directors are apprised of the Company's business, their duties and responsibilities as Directors.

Board members undertake relevant training, as appropriate to enhance their understanding on key matters and risks related to the business. Directors undertake Continuous Professional Development (CPD) programmes in their personal capacity to update their knowledge on relevant and emerging topics.

Ethical 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 the adoption of 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/Chairperson 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. Annual Report, interim financial statements, CSE announcements etc. are posted on the Company's website.

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 2022/23 will be conducted as a virtual meeting and the Annual Report for the year 2022/23 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 models, 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. Board Audit Committee reviews interim and annual financial statements and recommends to the Board prior to publication.

How We Govern

Risk Management and Internal Controls

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 Board Audit Committee assists the Board in discharging its duties with regard to risk management and internal controls as given in Board 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.

Compliance with Laws, Regulations and Policies

The Board is conscious of its duty to comply with laws & regulations, internal procedures and policies of the Company. Internal controls have been placed to provide reasonable assurance on compliance with laws, regulations and policies.

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 conducts independent reviews covering statutory and regulatory compliance requirements.

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 assess the effectiveness of process controls and the Internal Audit recommends the corrective actions for implementation.

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

Information Technology (IT) Governance

IT governance plays a critical role in assuring integrity, confidentiality and continuity of the information management, within the Company. The Board is responsible for ensuring prudent and reasonable steps with

Name of Director	Capacity	Status of independence	Board meeting attendance	
Mr. Devaka Cooray	Chairman Non-Executive Director	Independent	12/12	
Mr. Chanaka Yatawara	GCEO/ Executive Director	Non Independent	12/12	
Mr. Ananda Atukorala	Non-Executive Director	Independent	12/12	
Mr. Ramesh Yaseen	Executive Director	Non Independent	8/12	
Ms. Hiroshini Fernando	Non-Executive Director	Non Independent	12/12	
Prof. Malik Ranasinghe	Non-Executive Director	Independent	12/12	
Mr. Stuart Chapman	Non-Executive Director	Independent	12/12	
Ms. Coralie Pietersz	Non-Executive Director	Independent	12/12	
Mr. Junya Takami	Non-Executive Director	Independent	0/12	
Mr. Ruwindhu Peiris <i>Resigned w.e.f. 31 March 2023</i>	Non-Executive Director	Non Independent	10/12	
Mr. Thushara Jayasekara	Executive Director	Non Independent	12/12	

C- Chairman M- Member BI- By Invitation

respect to IT governance including, aligning the IT strategy with the business strategic objectives. It is the responsibility of the DGM-IT to continuously review, to ensure that the IT objectives align with the business objectives.

IT security policy also addresses cyber security. Adequate controls are in place to counter any cyber security threats.

The reliability of financial reporting is heavily dependent on secured IT environment. Accordingly, IT controls over financial reporting are in place, to ensure the quality of information used for financial reporting.

IT Governance Practices

- DGM- IT in consultation with the IT Consultants, develops and implements the IT policy manual,

procedures and guidelines within the Company, to ensure that they align with the business strategic objectives;

- IT policy manual and other IT policies are reviewed periodically to ensure that they remain current;
- IT Security audits and vulnerable assessments are carried out from time to time to ensure data security.

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	NC	RC	RPTRC	Executive capacity	Non-Executive capacity	Executive capacity	Non-Executive capacity
	-	-	M 1/1	-	-	3	1	7
	BI	M 2/2	BI	BI	-	-	3	1
	M 19/19	M 2/2	M 2/2	C 4/4	-	1	1	8
	-	-	-	-	-	-	-	1
	M 19/19	M 2/2	M 2/2	M 4/4	1	2	-	6
	M 19/19	M 2/2	C 2/2	M 4/4	-	3	-	-
	M 17/19	C 2/2	M 2/2	M 4/4	-	1	-	1
	C 19/19	-	-	-	-	4	2	1
	-	-	-	-	-	-	-	-
	-	-	-	M 0/1	-	-	1	-
	BI	-	-	BI	-	-	-	3

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.	Eight out of eleven Board members were Non-Executive Directors as at 31 March 2023.	✓
7.10.2 Independent Directors			
A	2 or 1/3 on Non-Executive Directors whichever is higher shall be 'independent'.	Out of eight Non-Executive Directors, six are independent as at 31 March 2023.	✓
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 70 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 based on the specified criteria.	✓
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 18 to 22.	✓
D	Provide resumes of new Directors appointed to the Board along with details.	Detailed resume of the new Directors was 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 consists of four Independent Non-Executive Directors and one Non Independent Non-Executive Director. An Independent Non-Executive Director is the Chairman of the Remuneration Committee at the year end.	✓
B	Functions Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Remuneration of 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		
<p>a. Composition Audit Committee shall comprise of Non-Executive Directors, a majority of who should be independent.</p> <p>A Non-Executive Director shall be the Chairman of the Committee.</p> <p>Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body.</p>	<p>The Board Audit Committee consists of four Independent Non-Executive Directors and one Non Independent Non-Executive Director as at 31 March 2023.</p> <p>The Chairperson of the Board Audit Committee is an Independent Non-Executive Director.</p> <p>Group Chief Executive Officer/Executive Director, Executive Director-Finance and Deputy General Manager Internal Audit & Monitoring attended meetings by invitation.</p> <p>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.</p>	✓
<p>b.1 Functions Overseeing of the preparation presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS.</p>	<p>The Board 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 Board Audit Committee.</p>	✓
<p>b.2 Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other laws and regulations.</p>	<p>The Board 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.</p>	✓
<p>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.</p>	<p>The Committee reviewed the processes for identification, recording, evaluation and management of all significant risks. The Board Audit Committee reviewed the design and operating effectiveness of the internal controls. Details are given in the Board Audit Committee report.</p>	✓
<p>b.4 Assessment of the independence and performance of the entity's External Auditors.</p>	<p>The Board Audit Committee assessed the External Auditor's independence, objectivity and the effectiveness of the audit process.</p>	✓
<p>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.</p>	<p>The Board 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.</p>	✓
<p>c. Disclosure in the annual report Names of Directors comprising the Audit Committee.</p> <p>Audit Committee shall make a determination of the independence of the External Auditors and disclose the basis for such determination.</p> <p>Report on the manner in which Audit Committee carried out its functions.</p>	<p>Names of the Board Audit Committee members are disclosed in the Board Audit Committee report.</p> <p>The Board 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.</p> <p>Refer Board Audit Committee report for functions carried out.</p>	✓

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 2023 comprised eleven 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 70 and 71.	✓
A.1.2	Roles and responsibilities of the Board The roles and responsibilities of the Board are set out in the Board Charter.	✓
A.1.3	Act in accordance with laws The Company has complied with all applicable laws and regulations during the year. The Board members are permitted to obtain independent professional advice from third parties whenever deemed necessary, at Company's expense.	✓
A.1.4	Access to advice and services of Company Secretary The Company Secretary provides support to the Board ensuring that Directors receive timely and accurate information required to 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 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 Two 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 Four senior Chartered/ Chartered Management Accountants are in the Board as at 31 March 2023 who possess the necessary knowledge and competence to guide and advice on matters relating to finance.	✓

Code reference	Principle, compliance and implementation	Compliance
A.5	<p>Board Balance</p> <p>The Board comprised of eleven Directors of whom eight including the Chairman hold office in a Non-Executive capacity. All Non-Executive Directors are independent other than Ms. Hiroshini Fernando and Mr. Ruwindhu Peiris.</p> <p>The Board determines the independence or non-independence of all Non-Executive Directors based on their declaration and their information available to the Board. Having taken into account all relevant aspects, the Board determined that Mr. Ananda Atukorala who has served the Board for continuously more than nine years continues as an Independent Non-Executive Director of the Company.</p> <p>Chairman holds a meeting at least once a year only with Non-Executive Directors.</p>	✓
A.6	<p>Provision of appropriate and timely information</p> <p>The Directors are provided with a comprehensive package of information for the regular Board meetings which is circulated in advance of scheduled meetings.</p>	✓
A.7	<p>Appointments to the Board</p> <p>The Nomination Committee has set in place a formal and transparent procedure for nomination of candidates for appointment as Directors.</p> <p>There were two new appointments to the Board during the year under review.</p> <p>The details of the Nomination Committee are given on page 84.</p>	✓
A.8	<p>All Directors should submit themselves for re-election at regular intervals</p> <p>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.</p>	✓
A.9	<p>Appraisal of Board and Committee performance</p> <p>There is a formal process for appraisal of Board performance.</p>	✓
A.10	<p>Annual Report to disclose specified information regarding Directors</p> <p>Brief profiles of the Directors are given on pages 18 to 22.</p> <p>Directors' attendance at Board meetings and Board Sub Committee meetings are given on pages 70 to 71.</p> <p>The total number of Board positions (excluding directorship in UML held by each Director) is given on page 71.</p>	✓
A.11	<p>The Board of Directors should at least annually assess the performance of the Chief Executive Officer</p> <p>An annual evaluation of the performance of the Group CEO is carried out by Remuneration Committee against pre-agreed targets.</p>	✓
B) Directors' remuneration		
B.1	<p>Remuneration Committee</p> <p>Remuneration Committee decides on the Executive Directors' Remuneration.</p> <p>All members of the Remuneration Committee are Independent Non-Executive Directors except for Mrs. Hiroshini Fernando as of the year end.</p> <p>Details of the Remuneration Committee are given in the Remuneration Committee report on pages 82 and 83.</p>	✓
B.2	<p>The level and make up of remuneration</p> <p>The remuneration scheme for Executive Directors is structured to align rewards to their individual and Corporate performance.</p> <p>Non-Executive Director's fees are based on the time commitment and responsibilities of their role taking into consideration prevailing market rates.</p>	✓

How We Govern

Code reference	Principle, compliance and implementation	Compliance
B.3	<p>Disclosures related to remuneration in Annual Report</p> <p>Details are given in Remuneration Committee Report on pages 82 and 83. The remuneration paid to Executive and Non-Executive Directors is disclosed in aggregate in Note 12 to the financial statements.</p>	✓
C) Relationships with shareholders		
C.1	<p>Constructive use of the AGM and conduct of other general meetings</p> <p>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.</p>	✓
C.2	<p>Communication with shareholders</p> <p>The Shareholder Communication Policy sets out multiple channels of communication for engaging with shareholders.</p>	✓
C.3	<p>Disclosure of major and material transactions</p> <p>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.</p> <p>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 93 to 98 and Note 40 to the financial statements on page 180.</p>	✓
D) Accountability and Audit		
D.1	<p>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</p> <p>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.</p> <p>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. Board Audit Committee reviews interim and annual financial statements and recommends to the Board prior to publication.</p> <p>The following disclosures as required by the Code are included in this report;</p> <ul style="list-style-type: none"> • Management Discussion & Analysis on pages 32 to 59. • Annual Report of the Board of Directors on pages 93 to 98. • Statement of Director's responsibilities in relation to the financial statements of the Company on pages 100 to 101. • Statement on going concern of the Company is set out in the statement of Directors' responsibility and item 07 of the Annual Report of the Board of Directors on pages 93 to 98. • Directors' statement on internal control on pages 91 and 92. • Independent Auditors' report on pages 103 to 108. • Chief Executive Officer's & Chief Financial Officer's statement of responsibility on page 102. • Related party transactions disclosed in note 40 to the financial statements and process in place is described in the report of the related party transactions review committee on pages 85 and 86. 	✓
D.2	<p>Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets</p> <p>The Board Audit Committee assists the Board in discharging its duties with regard to risk management and internal controls as given in the Board Audit Committee Report on pages 79 to 81 and the Directors' statement on internal controls given on pages 91 and 92. A comprehensive report on how the Company manages risk is included on pages 87 to 90.</p>	✓

Code reference	Principle, compliance and implementation	Compliance
D.3	<p>Board Audit Committee</p> <p>The Board Audit Committee comprised of four Independent Non-Executive Directors and one Non Independent Non-Executive Director as of year-end.</p> <p>It is supported by the Internal Audit division who directly reports to the Board Audit Committee. A summary of its responsibilities and activities are given in the Board Audit Committee Report on pages 79 to 81.</p>	✓
D.4	<p>Related Party Transactions Review Committee</p> <p>The Related party transactions review committee consists of three Independent Non-Executive Directors and two Non-Independent Directors. A summary of its responsibilities and activities is given in the Related Party Transactions Review Committee Report on pages 86 and 86.</p>	✓
D.5	<p>Code of business conduct and ethics</p> <p>An internally developed Code of Business Conduct & Ethics which is applicable to Directors, other Key Management Personnel and all other employees is in place.</p>	✓
D.6	<p>Corporate governance disclosures</p> <p>The Annual Report deals with the extent to which the Company has complied with the requirements of the Code of Best Practice 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.</p>	✓
E) Institutional Investors		
E.1	<p>Shareholder voting</p> <p>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.</p>	✓
E.2	<p>Evaluation of governance initiatives</p> <p>Institutional investors are encouraged to provide any feedback on the governance related issues.</p>	✓
F) Other Investors		
F.1	<p>Investing/divesting decisions</p> <p>The Company's Annual Report provides adequate information to Shareholders to make judgements or to seek clarifications on their investment decisions.</p>	✓
F.2	<p>Shareholder voting</p> <p>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.</p>	✓
G) Internet of things and cyber security		
G	<p>Internet of things and cyber security</p> <p>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.</p>	✓
H) Environment, Society and Governance (ESG Reporting)		
H.1	<p>ESG reporting</p> <p>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 32 to 59, Governance Report on pages 60 to 78 and Risk Management Report on pages 87 to 90.</p>	To be complied in future.

How We Govern

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)	93
ii.	Signed financial statements of the Group and the Company for the accounting period completed	Section 168 (1) (b)	110
iii.	Auditor's report on financial statements of the Group and the Company	Section 168 (1) (c)	103 to 108
iv.	Accounting policies and any changes therein	Section 168 (1) (d)	97
v.	Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	97
vi.	Remuneration and other benefits paid to Directors of the Company and its subsidiaries during the accounting period	Section 168 (1) (f)	97
vii.	Amount of donations made by the Company and its subsidiaries during the accounting period	Section 168 (1) (g)	94
viii.	Information on directorate of the Company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	4 and 5
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)	98
x.	Auditor's relationship or any interest with the Company and its subsidiaries - audit fee/non-audit fee	Section 168 (1) (j)	98
xi.	Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	98

REPORT OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee presents its report for the year ended 31 March 2023. The report 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, internal audit, external audit and implementation of the whistleblowing policy.

Terms of Reference of the Committee

The Terms of Reference of the Committee sets out the authority, composition, conduct of meetings, scope and responsibilities. The Terms of Reference was reviewed by the Audit Committee and approved by the Board during the year.

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 Practice 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 2023.

The members of the Committee as at the year-end were as follows;

Ms. Coralie Pietersz - (IND/NED)
Chairperson

Mr. Ananda Atukorala - (IND/NED)

Ms. Hiroshini Fernando - (NIND/NED)

Prof. Malik Ranasinghe - (IND/NED)

Mr. Stuart Chapman - (IND/NED)

There were no changes to the Committee composition during the year.

Mr. Ananda Atukorala - (IND/NED) a member of the Audit Committee resigned from the Committee w.e.f. 31 March 2023.

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 18 to 22 of the Annual Report.

Committee Meetings

The Committee held nineteen meetings during the financial year ended 31 March 2023. The attendance of the members during the year was satisfactory and a summary of the attendance is given on pages 70 and 71 of the Annual Report.

The engagement partner of the Company's External Auditors attended meetings on invitation when matters pertaining to their scope and reports come up for consideration. Four such meetings were held during the year which included two meetings without the presence of the Management. Additionally, the Committee also held two meetings with the Deputy General Manager (Internal Audit & Monitoring) and two meetings with Executive Director-Finance without the presence of 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 Group 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 and discussed 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, issues arising from external audits and the Company's ability to continue as a going concern 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

Report of the Board Audit Committee

internal control procedures in place and 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 the management of significant risks. The Company and subsidiaries have identified and documented key risks to the business and related mitigating controls. During the year, detailed risk assessments were conducted and the mitigation strategies were discussed. The risk map together with the mitigating controls are set out in the "Enterprise Risk Management" report.

The Audit Committee continuously reviewed the risks and potential financial implications from the 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 pages 91 and 92.

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 conducts independent reviews covering 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 Committee ensured that the internal audit function is independent of the activities it audits and ensured that the division has authority to perform its work independently. The annual internal audit plan, prepared on a risk based planning methodology, was approved by the Committee at the beginning of the year. The Internal Audit Charter was also approved during the year.

During the year under review, the Internal Audit Division carried out comprehensive audits covering the holding company and its subsidiaries. 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 key audit matters were discussed at the conclusion of the audit.

The Committee had two meetings with the External Auditors without management being present to discuss any issues encountered during the audits and to ensure access to required

information and cooperation from the Management when conducting the audits.

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 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.

The fees of the External Auditors for the year ended 31 March 2023 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 actions 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 2024 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). The Whistleblowing Policy was reviewed by the Committee during the year. 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. During the year Committee took action on whistleblowing complaints received. This procedure continues to be monitored by the Committee.

Evaluation of the Committee

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 2023.



Coralie Pietersz
Chairperson - Audit Committee

25 May 2023

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee presents its report for the year ended 31 March 2023 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 Chief Executive Officers, Executive Directors 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 comprises of four Independent Non-Executive Directors (IND/NED) and one Non-Independent Non-Executive Director (NIND/NED) as at 31 March 2023.

The Committee consisted of the following members as at 31 March 2023, whose profiles are given on pages 18 to 22.

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

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 twice during the year which was attended by all members of the Committee.

The 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 the remuneration of CEOs, Executive Directors and KMPs.
- To review the remuneration policy and its application to the CEO, Executive Directors and KMPs.
- To evaluate the performance of CEOs, Executive Directors and KMPs, their management development plans and succession planning.
- To 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 linking 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. Variable remuneration is linked to the achievement of Key Performance Indicators and profitability.

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

The aggregate remuneration paid to the Executive Directors and the fees paid to the Non-Executive Directors for serving on the Board and attending Board and Board Sub Committee Meetings are disclosed in Note 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 to all employees and completed the performance evaluation of the Group Chief Executive Officer/Executive Director.

Share Options for Directors

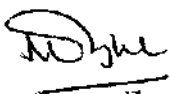
The Company does not have a share option scheme for members of the Board. The Articles of Association do not contain a shareholding guideline for Key Management Personnel.

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

25 May 2023

REPORT OF THE NOMINATION COMMITTEE

The Nomination Committee presents its report for the year ended 31 March 2023 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 appointments, retirements, 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 2023, whose profiles are given on pages 18 to 22.

Mr. Stuart Chapman (IND/NED)
Chairman

Mr. Ananda Atukorala (IND/NED)

Mr. Chanaka Yatawara (GCEO/ED)

Ms. Hiroshini Fernando (NIND/NED)

Prof. Malik Ranasinghe (IND/NED)

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

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 role 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 recommendations.
- 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 Officers and Key Management Personnel.
- To consider and recommend the re-appointment of current Directors.

Meetings

The Committee held two meetings during the year, attended by all members of the Committee. Attendance of members at such meetings are given in page 70 and 71 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.

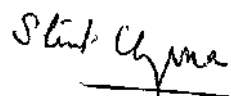
The Committee undertook a thorough process to identify and assess suitable candidates to fill the vacancies created at Board Sub Committees and made recommendations to the Board in respect of the appointment of members to the Board Sub Committees.

During the year the Committee reviewed the succession plan for the Group CEO, Executive Directors and key management personnel and made its recommendations to the Management and the Board.

Reporting to the Board

The minutes of the Committee meetings 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

25 May 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee (RPTRC) report for the year ended 31 March 2023 explains how the Committee worked towards discharging its responsibilities. This Report was approved by the Board of Directors.

Purpose of the Committee

The Related Party Transactions Review Committee (RPTRC) was formed to advise the Board of Directors on related party transactions and to exercise oversight function in complying with the Code of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka (the "Code") and the Listing Rules of the Colombo Stock Exchange (the "Rules") and the best practices recommended by the Institute of Chartered Accountants of Sri Lanka.

Terms of Reference (TOR)

The Committee is governed by the written terms of reference which is designed to discharge the Committee's purpose, duties and responsibilities.

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

Composition of the Committee

The Related Party Transactions Review Committee (RPTRC) comprises of three independent Non-Executive Directors (IND/NED) and two Non-Independent Non-Executive Directors (NIND/NED).

The Committee consisted of following members as at 31 March 2023, whose profiles are given on pages 18 to 22

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

* (Appointed w.e.f. 23 November 2022 and resigned w.e.f. 31 March 2023)

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.

Meetings

The Committee held four meetings during the year as required by Section 9.2.4 of the Listing Rules of the CSE which were attended by all members of the Committee.

Activities During the Year

The Committee reviewed all RPTs carried out during the year at its quarterly meetings and the proceedings of the Committee meetings, which also included activities under its Terms of Reference, were regularly reported to the Board of Directors with its comments and observations.

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

Professional Advice

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

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 as at 31 March 2023 which required additional disclosure in this Annual Report are given in Note 40 to the financial statements.

Report of the Related Party Transactions Review Committee

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 as at 31 March 2023 which required additional disclosure in this Annual Report.

Methodology Adopted by the Committee

- A mechanisms in place to obtain declarations from all Directors (at the time of joining the Board and annually thereafter) by informing the Company Secretary, the primary contact point for Directors, of any existing or potential RPTs carried out by them or their close family members.
- Obtaining an annual declaration from each Director, to elicit information about any existing or potential RPTs.
- Ensuring that annual declarations are submitted by Directors to the Company's External Auditors immediately after the closure of the financial year for external audit purposes.
- Obtaining independent validation from Internal Audit division for information submitted to the Committee for its review.

Declaration by the Board

A declaration by the Board of Directors as per Section 9.3.2 (d) of the Rules is included on page 97 of this Annual Report.



Ananda Atukorala

Chairman-Related Party Transactions Review Committee

25 May 2023

ENTERPRISE RISK MANAGEMENT

Risk Landscape

The year under review marked a period of unprecedented challenges as the operating environment turned out to be volatile, uncertain, complex and ambiguous. Sri Lankan economy, which was slowly recovering from the effects of the Easter Sunday attack and COVID-19 pandemic was disrupted by the social unrest over the political landscape. Risk management has taken on a new dimension given the uncertainties brought in by the unprecedented economic challenges and political instability in the country. The foreign currency liquidity condition 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. Pressure built up with the disruptions to the economic activities, impact on the tourism sector, sovereign downgrades and political instability placed Sri Lanka in a critical situation.

Import restrictions which is in place for over three years by the Government had a big impact on the results for the year under review and will have an impact in the future. We had a negative impact on our revenue from vehicle sales since there had been no brand new vehicles to sell other than the vehicles which are assembled. 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.

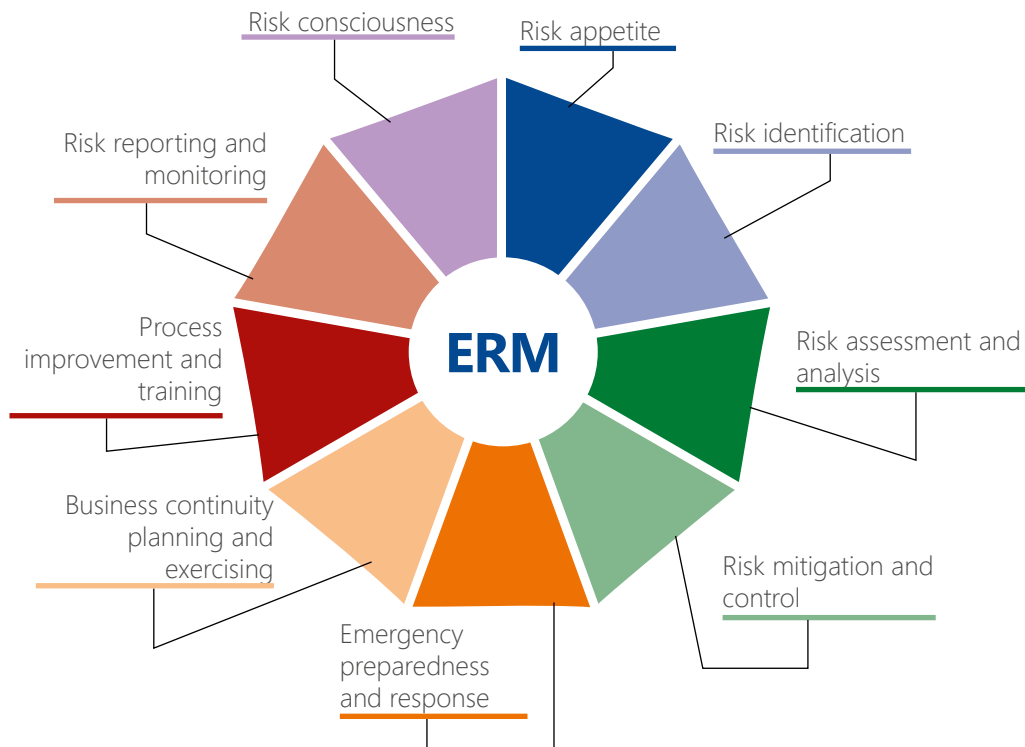
Objectives, Principles and Culture towards Risk Management

Our Risk Management Framework enables 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.

Enterprise Risk Management



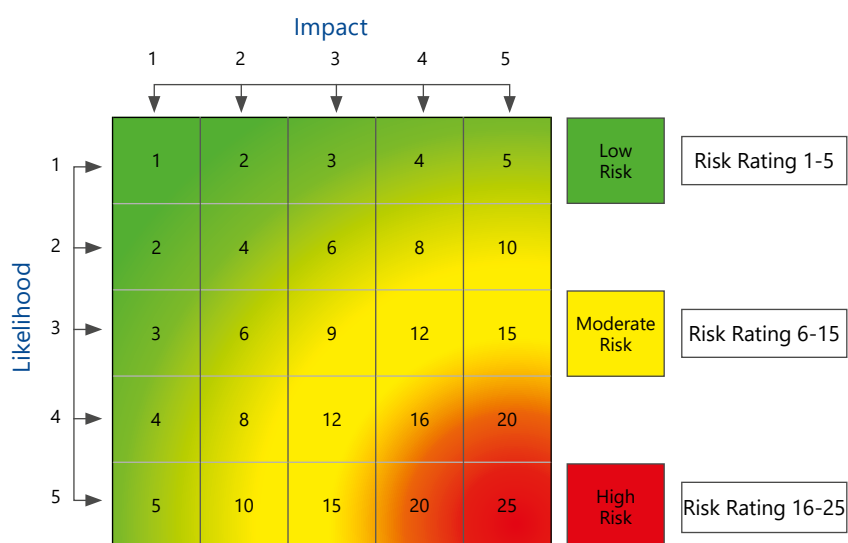
Risk Governance Structure

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 Board 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 Board Audit Committee, plays a key role in this process.

The Divisional Heads takes the lead in identifying risks. They examine processes and events, uncertainties and changes in the environment that might expose to situations that could seriously reduce future earnings, impair its asset value or create legal, regulatory or reputational risks.

Risk Management Process

The risk management process identifies risks, evaluates them by mapping them against the likelihood of occurrence and assessing the potential impact and identifies mitigating actions 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 and Opportunities

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

Risk	Mitigation strategies	Risk profile	
		2022/23	2021/22
<p>Business environment</p> <p>The majority of the Group's revenue was generated by the vehicle sales segment in the past. This makes the Group's revenue highly vulnerable due to uncertain import regulations and tariff policy by the Government, which negatively affects our business. Current economic condition has 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.</p>	<p>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 assembly, workshop services, spare parts, lubricant sales and construction machinery.</p> <p>Focus more on used vehicle sales business.</p> <p>Installation of a 2MW rooftop solar power system.</p> <p>Looking for opportunities to diversify into non related business segments.</p>	High ■	High ■
<p>Sourcing of vehicles, spare parts, machinery and lubricants</p> <p>With the import restrictions, due to depletion of foreign currency reserves, unprecedented economic condition, sovereign default, credit agency downgrades, sourcing has become difficult under current conditions.</p>	<p>Strong relationship with Financial Institutions.</p> <p>Strong relationship with principals.</p> <p>Identifying methods/credit lines to import spare parts and lubricants.</p>	High ■	High ■

Enterprise Risk Management

Risk	Mitigation strategies	Risk profile	
		2022/23	2021/22
<p>Credit risk An unprecedented economic condition in the country can result in drop in credit worthiness of the customers.</p>	<p>Re-evaluate the creditworthiness of the customers and re-look at the credit limits based on the current economic situation.</p> <p>Wherever applicable, prior to approving credit, a thorough process of evaluation is carried out to ensure the creditworthiness of the customer. Bank guarantees are obtained wherever possible.</p> <p>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.</p> <p>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.</p>	Moderate 	Moderate 
<p>Exchange rate risk Risk arising from exposure to foreign currencies fluctuations. Therefore, there is a risk of under costing/over costing due to use of lower/higher estimated exchange rates.</p>	<p>Selling prices are decided after considering the expected exchange rate movements and quotations are issued with conditions for currency fluctuations.</p> <p>Selling prices are monitored and are adjusted regularly in line with the change in exchange rates.</p>	Moderate 	High 
<p>Liquidity risk 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-to-day operations due to the inability to service loans.</p>	<p>Preparation of cash flows ensures that Company is well aware of future cash needs.</p> <p>Strong relationships have been built with Banks to ensure that urgent borrowing needs are met at short notice.</p> <p>Facilities are in place to cover forecasted cash needs at least for a period of twelve months.</p>	Moderate 	Moderate 
<p>Cyber risk Risk of losing operational and confidential data due to security breaches/system breakdowns in the IT systems and disruption to operations due to breakdown in the IT systems. Increase in cyber threats after COVID-19 pandemic.</p>	<p>Extensive controls and reviews are carried out to maintain the efficiency of IT infrastructure and data including periodic technical assessments on security.</p> <p>Availability of offsite mirror server as a backup.</p> <p>Provide staff with secure infrastructure such as office laptops.</p> <p>Two factor authentication in place for remote logins.</p>	Moderate 	Moderate 

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 (the 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 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 Board 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 procedures.
- The Board Audit Committee evaluates the adequacy and effectiveness of the risk management and internal controls systems and monitors the internal control weaknesses identified by the Internal Audit Division, the External Auditors and the Management.

The Committee also review the internal audit functions with particular emphasis on the scope, independence of internal audit and resources. The minutes of the Board Audit Committee meetings are tabled for the information of the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the Board Audit Committee Report.

- The Internal Audit Division verifies compliance with policies and procedures and effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance through the Board Audit Committee to the Board. Audits were carried out on all business processes of the companies in the Group in accordance with the annual audit plan approved by the Board 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 Board Audit Committee for review at its quarterly meetings.
- In assessing the overall internal control system of the Company and the subsidiaries, the Divisional Heads assess all procedures and controls within their scope, which are monitored by the Internal Audit Division on an ongoing basis.
- IT audits are conducted by independent external parties as and when required to ensure the integrity of the financial information and data security.
- The recommendations made by the External Auditors through the Management letters, in connection with the internal control system in the previous year, were reviewed during the year and appropriate steps have been taken to implement them.
- The Board 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 action to manage identified risks.
- The Board is closely monitoring the impact on the import restrictions and the current economic conditions on the business operations and the possible impact it could have on the controls of the Company.

Directors' Statement on Internal Controls

Confirmation

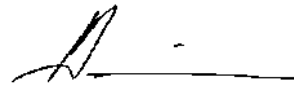
The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements of loss.

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.

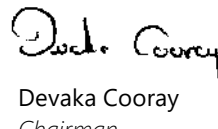
By Order of the Board



Coralie Pietersz
Chairperson - Board Audit Committee



Chanaka Yatawara
Group Chief Executive Officer/Executive Director



Devaka Cooray
Chairman

30 May 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. Overview

The Directors have pleasure in presenting the Thirty Fourth Annual Report of your Company together with the audited financial statements of the Group and the Company for the year ended 31 March 2023 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 30 May 2023. 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 78 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.
 - 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.
- Sale of used vehicles and provide related services.

- Provides after-sales services to its customers at Colombo and from its branch network.
- Operate 2MW roof mounted solar power project in Ratmalana and Orugodawatte.

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.
- Sale of used vehicles and provide related services.

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.

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.

There were no significant changes in the nature of principal activities of the Company and 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 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 100 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 60 to 78.

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 of Operations".

Annual Report of the Board of Directors

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 110 of the Annual Report.

5. Auditors' Report

The Company's auditors, PricewaterhouseCoopers' Report on the financial statements is given on pages 103 to 108 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 117 to 122 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 the 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 4.9 billion during the year ended 31 March 2023. 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	2023 LKR'000	2022 LKR'000
Profit for the year before taxation	789,333	352,526
Income tax expenses	(236,817)	(79,720)
Profit after tax	552,516	272,806
Other comprehensive income	14,879	46,927
Un-appropriated profit brought forward from previous years	6,622,299	6,554,818
Profit available for appropriation	7,189,694	6,874,551
Appropriations		
Dividend		
2020/21 - LKR 1.00 per share (Final)		(100,901)
2021/22 - LKR 1.50 per share (Interim)		(151,351)
2021/22 - LKR 0.50 per share (Final)	(50,450)	
2022/23 - LKR 1.00 per share (Interim)	(100,901)	
Un-appropriated profit to be carried forward	7,038,343	6,622,299

Dividends

An interim dividend of LKR 1.00 per share was paid on 02 May 2023 and a final dividend of LKR 1.25 per share has been recommended by the Board of Directors for payment on 21 July 2023.

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

9. Reserves

The total revenue reserves of the Company as at 31 March 2023 amounted to LKR 8,467 million and the capital reserves of the Company as at 31 March 2023 amounted to LKR 5,436 million. Details of reserves are shown in the statement of changes in equity on page 112.

10. Provision for Taxation

Provision for taxation has been computed at the prescribed rates and details are given in Note 15 and 37.1 to the financial statements.

11. Corporate Donations

The Company made donations to the value of LKR 635,000 (LKR 586,792 in 2021/22) 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 the 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.

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 2023 was LKR 336,335,430 comprising of 100,900,626 ordinary shares.

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

15. Share Information

There were 3,613 registered shareholders as at 31 March 2023 (3,635 as at 31 March 2022).

Distribution schedule of shareholdings

Information on the distribution of shareholding and the respective percentages are given in the section on 'Share Information' on page 184.

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

Information relating to dividends, earnings, ratios, net assets, market price information and the trading of the shares are given on page 185.

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 189.

Substantial shareholdings

The details of the top twenty shareholders and the percentage holding of the public are given under "Share Information" on page 186.

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 Chartered Accountants of Sri Lanka, and also the Listing Rules of the Colombo Stock Exchange. The level of conformance is given in the section on "How we govern" on pages 60 to 78.

The Company maintains and practices high principles of good Corporate Governance. A separate report on "How we govern" is given on pages 60 to 78 in the Annual Report.

Annual Report of the Board of Directors

18. Board of Directors

The Board of Directors of the Company as at 31 March 2023 comprised 11 (2021/22-09) 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	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.
Mr. Ruwindhu Peiris	NED/NIND	Director since April 2022 and resigned w.e.f. 31 March 2023.
Mr. Thushara Jayasekara	ED	Director since April 2022.

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 4 and 5.

Appointment resignation and retirement of Directors

Mr. Ruwindhu Peiris and Mr. Thushara Jayasekara were appointed to the Board with effect from 01 April 2022.

Mr. Ruwindhu Peiris, resigned from the Board with effect from 31 March 2023.

Re-election and re-appointment of Directors

- In terms of Article 83 of the Articles of Association of the Company
 - Professor Malik Ranasinghe, retires by rotation and being eligible offer himself for re-election.
 - Ms. Coralie Pietersz, retires by rotation and being eligible offer herself for re-election on the unanimous recommendation of the Nomination Committee and the Board of Directors.
- 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 74 years of age and that he be re-appointed as a Director of the Company."

Independence of Non-Executive Directors

As at 31 March 2023, the Board comprised of eleven Directors of whom eight Directors were Non-Executive Directors. Six of the Non-Executive Directors were Independent.

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 and Mr. Ruwindhu Peiris are Independent Directors.

Directors' dealings in shares of the Company

Directors' shareholding as of 31 March 2023, disclosure in respect of Directors' dealings in shares of the Company during the year, and their shareholding as of 31 March 2023 have been disclosed in "Share Information" on page 186.

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 LKRS 24 - "Related Party Disclosures" in Note 40 to the financial statements.

The recurrent related party transactions which in aggregate value 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 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 March 2023.

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 Board 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 2023 is given on pages 70 and 71 and while the reports of these Sub Committees are given on pages 79 to 86.

Directors' meetings

Directors' meetings comprise of Board Meetings and Board Sub Committee meetings of Board 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 70 to 71.

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 87 to 90 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 pages 91 and 92.

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.

Annual Report of the Board of Directors

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 Behaviour

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

24. Environmental Protection

The Company has made its best endeavors to comply with the relevant 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 2023 of the Company and its subsidiaries was 948 (2021/22 - 1,006).

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 28 June 2023.

29. Annual General Meeting

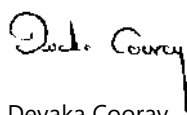
The Thirty Fourth Annual General Meeting (AGM) will be held as a virtual meeting insert virtual meeting on 28 June 2023 at 10.00 a.m. in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

The Notice of Meeting relating to the Annual General Meeting is given on page 193.

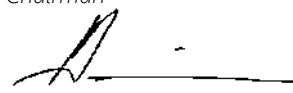
30. Acknowledgement of the Contents of the Report

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
Group Chief Executive Officer/ Executive Director



Rinoza Hisham
Company Secretary

30 May 2023

FINANCIAL CALENDAR

Financial Statements 2022/23	
First quarter released on	9 August 2022
Second quarter released on	11 November 2022
Third quarter released on	6 February 2023
Fourth quarter released on	25 May 2023
Annual Report and Accounts	
2021/22	7 June 2022
Meetings	
Thirty Third Annual General Meeting	29 June 2022
Thirty Fourth Annual General Meeting	28 June 2023
Dividends	
Final dividend 2021/22	20 July 2022
First interim dividend 2022/23	2 May 2023

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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 2023 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 103 to 108.

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.

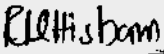
Further, the Board of Directors wishes to confirm that the Company has complied with the requirements under section 07 on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange, where applicable.

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.


A handwritten signature in black ink, appearing to read "Rinoza Hisham", is written over a horizontal line.

Ms. Rinoza Hisham
Company Secretary

30 May 2023

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 2023 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards
- Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995
- Companies Act No. 07 of 2007
- Listing rules of the Colombo Stock Exchange applicable to the Company
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka

We confirm that the significant accounting policies used in the preparation of the financial statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The significant Accounting Policies and estimates that involved a high degree of judgement and complexity were discussed with the Board Audit Committee & External Auditors. The significant accounting policies adopted in the preparation of the financial statements of the Group and the Company are given on pages 114 to 183 of the Annual Report.

There were no changes to the accounting policies and methods of computation since the publication of the Annual Report for the year ended 31 March 2022. Therefore, there was no necessity to amend the comparative information to comply with the current presentation.

We confirm, that to the best of our knowledge, the financial statement, significant accounting policies and other financial information included in this Annual Report, fairly present in all material aspects, the financial position, results of the operations and the 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 and Group 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 view, the form and substance of transactions and Group's state of affairs are reasonably presented. To ensure this the Group has taken proper and sufficient care in installing a system of internal control and accounting records, to safe guard assets and for preventing and detecting frauds and other irregularities, which are reviewed, evaluated and updated on continuing basis.

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

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

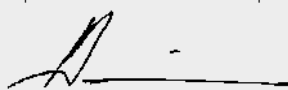
We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls. No fraud that involved management or other employees was reported in the year under review.

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

The financial statements of the Company and the consolidated financial statements of the Group were audited by Messrs. PricewaterhouseCoopers, Chartered Accountants and their report is given on page 103 to 108 of the Annual Report. The Board Audit Committee approved audit and non-audit services provided by Messrs. PricewaterhouseCoopers in line with the relevant audit policy, to ensure that the provision of such services does not impair PricewaterhouseCoopers's independence and objectivity.

We confirm that to the best of our knowledge

- The Group and the Company have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group and the Company other than those arising out of the normal course of business.
- All taxes, duties, levies and all statutory payments payable by the Group and the Company and all contribution, levies and taxes payable on behalf of and in respect of the employees of the Group and the Company as at 31 March 2023 have been paid or where relevant provided for.



Chanaka Yatawara
Group Chief Executive Officer/
Executive Director



Thushara Jayasekara
Executive Director-Finance

Colombo, Sri Lanka
30 May 2023

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 2023, 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 2023;
- 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 M D B Boyagoda FCA, Ms W D A S U Perera ACA, Ms L A C Tillekeratne ACA, K M D R P Manatunga ACA

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

Independent Auditor's Report

To the shareholders of United Motors Lanka PLC contd.

Report on the audit of the financial statements contd.

Key Audit Matters contd.

The Company

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of freehold land and investment property (Refer note 18.3 for freehold land revaluation and note 19.1 for investment property fair valuation in the financial statements)</p> <p>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.</p> <p>As at 31 March 2023, the freehold land portfolio was carried at a revalued amount of LKR 6.9 Bn and the investment property was carried at a fair value of LKR 580 Mn. The gain on revaluation of freehold land amounting to LKR 390 Mn and the fair value gain on investment property of LKR 22 Mn had been recognised in the financial statements for the year ended 31 March 2023.</p> <p>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.</p> <p>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.</p>	<p>Our audit approach included the following procedures:</p> <ul style="list-style-type: none"> 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; and 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; <p>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 2023 to be appropriate and reasonable.</p>
<p>Impairment of investment in subsidiaries (Refer note 23.1 in the financial statements)</p> <p>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 2023, and included LKR 100 Mn invested in the fully owned subsidiary, U M L Heavy Equipment Limited ("U M L Heavy").</p> <p>UML Heavy financial statements for the year ended 31 March 2023, indicated a loss for the year of LKR 197.2 Mn and a negative net asset position of LKR 309.5 Mn as at that date.</p>	<p>Our audit approach included the following procedures:</p> <ul style="list-style-type: none"> 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

Key audit matter	How our audit addressed the Key audit matter
<p>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 its carrying amount.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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 historical income and expense levels; • 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. <p>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.</p>

The Group

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of freehold land (Refer notes 18.1, in the financial statements)</p> <p>An independent valuer had been engaged to determine the fair value of freehold land captured under property, plant and equipment. As at 31 March 2023, the freehold land portfolio of the Group was carried at a revalued amount of LKR 7.48 Bn and the gain on revaluation for the year amounted to LKR 412 Mn.</p> <p>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.</p> <p>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.</p>	<p>Our audit approach mainly included substantive audit procedures as follows:</p> <ul style="list-style-type: none"> • 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; and • 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; <p>Based on the work performed, we found that the valuation methodology and assumptions used in the determination of fair value of freehold lands as at 31 March 2023 to be appropriate and reasonable.</p>

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
<p>Management assessment of the impact of the economic crisis and current economic challenges on the business operations (Refer notes 2.9.1 and 2.10 in the financial statements)</p> <p>The impact of economic crisis 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.</p> <p>The continuation of import restrictions on vehicles, the depleted foreign currency reserve position of the country, adverse exchange rates, high interest rate and inflation situation and the overall economic contraction has impacted the business operations of the Company and the Group.</p> <p>Managements' assessment of going concern was therefore considered as a key audit matter since the assessment involved assessment of uncertain future events, which is also based on cash flow projections and business plans that were dependent on significant management judgement.</p>	<p>Our audit procedures included the following to assess the appropriateness of the going concern assumption used in preparing the financial statements;</p> <ul style="list-style-type: none"> • 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, historical income and expense patterns and approved budgets; • 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 the present economic situation. <p>Based on the procedures performed, we are satisfied that management has considered the impact of the current economic situation on the Groups' operations satisfactorily in determining the appropriateness of the going concern assumption and disclosed such consideration adequately in the financial statements.</p>

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 express any form of assurance conclusion thereon.

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

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

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgement 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.

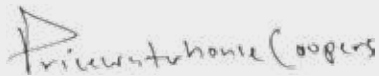
Independent Auditor's Report

*To the shareholders of United Motors Lanka PLC contd.
Report on the audit of the financial statements contd.*

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

Report on other Legal and Regulatory Requirements

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



CHARTERED ACCOUNTANTS

CA Sri Lanka membership number: 4084

Colombo
30 May 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Revenue from contracts with customers	11	10,736,341	12,884,249	4,940,801	5,268,274
Cost of sales		(7,868,859)	(10,081,012)	(3,202,145)	(3,603,030)
Gross profit		2,867,482	2,803,237	1,738,656	1,665,244
Distribution expenses		(380,575)	(421,510)	(205,589)	(248,341)
Administrative expenses		(2,506,293)	(1,818,301)	(1,808,895)	(1,451,019)
Net impairment (losses)/gains on trade and other receivables	12.3	(24,214)	5,792	12,116	(1,137)
Other gains/(losses)-net	12.4	193,210	(265,336)	288,872	(41,457)
Other income	13	112,253	135,469	279,376	281,661
Profit from operations		261,863	439,351	304,536	204,951
Finance income	14.1	88,404	86,613	520,462	180,115
Finance cost	14.1	(662,703)	(76,729)	(35,665)	(32,540)
Net finance (cost)/income		(574,299)	9,884	484,797	147,575
(Loss)/profit before income tax expenses		(312,436)	449,235	789,333	352,526
Income tax reversal/(expense)	15	181,345	(134,217)	(236,817)	(79,720)
(Loss)/profit for the year		(131,091)	315,018	552,516	272,806
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	12,640	27,872	6,207	27,204
Re-measurements of post employment benefit obligations	32.6	18,562	60,128	17,200	52,175
Deferred tax on re-measurements of post employment benefit obligations	33.3	(7,046)	(13,136)	(6,583)	(11,686)
Revaluation of land	18	412,500	490,740	390,000	454,000
Deferred tax on revaluation of land	33.2	(405,125)	(49,074)	(379,975)	(45,400)
Other Comprehensive Income for the year, net of tax		31,531	516,530	26,849	476,293
Total Comprehensive (loss)/income for the year		(99,560)	831,548	579,365	749,099
(Loss)/profit attributable to:					
Owners of United Motors Lanka PLC		(131,091)	315,018	552,516	272,806
		(131,091)	315,018	552,516	272,806
Total Comprehensive (loss)/income attributable to:					
Owners of United Motors Lanka PLC		(99,560)	831,548	579,365	749,099
		(99,560)	831,548	579,365	749,099
Earnings per share-basic and diluted (LKR)	16	(1.30)	3.12	5.48	2.70
Dividend per share (LKR)	17	-	-	1.50	2.50

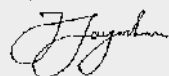
Notes from pages 114 to 183 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Assets					
Non-current assets					
Property, plant and equipment	18	8,519,939	8,232,589	7,860,162	7,581,106
Investment property	19	-	-	580,000	558,000
Intangible assets	20	168,339	191,218	165,451	188,330
Right-of-use assets	21	251,682	307,543	131,138	211,958
Investments in subsidiaries	23.1	-	-	222,400	222,400
Financial assets at fair value through Other Comprehensive Income	23.3	122,532	140,562	96,448	106,369
Reimbursable right	32.2	19,619	34,833	13,584	29,346
Deferred tax assets	33.1	925,524	461,794	213,138	170,195
Total non-current assets		10,007,635	9,368,539	9,282,321	9,067,704
Current assets					
Inventories	25	5,537,596	6,228,438	2,245,136	1,959,600
Trade and other receivables	26	2,642,257	3,114,831	1,070,440	1,074,459
Amounts due from related parties	27	5,845	-	72,903	65,501
Current tax receivables	37.2	19,544	28,729	-	-
Other financial assets at amortised cost	24.5	-	-	2,694,773	2,014,797
Financial assets at fair value through profit or loss	24	615,479	1,129,393	312,619	1,129,393
Cash and cash equivalents	28	329,583	528,889	203,053	304,071
Total current assets		9,150,304	11,030,280	6,598,924	6,547,821
Total assets		19,157,939	20,398,819	15,881,245	15,615,525
Equity and liabilities					
Equity					
Stated capital	29	336,335	336,335	336,335	336,335
Capital reserve	30	5,829,573	5,822,198	5,436,283	5,426,258
Other components of equity		1,390,247	1,383,641	1,428,563	1,426,618
Retained earnings		6,072,216	6,337,108	7,038,343	6,622,299
Total equity attributable to the equity holders of the parent		13,628,371	13,879,282	14,239,524	13,811,510
Non-current liabilities					
Employee benefit obligations	32.1	234,612	224,438	208,286	200,136
Lease liabilities	34	153,884	218,740	96,524	81,961
Deferred tax liabilities	33.2	821,589	366,080	785,034	330,652
Total non-current liabilities		1,210,085	809,258	1,089,844	612,749
Current liabilities					
Interest-bearing borrowings	31.1	2,926,236	1,856,611	-	-
Trade and other payables	35	1,143,205	3,514,778	344,630	907,548
Lease liabilities	34	94,957	93,205	28,883	133,346
Amounts due to related parties	36	-	-	33,803	11,768
Current tax liabilities	37.1	90,198	59,514	88,203	55,219
Bank overdrafts	28	64,887	186,171	56,358	83,385
Total current liabilities		4,319,483	5,710,279	551,877	1,191,266
Total liabilities		5,529,568	6,519,537	1,641,721	1,804,015
Total equity and liabilities		19,157,939	20,398,819	15,881,245	15,615,525
Net assets per share (LKR)		135.07	137.55	141.12	136.88

Notes from pages 114 to 183 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.



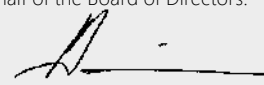
Thushara Jayasekara
Executive Director - Finance

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 30 May 2023.

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



Devaka Cooray
Chairman



Chanaka Yatawara
Group CEO / Executive Director

STATEMENT OF CHANGES IN EQUITY

Group	Stated Capital LKR '000	Capital Reserve LKR '000	Other Components of Equity				Retained Earnings LKR '000	Total Equity LKR '000
			Development Reserve LKR '000	Property, Plant & Equipment Replacement Reserve LKR '000	General Reserves LKR '000	FVOCI Reserve LKR '000		
Balance as at 01.04.2021	336,335	5,380,532	785,400	308,900	466,250	(195,978)	6,218,547	13,299,986
Profit for the year							315,018	315,018
Other Comprehensive Income								
Items that will not be reclassified to profit or loss								
Re-measurements of post employment benefit obligations							60,128	60,128
Deferred tax on re-measurements of post employment benefit obligations							(13,136)	(13,136)
Net change in equity investments at fair value through Other Comprehensive Income						27,872	-	27,872
Net gains on disposal of equity investments at fair value through Other Comprehensive Income						(8,803)	8,803	-
Revaluation of land		490,740					-	490,740
Deferred tax on revaluation of land		(49,074)					-	(49,074)
Total comprehensive income for the year	-	441,666	-	-	-	19,069	370,813	831,548
Transactions with owners in their capacity as owners :								
Final dividend paid for 2020/2021							(100,901)	(100,901)
Interim dividend paid 2021/2022							(151,351)	(151,351)
Total Dividends	-	-	-	-	-	-	(252,252)	(252,252)
Balance as at 31.03.2022	336,335	5,822,198	785,400	308,900	466,250	(176,909)	6,337,108	13,879,282
Profit for the year							(131,091)	(131,091)
Other Comprehensive Income								
Items that will not be reclassified to profit or loss								
Re-measurements of post employment benefit obligations							18,562	18,562
Deferred tax on re-measurements of post employment benefit obligations							(7,046)	(7,046)
Net change in equity investments at fair value through Other Comprehensive Income						12,640	-	12,640
Net gains on disposal of equity investments at fair value through Other Comprehensive Income						(6,034)	6,034	-
Revaluation of land		412,500					-	412,500
Deferred tax on revaluation of land		(405,125)					-	(405,125)
Total comprehensive income for the year	-	7,375	-	-	-	6,606	(113,541)	(99,560)
Transactions with owners in their capacity as owners :								
Final dividend paid for 2021/2022							(50,450)	(50,450)
Interim dividend payable 2022/2023							(100,901)	(100,901)
Total Dividends	-	-	-	-	-	-	(151,351)	(151,351)
Balance as at 31.03.2023	336,335	5,829,573	785,400	308,900	466,250	(170,303)	6,072,216	13,628,371

Notes from page 114 to 183 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Changes In Equity

Company	Stated Capital	Capital Reserve	Other Components of Equity				Retained Earnings	Total Equity
			Development Reserve	Property, Plant & Equipment Replacement Reserve	General Reserves	FVOCI Reserve		
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 01.04.2021	336,335	5,017,658	785,400	308,900	466,250	(154,698)	6,554,818	13,314,663
Profit for the year							272,806	272,806
Other Comprehensive Income								
Items that will not be reclassified to profit or loss								
Re-measurements of post employment benefit obligations							52,175	52,175
Deferred tax on re-measurements of post employment benefit obligations							(11,686)	(11,686)
Net change in equity investments at fair value through Other Comprehensive Income						27,204	-	27,204
Net gains on disposal of equity investments at fair value through Other Comprehensive Income						(6,438)	6,438	-
Revaluation of land		454,000						454,000
Deferred tax on revaluation of land		(45,400)						(45,400)
Total comprehensive income for the year	-	408,600	-	-	-	20,766	319,733	749,099
Transactions with owners, recognised directly in equity								
Final dividend paid for 2020/2021							(100,901)	(100,901)
Interim dividend paid 2021/2022							(151,351)	(151,351)
Total Dividends	-	-	-	-	-	-	(252,252)	(252,252)
Balance as at 31.03.2022	336,335	5,426,258	785,400	308,900	466,250	(133,932)	6,622,299	13,811,510
Profit for the year							552,516	552,516
Other Comprehensive Income								
Items that will not be reclassified to profit or loss								
Re-measurements of post employment benefit obligations							17,200	17,200
Deferred tax on re-measurements of post employment benefit obligations							(6,583)	(6,583)
Net change in equity investments at fair value through Other Comprehensive Income						6,207	-	6,207
Net gains on disposal of equity investments at fair value through Other Comprehensive Income						(4,262)	4,262	-
Revaluation of land		390,000						390,000
Deferred tax on revaluation of land		(379,975)					-	(379,975)
Total comprehensive income for the year	-	10,025	-	-	-	1,945	567,395	579,365
Transactions with owners in their capacity as owners :								
Final dividend paid for 2021/2022							(50,450)	(50,450)
Interim dividend payable 2022/2023							(100,901)	(100,901)
Total Dividends	-	-	-	-	-	-	(151,351)	(151,351)
Balance as at 31.03.2023	336,335	5,436,283	785,400	308,900	466,250	(131,987)	7,038,343	14,239,524

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.

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 114 to 183 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group		Company	
		2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cash flows from operating activities	38.1	(630,336)	(1,925,672)	(12,501)	201,514
Interest paid		(644,469)	(70,697)	(35,665)	(32,951)
Taxes paid		(199,178)	(138,215)	(178,952)	(99,619)
Contribution paid and received from investment plan (net)		(3,399)	(401)	(24)	(43)
Net cash (outflow)/inflow from operating activities		(1,477,382)	(2,134,985)	(227,142)	68,901
Cash flows from investing activities					
Investment in shares, unit trust and commercial papers		(1,900,000)	(7,382,050)	(3,701,948)	(11,182,050)
Proceeds from disposals/settlements of investments/ unit trust/commercial papers		2,469,822	9,685,233	4,020,017	11,471,413
Acquisitions of property, plant & equipment and intangible assets	18 & 20.2	(44,980)	(110,360)	(30,769)	(94,816)
Proceeds from disposals of property, plant & equipment		45,097	64,073	38,017	51,424
Interest received		88,404	86,613	81,127	121,989
Dividends received	13	10,536	20,972	52,564	92,468
Net cash inflow from investing activities		668,879	2,364,481	459,008	460,428
Cash flows from financing activities					
Dividends paid	17	(151,351)	(252,252)	(151,351)	(252,252)
Principal element of lease payments	34	(169,559)	(158,188)	(154,506)	(152,346)
Loans obtained	38.2	8,404,990	7,916,096	768,726	1,020,000
Loans paid	38.2	(7,353,599)	(8,172,496)	(768,726)	(1,520,000)
Net cash inflow/(outflow) from financing activities		730,481	(666,840)	(305,857)	(904,598)
Net decrease in cash and cash equivalents		(78,022)	(437,344)	(73,991)	(375,269)
Cash and cash equivalents at the beginning of the year		342,718	780,062	220,686	595,955
Cash and cash equivalents at end of the year	28	264,696	342,718	146,695	220,686

Notes from page 114 to 183 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 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). All the Group entities are limited liability companies, incorporated and domiciled in Sri Lanka. The financial statements of the Group entities are prepared to a common financial year ending 31 March using uniform accounting policies.

1.3 Principal Business Activities and Nature of Operations

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

Name of the Company	Principal activities
The Company	
United Motors Lanka PLC (UML)	Importation and sale of brand new Mitsubishi and Fuso vehicles, spare parts, lubricants, after sales services, 3D printers, equipment and machinery, sale of used vehicles (trade-in) and related services.
Subsidiaries	
Unimo Enterprises Limited (UEL)	Importation and sale of vehicles, accessories, power generators, machinery, 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 93 to 99 and 110 respectively of this Annual Report.

2.3 Approval of Financial Statements

The financial statements for the year ended 31 March 2023 were approved and authorised for issue by the Board of Directors in accordance with the resolution of directors on 30 May 2023.

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
Retirement 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 Standard - 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.

Notes to the Financial Statements

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 years 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 property	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
Employee benefit obligations	Key actuarial assumptions on discount rates, expected rates of return on assets, future salary increases and mortality rates	32
Useful lives of intangible assets	Judgement regarding useful lives 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 uncertainties in preparation of financial statements due to uncertain economic activities

The management has considered the impact due to uncertainty in economic activities and financial instability in the country in preparing the financial statements.

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.

Collectively assessed allowance for expected credit losses

Probable impacts from 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.

Impairment of non financial assets

The Group assesses whether there are any indicators of impairment for an asset or a cash generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the value in use of such individual assets or the cash generating units. This valuation requires the Group to make estimates about expected future cash flows and discount rates and hence they are subject to uncertainty.

Revaluation of property, plant and equipment

The Group measures land at revalued amounts with changes in fair value being recognized in equity through OCI. The Group engages independent professional valuer to assess fair value of land. The key assumptions used to determine the fair value of the land and building and sensitivity analysis are given in Note 18.7.

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 unstable economic environment in the country, current economic developments, impact from continuing ban on import of vehicles, shortage in foreign currency, restrictions on opening Letters of credit, possible restructuring of government debts and difficult macro-economic environment. Furthermore, the Board is 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.

Notes to the Financial Statements

Accounting policy	Note Reference	Page Reference
Significant accounting policies - General		
Basis of consolidation	4	118
Foreign currency transactions and balances	5	119
Financial instruments - classification, recognition and de-recognition, initial measurement, subsequent measurement and impairment	6	119
Impairment of non-financial assets	7	120
Statement of cash flows	8	121
New accounting standards adopted by the Group	9	121
Significant accounting policies - Recognition of income and expenses		
Operating segments	10	123
Revenue recognition	11	125
Warranties	11	126
Operating expenditure	12	127
Other income	13	129
Finance income/cost	14	130
Income tax expenses	15	130
Tax exposures	15	130
Earnings Per Share (EPS) - basic and diluted	16	133
Significant accounting policies - Recognition of assets and liabilities		
Property, plant and equipment	18	136
Investment property	19	141
Intangible assets	20	143
Right-of-use assets	21	145
Financial assets measured at FVOCI	23.2	160
Investment in subsidiaries	23.1	159
Inventories	25	163
Impairment of trade receivables	22.4	150
Trade and other payables	35	176
Employee benefit obligations	32	168
Deferred tax assets and deferred tax liabilities	33	173
Accounting for leases	34	174
Other disclosures		
Capital commitments and contingencies	39	179
Related party disclosures	40	180
Events after the reporting period	42	182

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 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.

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 or minus the transaction costs that are directly attributable to the acquisition or issue of the financial asset, except in the case of a financial asset not at fair value through profit or loss (FVPL). 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 depend 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

Notes to the Financial Statements

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 OF 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 is the greater of its value in use and its fair value less costs to sell. In

assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("Cash Generating Unit" or CGU) for the purposes of goodwill impairment testing. Goodwill acquired in a business combination is allocated to the Group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

The Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with 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 Statement of Cash Flows are given on page 113.

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 2022 (i.e. year ending 31 March 2023) and
- (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2023.

(a) New standards and amendments - applicable from 1 January 2022

The Group has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2022

(i) Property, plant and equipment: proceeds before intended use - amendments to LKAS 16

The amendment to LKAS 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.

(ii) Reference to the Conceptual Framework - Amendments to SLFRS 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.

Notes to the Financial Statements

(iii) Onerous Contracts - Cost of fulfilling a contract- amendments to LKAS 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.

(iv) Annual Improvements to SLFRS 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.

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

The following standards and interpretations had been issued by IASB (and also adopted by CA Sri Lanka) but not mandatory for annual reporting periods ended 31 March 2023.

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 LKAS 1

The narrow-scope amendments to LKAS 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 waiver or a breach of covenant). The amendments also clarify what LKAS 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 LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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

(ii) Disclosure Initiative: Accounting Policies - Amendments to LKAS 1

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

(iii) Amendment to LKAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

LKAS 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.

(iv) Definition of Accounting Estimates (amendments to LKAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 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.

10. OPERATING SEGMENTS

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 components.
Vehicles	Sale of passenger vehicles, commercial vehicles, special purpose vehicles, pre-owned passenger vehicles and commercial vehicles. Provide vehicle sales facilitation and brokering services.
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 products

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 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.

Notes to the Financial Statements

10. OPERATING SEGMENTS contd.

Segment Information - Group	Spare parts and workshop		Vehicles		Equipment and machinery		3D Printers and services		Tyres		Lubricants and car care products		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	In LKR'000													
Segment revenue	2,689,736	2,300,253	6,186,502	7,802,946	391,976	1,079,516	12,617	33,257	150,123	273,767	1,392,700	1,473,487	10,823,654	12,963,226
Inter segment revenue	(77,076)	(58,348)	-	-	(2,002)	(394)	-	-	(1,971)	(4,022)	(6,264)	(16,213)	(87,313)	(78,977)
Revenue from external customers	2,612,660	2,241,905	6,186,502	7,802,946	389,974	1,079,122	12,617	33,257	148,152	269,745	1,386,436	1,457,274	10,736,341	12,884,249
Revenue from contracts with customers														
Goods transferred at a point in time	2,078,208	1,778,809	6,171,173	7,783,492	389,974	1,079,122	12,617	33,257	148,152	269,745	1,386,436	1,457,274	10,186,560	12,401,699
Services rendered at a point in time	534,452	463,096	15,329	19,454	-	-	-	-	-	-	-	-	549,781	482,550
Total revenue from contracts with customers	2,612,660	2,241,905	6,186,502	7,802,946	389,974	1,079,122	12,617	33,257	148,152	269,745	1,386,436	1,457,274	10,736,341	12,884,249
Segment profit/(loss)	593,940	515,859	458,154	459,978	(61,585)	39,323	(10,520)	(6,297)	33,257	49,773	274,141	189,488	1,287,387	1,248,124
Unallocated income													112,253	135,469
Unallocated expenses													(1,137,777)	(944,242)
Profit from operations before finance cost													261,863	439,351
Finance income													88,404	86,613
Finance cost													(662,703)	(76,729)
Net finance (cost)/income													(574,299)	9,884
(Loss)/profit before income tax expenses													(312,436)	449,235
Income tax reversal/(expense)													181,345	(134,217)
(Loss)/profit for the year													(131,091)	315,018
Segment assets	4,276,408	5,251,468	6,950,010	6,830,558	695,317	1,083,876	18,126	31,747	290,034	337,428	2,958,016	1,982,791	15,187,911	15,517,868
Unallocated assets													3,970,028	4,880,951
Total assets	4,276,408	5,251,468	6,950,010	6,830,558	695,317	1,083,876	18,126	31,747	290,034	337,428	2,958,016	1,982,791	19,157,939	20,398,819
Segment liabilities	80,738	194,396	432,617	1,629,254	13,293	526,525	805	1,061	-	30,062	10,309	249,600	537,762	2,630,898
Unallocated liabilities													4,991,806	3,888,639
Total liabilities	80,738	194,396	432,617	1,629,254	13,293	526,525	805	1,061	-	30,062	10,309	249,600	5,529,568	6,519,537
Segment capital expenditure-allocated	10,946	19,203	25,919	66,837	1,634	9,243	53	285	620	2,311	5,808	12,482	44,980	110,361
Depreciation and amortisation-allocated	59,178	55,990	243,199	250,137	13,346	25,489	217	586	2,552	4,749	26,222	31,259	344,714	368,210
Non cash expenses	52,595	7,776	101,741	(33,942)	9,160	1,648	398	690	6,157	(3,118)	(21,482)	(10,505)	148,569	(37,451)

Figures in brackets indicate deductions.

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 contracts 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 contracts 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 recognized 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 industry 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.

Notes to the Financial Statements

11. REVENUE contd.

Revenue from contracts with customers	Group		Company	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Spare parts, repairs and services	2,612,660	2,241,905	2,611,894	2,239,819
Vehicles	6,171,173	7,783,492	908,261	1,500,847
Local charges and brokering fees - vehicles	15,329	19,454	15,329	19,454
Equipment and machinery	389,974	1,079,122	-	1,410
3D printers and services	12,617	33,257	12,617	33,257
Tyres	148,152	269,745	-	-
Lubricants and car care products	1,386,436	1,457,274	1,388,421	1,469,253
Hiring	-	-	4,279	4,234
	10,736,341	12,884,249	4,940,801	5,268,274

11.1 The Detailed Segment Information 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.

11.4 Liabilities Related to Contracts with Customers (Note 35)

	Group		Company	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Advances received from customers	173,314	489,683	39,897	68,613
Free service contracts - unsatisfied performance obligations	5,103	5,694	545	1,396
Extended warranty provided for 3D printers	94	337	94	337
	178,511	495,714	40,536	70,346

11.5 Timing of Revenue Recognition

	Group		Company	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
Revenue recognised at a point in time	10,736,341	12,884,249	4,940,801	5,268,274
	10,736,341	12,884,249	4,940,801	5,268,274

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

11.6 Revenue by Nature of Transactions

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Sale of goods	10,186,560	12,401,699	4,323,576	4,734,255
Rendering of services	534,452	463,096	597,617	510,331
Support service income	15,329	19,454	19,608	23,688
	10,736,341	12,884,249	4,940,801	5,268,274

12. PROFIT FROM OPERATIONS

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

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Directors' emoluments	169,301	115,624	144,073	93,719
Auditors' remuneration (Note 12.1)	8,334	6,177	7,157	5,233
Tax compliance/consultancy charges	686	712	502	480
Depreciation on property, plant and equipment (Note 18)	154,685	192,860	132,188	153,761
Amortization of intangible assets (Note 20.2)	27,713	28,901	27,713	28,662
Amortization of right of use assets (Note 21)	162,316	146,450	145,427	141,036
Write-down/(reversal) of inventory to lower of cost or NRV (Net Realisable Value)	124,355	(31,659)	14,560	4,490
Employee benefit expenses (Note 12.2)	1,353,446	1,151,464	1,105,394	895,435
Net impairment (losses)/gains on trade and other receivables (Note 12.3)	(24,214)	5,792	12,116	(1,137)
Other gains/(losses)-net (Note 12.4)	193,210	(265,336)	288,872	(41,457)
Donations	635	587	635	587
Legal fees	2,361	183	977	140

12.1 Auditor's Remuneration

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Audit and related services	5,560	4,377	4,383	3,433
Non audit services	2,774	1,800	2,774	1,800
	8,334	6,177	7,157	5,233

12.2 Employee Benefit Expenses

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Salaries and bonus	1,130,322	975,913	925,121	757,420
Contributions to defined contribution plan	131,893	121,341	104,201	94,787
Retirement benefit obligation	46,394	14,624	41,110	12,854
Others	44,837	39,586	34,962	30,374
	1,353,446	1,151,464	1,105,394	895,435
Number of employees at the end of the year	948	1,006	772	797

Notes to the Financial Statements

12.3 Net Impairment (Losses)/Gains on Trade and other Receivables

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net impairment gains on trade receivables	18,556	6,111	24,036	8,424
Net impairment losses on other receivables	(42,770)	(319)	(11,920)	(9,561)
	(24,214)	5,792	12,116	(1,137)

12.4 Other Gains/(Losses)-net

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Foreign exchange gains/(losses)-net	167,972	(241,955)	88,186	(69,613)
Net change in fair value of financial assets at				
Fair value through profit or loss-equity investments	13,855	(44,575)	13,855	(44,575)
Fair value through profit or loss-unit trust	3,053	7,635	193	7,635
Fair value through profit or loss-commercial papers	-	-	156,308	14,797
Change in fair value of investment property	-	-	22,000	36,740
Net gains on disposal of financial assets				
at fair value through profit or loss	8,330	13,559	8,330	13,559
	193,210	(265,336)	288,872	(41,457)

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 results 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 results 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.

Dividend income

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

Other Income	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Rent income	35	-	40,430	22,025
Profit on disposal of property, plant and equipment	34,674	53,125	33,514	46,485
Award received from principal	560	4,348	560	4,348
Facilitation fee	-	23	90,600	61,022
Dividend income from investments in subsidiaries	-	-	43,031	75,000
Dividend income on				
Financial assets at the fair value through profit or loss	8,525	14,174	8,525	14,174
Financial assets at fair value through Other Comprehensive Income	2,011	6,798	1,008	3,294
Income from solar PV system	41,884	44,687	41,884	44,687
Commission on insurance	2,600	3,454	2,600	3,454
Valuation fee	-	8	-	8
Sundry income (Note 13.1)	21,964	8,852	17,224	7,164
	112,253	135,469	279,376	281,661

13.1 Sundry Income

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Scrap sales	11,953	5,887	11,953	5,887
Miscellaneous	10,011	2,965	5,271	1,277
	21,964	8,852	17,224	7,164

Notes to the Financial Statements

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.

14.1 Recognised in Profit or Loss

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Finance income				
Income from unimpaired financial assets:				
Interest on call deposits	72,287	4,469	65,550	2,137
Interest on amounts due from related parties	-	-	122	39,810
Income from unit trust investments	16,117	82,144	15,455	80,042
Income from commercial paper investments	-	-	439,335	58,126
Total finance income	88,404	86,613	520,462	180,115
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(631,139)	(43,450)	(24,011)	(8,687)
Interest on lease liabilities	(23,911)	(32,278)	(5,146)	(23,228)
Interest on overdrafts	(7,653)	(1,001)	(6,508)	(625)
Total finance cost	(662,703)	(76,729)	(35,665)	(32,540)
Net finance (cost)/income recognised in profit or loss	(574,299)	9,884	484,797	147,575

14.2 Recognised in Other Comprehensive Income

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net change in the fair value of equity investments at fair value through Other Comprehensive Income	12,640	27,872	6,207	27,204
	12,640	27,872	6,207	27,204

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

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.

A detailed disclosure on deferred tax is 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.

Company and the Group are liable for Social Security Contribution Levy (SSCL), on the liable turnover specified in the Social Security Contribution Act No. 25 of 2022 at the rate of 2.5% with effect from 1 October 2022.

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.

Notes to the Financial Statements

15. TAXATION contd.

Current tax expense	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Current tax expense				
Current tax on profit for the year	240,262	78,576	213,149	62,708
Adjustments in respect of prior years	(1,215)	22,140	(1,213)	15,676
Total current tax expense	239,047	100,716	211,936	78,384
Deferred tax expense				
Deferred tax asset (charged)/reversed during the year	(470,776)	32,150	(49,526)	7,833
Deferred tax liability charged/(reversed) during the year	50,384	1,351	74,407	(6,497)
Total deferred tax (reversal)/expense	(420,392)	33,501	24,881	1,336
Income tax (reversal)/expense (Note 15.1)	(181,345)	134,217	236,817	79,720

The Department of Inland Revenue issued an 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) amounted to LKR 18,317,599. The Company appealed against the assessment but the CGIR determination was against the Company. The Company appealed against the determination of CGIR dated 21 January 2016 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 based on a preliminary objection raised by the Company. However, CGIR filed action in the Court of Appeal against the said determination of the Tax Appeals Commission. Subsequent to the balance sheet date Court of Appeal has overruled the Tax Appeal Commission's decision. Now the Court of Appeal will take on arguments on the substantive matter and a date has not been fixed for the same. As there is no independent judgement received in favour of the Assessment issued, the Company has not made any provision in the Financial Statements in relation to this matter.

15.1 Reconciliation of the Accounting (Loss)/Profit to Income Tax (Reversal)/Expense

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

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
(Loss)/profit before income tax expense	(312,436)	449,235	789,333	352,526
Tax calculated at effective tax rate of 30%	(91,359)	107,817	236,800	84,606
Tax effect of income tax liable at previous rate of 24%	(27,099)	-	(24,238)	-
Tax effect of income tax liable at concessionary rates	(826)	(26,888)	(653)	(9,122)
Tax effect on income tax not liable for tax	(40,273)	(33,804)	(39,490)	(32,000)
Tax effect on expenses not deductible	231,000	176,769	192,359	102,067
Tax effect on allowable deductions	(176,174)	(112,426)	(126,748)	(81,507)
Utilisation of tax losses	(110,105)	(41,516)	-	-
Adjustments in respect of prior periods	(1,215)	22,140	(1,213)	15,676
Tax losses during the year	25,218	17,620	-	-
Tax effect of adjustments on consolidation	9,488	24,505	-	-
Tax (reversal)/charge	(181,345)	134,217	236,817	79,720

15.2 Income Tax Provisions

(a) The taxable profit of the Company and subsidiaries are liable for current tax rate of 30% in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and amendments thereto.

(b) As per the Inland Revenue Act No. 24 of 2017, as amended by the Inland Revenue (Amendment) Act No.10 of 2021 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 2023 amounts to LKR 1,751 million (LKR 1,075 million in 2022).

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Tax losses at the beginning of the year	1,075,330	1,158,943	-	-
Tax losses for the year including disallowed finance cost	1,117,494	78,500	-	-
Adjustment in respect of previous year	(74,348)	60,018	-	-
Tax losses set off during the year	(367,791)	(222,131)	-	-
Tax losses at the end of the year	1,750,685	1,075,330	-	-

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

16. EARNINGS PER SHARE - BASIC AND DILUTED

Accounting Policy

The basic EPS is calculated by dividing the profit/(loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year.

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	
	2023	2022	2023	2022
Amount used as numerator				
(Loss)/profit attributable to equity holders of the parent company (LKR '000)	(131,091)	315,018	552,516	272,806
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)	(1.30)	3.12	5.48	2.70

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.

Notes to the Financial Statements

17. DIVIDEND PER SHARE

	Company			
	2023		2022	
	Dividend Per share LKR	Dividend LKR '000	Dividend Per share LKR	Dividend LKR '000
Final dividend paid for 2020 /21	-	-	1.00	100,901
Interim dividend paid for 2021 /22	-	-	1.50	151,351
Final dividend paid for 2021/22	0.50	50,450	-	-
Interim dividend payable for 2022 /23	1.00	100,901	-	-
	1.50	151,351	2.50	252,252

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.

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 PV 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 is 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).

Notes to the Financial Statements

18. PROPERTY, PLANT AND EQUIPMENT
18.1 Group-2023

	Free hold 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
Cost or revalued amount											
At the beginning 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
Additions	-	535	801	4,489	616	11,781	6,256	-	6,472	9,196	40,146
Gains from revaluation of land	412,500	-	-	-	-	-	-	-	-	-	412,500
Disposals	-	(1,616)	(7,724)	(8,305)	(6,899)	(22,934)	(32,622)	-	(17,012)	-	(97,112)
Write offs	-	-	-	-	-	-	-	-	-	(188)	(188)
Reclassifications and adjustments	-	-	7	(91)	-	-	-	-	84	-	-
Transferred from capital work-in-progress	-	1,703	-	351	702	-	-	-	-	(2,756)	-
At the end of the year	7,477,000	1,033,313	63,402	62,043	142,483	390,994	591,993	226,444	171,514	10,082	10,169,268
Accumulated depreciation											
At the beginning of the year	-	375,367	63,142	55,405	112,490	269,761	511,208	33,966	159,994	-	1,581,333
Charge for the year	-	34,096	2,540	4,535	8,508	30,823	52,730	11,322	10,131	-	154,685
Disposals	-	(1,272)	(7,698)	(7,974)	(6,888)	(20,817)	(25,136)	-	(16,904)	-	(86,689)
Reclassifications and adjustments	-	-	4	(28)	-	-	-	-	24	-	-
At the end of the year	-	408,191	57,988	51,938	114,110	279,767	538,802	45,288	153,245	-	1,649,329
Carrying amount as at 31 March 2023	7,477,000	625,122	5,414	10,105	28,373	111,227	53,191	181,156	18,269	10,082	8,519,939
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

18.2 Group-2022

	Free hold 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
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

Details of land and buildings owned by the Group as of 31 March 2023 are as follows:

Location/address	Buildings		Land					Total Value
	No. of building units	Sq. / Ft	Extent		Perch	Cost	Revaluation	
			Acres	Rood				
100. & 100A, Hyde Park Corner, Colombo 02	10	81,794	1	3	0.54	76,791	4,338,209	4,415,000
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,261,664	1,330,000
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	581,684	779,000
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	33,419	108,500
Malgawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	354,860	798,000
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	33,877	46,500
Total	68	311,232	20	2	37.08	873,287	6,603,713	7,477,000

Notes to the Financial Statements

18.3 Company-2023

	Free hold land	Buildings	Furniture & fittings	Office equipment	Electrical fixtures & fittings	Machinery & tools	Motor vehicles	Solar PV system	Computers	Capital work in progress	Total
Cost or revalued amount	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning 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
Additions	-	399	312	3,449	616	6,275	150	-	5,742	8,992	25,935
Gains from revaluation of land [Note 18.5 (x)]	390,000	-	-	-	-	-	-	-	-	-	390,000
Disposals	-	(1,616)	(7,354)	(7,621)	(6,890)	(17,827)	(25,936)	-	(16,157)	-	(83,401)
Write offs	-	-	-	-	-	-	-	-	-	(188)	(188)
Transferred from capital work-in-progress	-	1,703	-	351	702	-	-	-	-	(2,756)	-
At the end of the year	6,902,000	897,423	50,931	40,333	140,340	317,727	584,400	226,444	156,581	9,879	9,326,058
Accumulated depreciation											
At the beginning of the year	-	285,750	53,501	38,594	115,052	223,625	514,402	33,966	147,716	-	1,412,606
Charge for the year	-	30,429	1,699	2,778	7,913	24,043	45,256	11,322	8,748	-	132,188
Disposals	-	(1,272)	(7,347)	(7,347)	(6,888)	(17,758)	(22,132)	-	(16,154)	-	(78,898)
At the end of the year	-	314,907	47,853	34,025	116,077	229,910	537,526	45,288	140,310	-	1,465,896
Carrying amount as at 31 March 2023	6,902,000	582,516	3,078	6,308	24,263	87,817	46,874	181,156	16,271	9,879	7,860,162
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

18.4 Company-2022

	Free hold 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	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost or revalued amount																						
At the beginning of the year	6,058,000	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											

Details of land & buildings owned by the Company as of 31 March 2023 are as follows:

Location/address	Buildings			Land						Total Value LKR '000
	No. of building units	Sq. / Ft	Acres	Extent		Perch	Cost LKR '000	Revaluation LKR '000		
				Road	Rood					
100, Hyde Park Corner, Colombo 02	9	71,524	1	2	3.70	25,000	3,815,000	3,840,000		
143 & 145, Majeed Place, Orugodawatte	27	126,382	7	-	15.14	68,336	1,261,664	1,330,000		
Vauxhall Street, Colombo 02	2	825	-	1	10.35	197,316	581,684	779,000		
Meetotamulla, Orugodawatte	1	3,494	-	1	28.86	75,081	33,419	108,500		
Malligawa Road, Ratmalana	25	89,262	9	3	36.50	443,140	354,860	798,000		
Navatkuli, Jaffna	3	9,475	1	-	25.69	12,623	33,877	46,500		
Total	67	300,962	20	2	0.24	821,496	6,080,504	6,902,000		

Notes to the Financial Statements

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.
- (x) In March 2023, 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 390,000,000 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 15,750,000 per perch	4,415,000	Price per perch of land	Estimated fair value would increase/ (decrease) if;
J M S Bandara	143 & 145, Majeed Place, Orugodawatte	Market Approach	7A 15.14 P	LKR 1,125,000 to 1,300,000 per perch	1,330,000		
J M S Bandara	Vauxhall Street, Colombo 02	Market Approach	1 R 10.35 P	LKR 15,500,000 per perch	779,000	-Price per perch increases/ (decreases)	
J M S Bandara	Meetotamulla, Orugodawatte	Market Approach	1 R 28.86 P	LKR 1,575,000 per perch	108,500		
J M S Bandara	Maligawa Road, Ratmalana	Market Approach	9 A 3 R 36.5 P	LKR 500,000 per perch	798,000		
J M S Bandara	Navatkuli, Jaffna	Market Approach	1A 25.69 P	LKR 250,000 per perch	46,500		

18.8 Fully Depreciated Assets

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

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Buildings	166,701	100,459	111,905	76,253
Furniture and fittings	47,022	47,638	41,440	42,669
Office equipment	39,632	41,848	28,731	33,453
Electrical fixtures & fittings	69,930	69,166	69,930	69,166
Machinery & tools	96,448	64,070	91,808	60,295
Motor vehicles	578,470	472,723	493,699	401,966
Computers	123,529	132,801	113,415	123,115
Reference books	107	107	107	107
Total	1,121,839	928,812	951,035	807,024

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 (2022 - Nil).

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.

Notes to the Financial Statements

19. INVESTMENT PROPERTY contd.**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	
	2023 LKR '000	2022 LKR '000
At the beginning of the year	558,000	521,260
Net gain from fair value adjustment	22,000	36,740
At the end of the year	580,000	558,000

19.1 Amounts Recognised in Profit or Loss for Investment Property

	Company	
	2023 LKR '000	2022 LKR '000
Rentals income from operating leases	19,030	19,030
Fair value gains recognised in profit or loss	22,000	36,740

No direct operating expenses for 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	
	2023 LKR '000	2022 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 2023 is LKR 580 million (March 2022 - LKR 558 million).

Details of investment property are as follows:

Location / address	Building			Land			Fair value of the property LKR '000	
	No. of buildings	Sq. / Ft	Fair value LKR '000	Extent				
				Acre	Rood	Perch		
100A, Hyde Park Corner, Colombo 02	1	10,270	5,000	-	-	36.84	575,000	580,000

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 15,600,000 per perch	575,000	Price per perch of land	Estimated fair value would increase (decrease) if; -Price per perch increases/(decreases)
		Building DRC value (replacement cost)	10,270 Sq/Ft	LKR 6,000 per Sq/Ft Less depreciation at 92%	5,000	Price per square foot for building	-Price per square foot increases/(decreases)
						Depreciation rate	- Depreciation rate for building (decreases)/ increases

20. INTANGIBLE ASSETS

Accounting Policy

Basis of recognition

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

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.

Notes to the Financial Statements

20. INTANGIBLE ASSETS contd.**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:

- 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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Goodwill (Note 20.1)	2,890	2,890	-	-
Computer software (Note 20.2)	165,449	188,328	165,451	188,330
	168,339	191,218	165,451	188,330

20.1 Goodwill

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Cost				
At the beginning of the year	292,518	292,518	290,015	290,015
Additions	4,834	-	4,834	-
Disposals	(9,936)	-	(9,936)	-
At the end of the year	287,416	292,518	284,913	290,015
Accumulated amortisation				
At the beginning of the year	104,190	75,289	101,685	73,023
Amortisation during the year	27,713	28,901	27,713	28,662
Disposals	(9,936)	-	(9,936)	-
At the end of the year	121,967	104,190	119,462	101,685
Carrying amount at the end of the year	165,449	188,328	165,451	188,330

- 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 16.4 million (2022-LKR 24.07 million) and the Company amounts to LKR 13.9 million (2022-LKR 23.8 million) as at the reporting date.

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 exists or otherwise. That is, it considers all relevant factors that create an economic benefit 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.

Notes to the Financial Statements

21. RIGHT-OF-USE ASSETS contd.**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.

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Cost				
At the beginning of the year	732,980	544,195	649,154	508,575
Adjustments-termination of lease contract	(15,312)	(8,334)	(13,534)	(8,334)
Additions during the year	121,767	197,119	78,141	148,913
At the end of the year	839,435	732,980	713,761	649,154
Accumulated Amortisation				
At the beginning of the year	425,437	278,987	437,196	296,160
Amortisation for the year	162,316	146,450	145,427	141,036
At the end of the year	587,753	425,437	582,623	437,196
Carrying amount at the end of the year	251,682	307,543	131,138	211,958

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 lease commencement.

22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting Policy

Refer Note 6 for accounting policies.

The Group holds the following financial instruments;

	Note	Group		Company	
		31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Financial assets					
Financial assets at amortised cost					
Trade and other receivables excluding prepayments	26	2,304,238	3,014,142	1,010,006	1,039,514
Amounts due from related parties	27	5,845	-	72,903	65,501
Investments in commercial papers	24.5	-	-	2,694,773	2,014,797
Cash and cash equivalents	28	329,583	528,889	203,053	304,071
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)					
	23.3	122,532	140,562	96,448	106,369
Financial assets at fair value through profit or loss (FVPL)					
Equity shares	24.1	252,426	261,758	252,426	261,758
Investments in unit trusts	24.1	363,053	867,635	60,193	867,635
		3,377,677	4,812,986	4,389,802	4,659,645
Financial liabilities					
Liabilities at amortised cost					
Interest bearing borrowings	31	2,926,236	1,856,611	-	-
Trade and other payables	35	1,143,205	3,514,778	344,630	907,548
Amounts due to related parties	36	-	-	33,803	11,768
Lease liabilities	34	248,841	311,945	125,407	215,307
Bank overdrafts	28	64,887	186,171	56,358	83,385
		4,383,169	5,869,505	560,198	1,218,008

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

22.1 Fair Values Vs. Carrying Amounts contd.

		31.03.2023			31.03.2022		
		Carrying amount LKR '000	Fair value		Carrying amount LKR '000	Fair value	
			LKR '000 Level 1	LKR '000 Level 2		LKR '000 Level 1	LKR '000 Level 2
Group							
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24.1	252,426	252,426	-	261,758	261,758	-
Investments in unit trusts	24.1	363,053	-	363,053	867,635	-	867,635
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	2,304,238	-	-	3,014,142	-	-
Amounts due from related parties	27	5,845	-	-	-	-	-
Cash and cash equivalents	28	329,583	-	-	528,889	-	-
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)							
Equity shares	23.3	122,532	122,532	-	140,562	140,562	-
		3,377,677	374,958	363,053	4,812,986	402,320	867,635
Financial liabilities at amortised cost							
Interest-bearing borrowings	31.1	2,926,236	-	-	1,856,611	-	-
Bank overdrafts	28	64,887	-	-	186,171	-	-
		2,991,123	-	-	2,042,782	-	-
Company							
Financial assets at fair value through profit or loss (FVPL)							
Equity shares	24.1	252,426	252,426	-	261,758	261,758	-
Investments in unit trusts	24.1	60,193	-	60,193	867,635	-	867,635
Financial assets at amortised cost							
Trade and other receivables excluding prepayments	26	1,010,006	-	-	1,039,514	-	-
Amounts due from related parties	27	72,903	-	-	65,501	-	-
Investments in commercial papers	24.5	2,694,773	-	-	2,014,797	-	-
Cash and cash equivalents	28	203,053	-	-	304,071	-	-
Financial assets measured at fair value through Other Comprehensive Income (FVOCI)							
Equity shares	23.3	96,448	96,448	-	106,369	106,369	-
		4,389,802	348,874	60,193	4,659,645	368,127	867,635
Financial liabilities at amortised cost							
Bank overdrafts	28	56,358	-	-	83,385	-	-
		56,358	-	-	83,385	-	-

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 market 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 Board of 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

22.4 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 debts 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) and (d).

Impairment of trade receivables and other investments at amortised cost

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. Trade and other receivables

The management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Sources of credit risks are identified, assessed and monitored and the Group has policies to manage the risks 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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Public Sector	114,901	223,054	87,169	160,298
Private Sector				
Individual customers	1,984	5,817	1,281	4,555
Corporate customers	144,008	319,582	43,186	233,461
Dealers & distributors	487,275	379,339	479,248	349,271
Leasing companies	198,866	34,110	7,211	26,200
	947,034	961,902	618,095	773,785

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 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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 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.

The loss allowance as at 31 March 2023 and 31 March 2022 was determined as follows;

Group

	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Total Collective model	Total Specific	Total
31 March 2023										
Expected loss rate	2.76%	2.97%	7.09%	1.10%	0.29%	65.09%	100.00%			
Gross carrying amount - trade receivables (LKR'000)	280,559	29,529	5,991	18,335	16,427	593	34,078	385,512	-	385,512
Loss allowance - collective model (LKR'000)	(7,737)	(878)	(425)	(202)	(48)	(386)	(34,078)	(43,754)	-	(43,754)
Gross carrying amount - trade receivables (LKR'000)	389,760	76,688	334	-	121,170	-	18,853	-	606,805	606,805
Loss allowance - specific (LKR'000)	(14)	(20)	-	-	-	-	(1,495)	-	(1,529)	(1,529)
Total (LKR'000)	662,568	105,319	5,900	18,133	137,549	207	17,358	341,758	605,276	947,034

Notes to the Financial Statements

22.4 Credit Risk contd.

	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	Total Collective model	Total Specific	Total
31 March 2022										
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

Company

	Current	More than 60 days past due	More than 120 days past due	More than 180 days past due	More than 240 days past due	More than 300 days past due	More than 360 days past due	Total Collective model	Total Specific	Total
31 March 2023										
Expected loss rate	3.47%	3.04%	7.97%	9.71%	56.25%	61.01%	100.00%			
Gross carrying amount -										
trade receivables (LKR'000)	200,770	24,148	3,917	2,080	80	159	19,925	251,079	-	251,079
Loss allowance -										
collective model (LKR'000)	(6,975)	(735)	(312)	(202)	(45)	(97)	(19,925)	(28,291)	-	(28,291)
Gross carrying amount -										
trade receivables (LKR'000)	340,724	54,028	334	-	-	-	352	-	395,438	395,438
Loss allowance -										
specific (LKR'000)	(14)	(20)	-	-	-	-	(97)	-	(131)	(131)
Total (LKR'000)	534,505	77,421	3,939	1,878	35	62	255	222,788	395,307	618,095

	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	Total Collective model	Total Specific	Total
31 March 2022										
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	-	-	-	1,624	-	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

- 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 other financial assets at amortised cost.

Maximum exposure to credit risk for other financial assets at amortised cost as at the reporting date is as follows;

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Other financial assets at amortised cost-commercial papers	-	-	2,694,773	2,014,797
	-	-	2,694,773	2,014,797

Other financial assets at amortised cost considered as low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

Commercial papers are issued at fixed terms (maximum 6 months) at current market rate.

Investments in commercial papers are unsecured and repayable in cash on due date.

- e Credit risk relating to cash and cash equivalents.

The cash and cash equivalents are held with banks and financial institutions which are rated above 'BBB-(lka).

22.5 Liquidity Risk

Liquidity risk is the risk that the Group may not have sufficient liquid financial resources to meet its obligations when they fall due. The Group manages the liquidity risk by carrying out cash flow forecasts and identifying future cash needs. Investments are planned ensuring money is available for settlements. Adequate banking facilities are approved and kept for use as and when necessary. Strong relationships have been built with banks to ensure that urgent borrowing needs are met at short notice. Group has un-utilized bank facilities (short term loans and overdraft) amounted to LKR 15,188 million as at 31 March 2023.

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

Group

Non-derivative financial liabilities	Carrying amount LKR '000	Contractual Cash flows LKR '000	Less than 6 months LKR '000	6-12 months LKR '000	1-2 years LKR '000	2-5 years LKR '000	More than 5 years LKR '000
31 March 2023							
Lease liabilities	248,841	432,662	49,202	62,337	56,185	121,013	143,925
Interest-bearing borrowings	2,926,236	3,174,645	3,174,645	-	-	-	-
Trade and other payables	1,143,205	1,143,205	1,143,205	-	-	-	-
Bank overdrafts	64,887	64,887	64,887	-	-	-	-
	4,383,169	4,815,399	4,431,939	62,337	56,185	121,013	143,925
31 March 2022							
Lease liabilities	311,945	455,450	17,764	73,503	137,812	102,139	124,232
Interest-bearing borrowings	1,856,611	1,913,310	1,913,310	-	-	-	-
Trade and other payables	3,514,778	3,514,778	3,514,778	-	-	-	-
Bank overdrafts	186,171	186,171	186,171	-	-	-	-
	5,869,505	6,069,709	5,632,023	73,503	137,812	102,139	124,232

Notes to the Financial Statements

22.5 Liquidity Risk contd.

Company

Non-derivative financial liabilities	Carrying amount LKR '000	Contractual Cash flows LKR '000	Less than 6 months LKR '000	6-12 months LKR '000	1-2 years LKR '000	2-5 years LKR '000	More than 5 years LKR '000
31 March 2023							
Lease liabilities	125,407	286,684	14,325	21,399	29,447	82,200	139,313
Trade and other payables	344,630	344,630	344,630	-	-	-	-
Amounts due to related parties	33,803	33,803	33,803	-	-	-	-
Bank overdrafts	56,358	56,358	56,358	-	-	-	-
	560,198	721,475	449,116	21,399	29,447	82,200	139,313
31 March 2022							
Lease liabilities	215,307	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	-	-	-	-
	1,218,008	1,319,936	1,028,315	69,700	66,081	41,038	114,802

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

22.6 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks;

- Foreign exchange risk
- Interest rate risk
- Equity price risk

a Foreign exchange risk

Foreign 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 prices are adjusted regularly in line with the increase in exchange rates.

The aggregate net foreign exchange gains/losses recognized in profit or loss were;

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Net foreign exchange gains/(losses) included in other gains/losses	167,972	(241,955)	88,186	(69,613)
	167,972	(241,955)	88,186	(69,613)

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 2023	661	7,096	68	7,096
Trade receivables as at 31 March 2022	589	7,162	179	7,162
Trade payables as at 31 March 2023	2,000	1,214	7	1,214
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 currencies are as follows;

	Impact on post tax profit/equity					
	+ 5 %	- 5 %	+ 10 %	- 10 %	+15 %	-15 %
As at 31 March 2023						
Group						
USD	16,164	(16,164)	32,327	(32,327)	48,491	(48,491)
JPY	486	(486)	972	(972)	1,457	(1,457)
Company						
USD	681	(681)	1,362	(1,362)	2,043	(2,043)
JPY	486	(486)	972	(972)	1,457	(1,457)
	Impact on post tax profit/equity					
	+ 5 %	- 5 %	+ 10 %	- 10 %	+15 %	-15 %
As at 31 March 2022						
Group						
USD	(58,701)	58,701	(117,402)	117,402	(176,103)	176,103
JPY	(1,171)	1,171	(2,341)	2,341	(3,512)	3,512
Company						
USD	(16,519)	16,519	(33,037)	33,037	(49,556)	49,556
JPY	(1,171)	1,171	(2,341)	2,341	(3,512)	3,512

Notes to the Financial Statements

22.6 Market Risk 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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Fixed rate instruments				
Financial assets	-	-	2,694,773	2,014,797
Financial liabilities	(248,841)	(311,945)	(125,407)	(215,307)
	(248,841)	(311,945)	2,569,366	1,799,490
Variable rate instruments				
Financial assets	363,053	867,635	60,193	867,635
Financial liabilities	(2,991,123)	(2,042,782)	(56,358)	(83,385)
	(2,628,070)	(1,175,147)	3,835	784,250

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 %	Impact on post tax profit/ equity-Group LKR '000	Impact on post tax profit/ equity-Company LKR '000
31 March 2023 variable rate instruments	+5%	(23,049)	2,106
	-5%	23,049	(2,106)
31 March 2022 variable rate instruments	+5%	(26,349)	40,152
	-5%	26,349	(40,152)
	Increase/decrease in variable rates %	Impact on post tax profit/ equity-Group LKR '000	Impact on post tax profit/ equity-Company LKR '000
31 March 2023 variable rate instruments	+10%	(46,098)	4,213
	-10%	46,098	(4,213)
31 March 2022 variable rate instruments	+10%	(52,698)	80,305
	-10%	52,698	(80,305)

	Increase/decrease in variable rates %	Impact on post tax profit/ equity-Group LKR '000	Impact on post tax profit/ equity-Company LKR '000
31 March 2023 variable rate instruments	+15%	(69,147)	6,319
	-15%	69,147	(6,319)
31 March 2022 variable rate instruments	+15%	(79,048)	120,457
	-15%	79,048	(120,457)

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			
	31.03.2023		31.03.2022		31.03.2023		31.03.2022	
	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000	%
Banks	113,876	92.9	113,299	80.6	95,364	98.9	95,717	90.0
Capital goods	-	-	12,282	8.7	-	-	9,625	9.0
Diversified financials	8,380	6.9	9,366	6.7	1,084	1.1	1,027	1.0
Beverage, food & tobacco	-	-	4,824	3.5	-	-	-	0.0
Health care	-	-	452	0.3	-	-	-	0.0
Utilities	276	0.2	339	0.2	-	-	-	0.0
Total	122,532	100.0	140,562	100.0	96,448	100.0	106,369	100.0

Trading shares

Sector	Group / Company			
	31.03.2023		31.03.2022	
	LKR '000	%	LKR '000	%
Banks	63,217	25.0	58,935	22.5
Capital goods	95,416	37.8	100,762	38.5
Diversified financials	25,697	10.2	33,711	12.9
Beverage, food & tobacco	65,880	26.1	54,697	20.9
Materials	2,216	0.9	13,653	5.2
Total	252,426	100.0	261,758	100.0

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.

Notes to the Financial Statements

22.6 Market Risk contd.

	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 LKR '000	Effect on other component of equity as a result of gains/losses on equity securities classified as FVOCI LKR '000	Effect on Profit before tax as a result of gains/losses on equity securities classified as FVPL LKR '000	Effect on other component of equity as a result of gains/losses on equity securities classified as FVOCI LKR '000
31 March 2023	+ 5%	12,621	6,127	12,621	4,822
- Investments in equity shares	- 5%	(12,621)	(6,127)	(12,621)	(4,822)
	+10%	25,242	12,254	25,242	9,644
	- 10%	(25,242)	(12,254)	(25,242)	(9,644)
	+15%	37,863	18,381	37,863	14,466
	- 15%	(37,863)	(18,381)	(37,863)	(14,466)

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 Management

(a) 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 2023 and 31 March 2022. The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt includes interest bearing borrowings, trade and other payables, less cash and cash equivalents.

	Note	Group		Company	
		31.03.2023 LKR ' 000	31.03.2022 LKR ' 000	31.03.2023 LKR ' 000	31.03.2022 LKR ' 000
Interest-bearing borrowings	31	2,926,236	1,856,611	-	-
Bank overdrafts	28	64,887	186,171	56,358	83,385
Lease liabilities	34	248,841	311,945	125,407	215,307
Less: Cash and short term deposits	28	(329,583)	(528,889)	(203,053)	(304,071)
Investments in unit trust	24.1	(363,053)	(867,635)	(60,193)	(867,635)
Investments in commercial papers	24.5	-	-	(2,694,773)	(2,014,797)
Net debt		2,547,328	958,203	(2,776,254)	(2,887,810)
Equity		13,628,371	13,879,282	14,239,524	13,811,510
Capital and net debt		16,175,699	14,837,485	11,463,270	10,923,700
Gearing ratio		0.16	0.06	(0.24)	(0.26)

(b) Dividends

Dividends paid by the company for the year 2022/23 is disclosed in Note 17.

22.9 Compliance with Loan Covenants

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 March 2023.

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

	% Holding	Group		Company	
		31.03.2023 LKR ' 000	31.03.2022 LKR ' 000	31.03.2023 LKR ' 000	31.03.2022 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 2023, it was concluded that the net realisable value exceeded its carrying value.

Notes to the Financial Statements

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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Equity investments (Note 23.6)	292,835	317,471	228,435	240,301
Decrease in market value	(170,303)	(176,909)	(131,987)	(133,932)
	122,532	140,562	96,448	106,369

23.4 Amounts Recognised in Profit or Loss and Other Comprehensive Income

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

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Fair value gains recognised in Other Comprehensive Income (Note 14.2)	12,640	27,872	6,207	27,204
Dividends from equity investments held at FVOCI recognised in profit or loss in finance income (Note 13)	2,011	6,798	1,008	3,294
	14,651	34,670	7,215	30,498

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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Net gain on disposal of equity investments at fair value through Other Comprehensive Income	6,034	8,803	4,262	6,438
	6,034	8,803	4,262	6,438

23.6 Equity Securities Designated as Fair Value through Other Comprehensive Income

Group	31.03.2023			31.03.2022		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Aitken Spence PLC	-	-	-	166,648	15,442	12,282
Commercial Bank of Ceylon PLC - Non voting	323,028	35,623	17,476	310,556	35,623	18,913
Commercial Bank of Ceylon PLC - Voting	291,075	40,302	18,512	280,413	40,302	17,582
DFCC Bank PLC	775,057	106,455	34,025	739,638	106,455	35,503
Laugfs Power Ltd	32,874	-	276	-	-	339
MTD Walkers PLC	90,259	5,521	-	90,259	5,521	-
National Development Bank PLC	518,647	54,298	23,287	487,303	54,298	27,143
Nations Trust Bank PLC	287,223	24,689	18,382	270,774	24,689	12,212
People's Leasing & Finance PLC	232,256	4,066	1,835	214,661	4,066	1,739
Renuka Foods PLC	-	-	-	359,999	8,541	4,824
Seylan Bank PLC - Voting	65,885	4,793	2,194	61,589	4,794	1,946
Singer Finance (Lanka) PLC	521,885	11,917	5,845	521,885	11,917	6,784
Softlogic Finance PLC	89,709	5,171	700	89,709	5,171	843
The Lanka Hospital Corporation PLC	-	-	-	9,000	652	452
		292,835	122,532		317,471	140,562

Company	31.03.2023			31.03.2022		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
Aitken Spence PLC	-	-	-	130,597	11,865	9,625
Commercial Bank of Ceylon PLC - Non voting	323,028	35,623	17,476	310,556	35,623	18,913
DFCC Bank PLC	775,057	106,455	34,025	739,638	106,455	35,503
National Development Bank PLC	518,647	54,298	23,287	487,303	54,298	27,143
Nations Trust Bank PLC	287,223	24,689	18,382	270,774	24,689	12,212
People's Leasing & Finance PLC	137,198	2,577	1,084	126,804	2,577	1,027
Seylan Bank PLC - Voting	65,885	4,793	2,194	61,589	4,794	1,946
		228,435	96,448		240,301	106,369

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.

Notes to the Financial Statements

24.1 Financial Assets Mandatorily Measured at FVPL include following contd.

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Investment in equity shares (Note 24.3)	330,840	356,866	330,840	356,866
Decrease in market value	(78,414)	(95,108)	(78,414)	(95,108)
	252,426	261,758	252,426	261,758
Investments in unit trusts (Note 24.4)	363,053	867,635	60,193	867,635
	615,479	1,129,393	312,619	1,129,393

24.2 Amounts Recognised in Profit or Loss

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Fair value gains/(losses) on equity investment at FVPL (Note 12.4)	13,855	(44,575)	13,855	(44,575)
Dividends from equity investments held at FVPL recognised in profit or loss (Note 13)	8,525	14,174	8,525	14,174
	22,380	(30,401)	22,380	(30,401)

24.3 Equity Securities Designated as Fair Value through Profit or Loss

Group / Company	31.03.2023			31.03.2022		
	No. of Shares	Cost LKR '000	Market Value LKR '000	No. of Shares	Cost LKR '000	Market Value LKR '000
CIC Holdings PLC	-	-	-	290,120	16,019	11,053
Commercial Bank of Ceylon PLC	807,782	62,935	51,375	778,193	62,935	48,793
Central Finance Company PLC	112,365	13,390	8,135	112,365	13,390	7,652
DFCC Bank PLC	95,743	5,036	4,203	91,368	5,036	4,386
Dipped Products PLC	80,000	5,503	2,216	80,000	5,503	2,600
LOLC Finance PLC	900,000	25,710	5,400	900,000	25,710	12,780
John Keells Holdings PLC	650,000	97,632	91,000	650,000	97,632	94,250
Melstacorp PLC	1,200,000	68,443	65,880	1,200,000	68,443	49,320
Nations Trust Bank PLC	98,511	8,249	6,305	92,869	8,249	4,188
People's Leasing PLC	511,409	8,779	4,040	472,667	8,779	3,829
Renuka Foods PLC	-	-	-	401,253	10,007	5,377
Royal Ceramics Lanka PLC	160,000	10,501	4,416	160,000	10,501	6,512
Sanasa Development Bank PLC	53,151	5,211	1,334	53,151	5,211	1,568
Singer Finance (Lanka) PLC	679,224	15,683	7,607	679,224	15,683	8,830
Softlogic Finance PLC	65,944	3,768	515	65,944	3,768	620
		330,840	252,426		356,866	261,758

24.4 Other Investments Designated as Fair Value through Profit or Loss

	31.03.2023			31.03.2022		
	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	13,544	360,000	363,053	40,191	860,000	867,635
	13,544	360,000	363,053	40,191	860,000	867,635
Company						
Investments in unit trusts	2,212	60,000	60,193	40,191	860,000	867,635
	2,212	60,000	60,193	40,191	860,000	867,635

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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Other financial assets at amortised cost-commercial papers	-	-	2,708,315	2,014,797
Less: Loss allowance for other financial assets at amortised cost	-	-	(13,542)	-
	-	-	2,694,773	2,014,797

Other financial assets at amortised cost include investments in commercial papers issued by subsidiary companies. Exposure to credit risk is given in Note 22.4.d.

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

Notes to the Financial Statements

25. INVENTORIES contd.

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

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Spare parts	1,485,708	2,502,013	687,606	705,137
Vehicles	1,243,488	1,176,690	91,742	350,294
Lubricants	1,391,839	670,643	1,391,839	670,643
Tyres	120,632	95,739	-	-
Equipment & machinery	234,470	261,518	142	142
3D Printers	7,789	6,078	7,789	6,078
Stock-in-trade	4,483,926	4,712,681	2,179,118	1,732,294
Work-in-progress	551,033	364,428	36,046	36,971
Raw materials and others	26,922	17,635	26,922	17,636
Goods in transit (Note 25.1)	475,715	1,133,694	3,050	172,699
	5,537,596	6,228,438	2,245,136	1,959,600

The stock-in-trade of each category has been shown after netting off the provision made for NRV adjustments in respect of each category.

25.1 Goods in Transit

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Spare parts and lubricants	430,519	1,133,694	3,050	172,699
Equipment and machinery	45,196	-	-	-
	475,715	1,133,694	3,050	172,699

25.2 Inventories and Trade Receivables Pledged as Security for Liabilities of Group Entities are as follows.

Company	Bank	Facility	Amount pledged as security LKR '000	Balance outstanding against security LKR '000
Unimo Enterprises Limited	National Development Bank PLC	Overdraft, Short term loans, Letter of Credit	105,000	105,000
	Commercial Bank of Ceylon PLC	Overdraft, Short term loans, Letter of Credit	525,000	525,000
	Standard Chartered Bank	Overdraft, Short term loans, Letter of Credit	500,000	-
U M L Heavy Equipment Limited	Commercial Bank of Ceylon PLC	Overdraft, Short term loans, Letter of Credit	160,000	-

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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Trade receivables	992,317	1,025,744	646,517	826,243
Impairment allowance (Note 26.2)	(45,283)	(63,842)	(28,422)	(52,458)
	947,034	961,902	618,095	773,785
Other receivables	289,473	265,120	111,934	79,977
LC margin	381,839	632,500	-	-
Loans to employees	3,134	3,655	3,134	3,655
Pre-payments	338,019	100,689	60,434	34,945
Advances paid	682,758	1,150,965	276,843	182,097
Total trade and other receivables	2,642,257	3,114,831	1,070,440	1,074,459

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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Balance at the beginning of the year	63,842	72,264	52,458	63,401
Decrease in impairment allowance recognised in profit or loss during the year	(10,067)	(6,111)	(15,544)	(8,425)
Receivables written off during the year as uncollectible	(8,492)	(2,311)	(8,492)	(2,518)
Balance at the end of the year	45,283	63,842	28,422	52,458

Notes to the Financial Statements

26.3 Loans to Employees

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

Group / Company	2023		2022	
	No. of employees	LKR '000	No. of employees	LKR '000
At the beginning of the year - non executive employees	144	3,655	199	7,818
Loans disbursed during the year	-	-	-	-
Recovered during the year	-	(3,577)	-	(4,163)
At the end of the year-non executive employees	2	78	144	3,655

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

Relationship	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Unimo Enterprises Limited	-	-	70,167	60,310
U M L Heavy Equipment Limited	-	-	2,736	5,191
R I L Property PLC	5,845	-	-	-
	5,845	-	72,903	65,501

28. CASH AND CASH EQUIVALENTS**Reconciliation to cash flow statement**

The below figures reconciled to the amount of cash and cash equivalents shown in the statement of cash flows at the end of the financial year as follows:

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Favourable balances				
Money market deposits	100,286	-	50,143	-
Call deposits	15,180	26,279	15,180	26,279
Cash at bank	201,358	484,018	126,536	268,069
Cash In hand	12,759	18,592	11,194	9,723
	329,583	528,889	203,053	304,071
Unfavourable balances				
Bank overdrafts used for cash management purposes	(64,887)	(186,171)	(56,358)	(83,385)
Net cash and cash equivalent for the purpose of cash flow statements	264,696	342,718	146,695	220,686

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	
	2023	2022	2023	2022	2023	2022
			LKR '000	LKR '000	LKR '000	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	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	5,822,198	5,380,532	5,426,258	5,017,658
Revaluation of land	412,500	490,740	390,000	454,000
Deferred tax on revaluation of land	(405,125)	(49,074)	(379,975)	(45,400)
At the end of the year	5,829,573	5,822,198	5,436,283	5,426,258

Capital gain tax applicable on realisation of investment assets has been increased from 10% to 30% with effect from 1 October 2022. Accordingly deferred tax liability on capital gain has been increased during the year.

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	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	1,849,399	2,105,799	-	500,000
Obtained during the year	8,404,990	7,916,096	768,726	1,020,000
	10,254,389	10,021,895	768,726	1,520,000
Payments made during the year	(7,353,599)	(8,172,496)	(768,726)	(1,520,000)
Loans outstanding as at 31 March	2,900,790	1,849,399	-	-
Accrued loan interest	25,446	7,212	-	-
At the end of the year	2,926,236	1,856,611	-	-

Notes to the Financial Statements

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

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Non current liabilities				
Long term loans	-	-	-	-
Current liabilities				
Short term loans	2,926,236	1,856,611	-	-
	2,926,236	1,856,611	-	-

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	31.03.2023		31.03.2022	
			Face value	Carrying value	Face value	Carrying value
			LKR '000	LKR '000	LKR '000	LKR '000
Group						
Short term loans-secured	Market rate	2023	2,926,236	2,926,236	1,856,611	1,856,611
Short term loans-unsecured	Market rate	2023	-	-	-	-
			2,926,236	2,926,236	1,856,611	1,856,611
Company						
Short term loans-unsecured	Market rate	2023	-	-	-	-
			-	-	-	-

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% and 10% / 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 772 employees of the Company as at 31 March 2023.

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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Present value of funded obligations	234,612	224,438	208,286	200,136
Retirement benefit obligation (Note 32.5)	234,612	224,438	208,286	200,136

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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Mutual Fund - employees joined before 1992/93 (Note 32.3)	137	162	137	162
Reimbursable right - Employees joined after 1992/93 (Note 32.4)	19,482	34,671	13,447	29,184
	19,619	34,833	13,584	29,346

Notes to the Financial Statements

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 2023 is LKR 137,068 (2022 - LKR 161,702). 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 772 employees of the Company as at 31 March 2023.

32.4 Movement in Fair Value of Reimbursable Right

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
At the beginning of the year	34,671	46,627	29,184	41,679
Return on reimbursable right (Note 32.6)	4,557	3,742	3,823	3,334
Benefits paid by reimbursable right	(12,622)	(13,728)	(12,622)	(13,728)
Benefits payable by reimbursable right	(2,188)	(5,601)	(2,188)	(5,601)
Dividend adjustment to the plan asset	117	148	-	-
(Losses)/gains in Other Comprehensive Income (Note 32.6)	(5,053)	3,483	(4,750)	3,500
Fair value of reimbursable right at the end of the year	19,482	34,671	13,447	29,184

32.5 Movement in the Present Value of the Defined Benefit Obligations

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
At the beginning of the year	224,438	282,299	200,136	251,995
Expenses recognised in profit and loss (Note 32.6)	51,881	18,366	44,934	16,188
Actuarial gains in Other Comprehensive Income (Note 32.6)	(23,492)	(56,513)	(21,944)	(48,691)
Benefits paid during the year	(18,215)	(19,714)	(14,840)	(19,356)
Defined benefit obligation at the end of the year	234,612	224,438	208,286	200,136

32.6 Expenses Recognised in Statement of Profit or Loss and Comprehensive Income

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
Recognised in profit or loss				
Defined benefit obligations				
Current service costs	22,480	19,838	18,716	16,443
Past service costs	-	(24,058)	-	(20,415)
Interest on obligation	29,401	22,586	26,218	20,160
	51,881	18,366	44,934	16,188
Defined benefit plan				
Return on reimbursable right	4,557	3,742	3,823	3,334
	4,557	3,742	3,823	3,334
Recognised in Other Comprehensive Income				
Defined benefit obligations				
Actuarial gains recognised during the year	23,492	56,513	21,944	48,691
	23,492	56,513	21,944	48,691
Reimbursable right				
(Losses)/gains recognised during the year	(5,053)	3,483	(4,750)	3,500
Dividend adjustment to reimbursable right	123	132	6	(16)
	(4,930)	3,615	(4,744)	3,484
	18,562	60,128	17,200	52,175

32.7 Actuarial Assumptions

Principal actuarial assumptions are as follows:

	Group		Company	
	2023	2022	2023	2022
Rate of discount as at 31 March (%)	16% - 22.8%	13.1%	16.5%	13.1%
Future salary increases (%)	10.0%	8.4% - 10%	10.0%	8.7%
Normal retirement age	60 years	60 years	60 years	60 years
Staff turnover rate (%)	2% - 32%	2.2% - 10%	4.4%	4.2%

Assumptions regarding future mortality are based on A67/70 Mortality table, issued by the Institute of Actuaries, London, United Kingdom.

Notes to the Financial Statements

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%	+ 5%	- 1%	- 5%	+ 1%	+ 5%	- 1%	- 5%
As at 31 March 2023								
A percentage point change in the discount rate								
Effect on the present value of defined benefit obligation (LKR '000)	(13,199)	(65,997)	14,676	73,380	(11,124)	(55,618)	12,319	61,593
A percentage point change in the salary escalation rate								
Effect on the present value of defined benefit obligation (LKR '000)	16,392	81,961	(14,899)	(74,493)	13,826	69,129	(12,618)	(63,090)
As at 31 March 2022								
A percentage point change in the discount rate								
Effect on the present value of defined benefit obligation (LKR '000)	(13,945)	(69,725)	15,750	78,750	(11,752)	(58,760)	13,223	66,115
A percentage point change in the salary escalation rate								
Effect on the present value of defined benefit obligation (LKR '000)	17,223	86,115	(15,435)	(77,175)	14,513	72,565	(13,059)	(65,295)

32.9 Maturity Profile of the Defined Benefit Obligation

	Group		Company	
	2023	2022	2023	2022
Maturity profile-discounted				
Within the next 12 months	26,638	13,197	25,514	12,338
Between 1 to 2 years	33,739	63,539	31,141	61,671
Between 2 to 5 years	63,864	39,915	61,569	37,535
Beyond 5 years	110,371	107,787	90,062	88,592
Total	234,612	224,438	208,286	200,136
Maturity profile-undiscounted				
Within the next 12 months	29,138	14,067	27,905	13,148
Between 1 to 2 years	45,752	80,888	42,121	78,476
Between 2 to 5 years	128,364	72,156	123,744	68,054
Beyond 5 years	950,790	687,135	753,997	550,180
Total	1,154,044	854,246	947,767	709,858

33. DEFERRED TAX ASSETS / LIABILITIES

33.1 Deferred Tax Assets

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
At the beginning of the year	461,794	507,080	170,195	189,714
Origination/(reversal) of timing differences-recognised in profit or loss including rate change	470,776	(32,150)	49,526	(7,833)
(Reversal)/origination of timing differences-recognised in Other Comprehensive Income	(7,046)	(13,136)	(6,583)	(11,686)
At the end of the year	925,524	461,794	213,138	170,195
Composition of deferred tax assets				
Property, plant & equipment	6,966	5,212	-	-
Retirement benefit obligation	70,384	52,647	62,485	48,033
Provisions	158,266	99,280	113,031	70,488
Lease liabilities	74,652	88,424	37,622	51,674
Tax losses	615,256	216,231	-	-
Net deferred tax assets	925,524	461,794	213,138	170,195
Closing deferred tax assets @ 30%	925,524	-	213,138	-
Closing deferred tax assets @ 24%	-	257,898	-	170,195
Closing deferred tax assets @ 18%	-	203,896	-	-
	925,524	461,794	213,138	170,195

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	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
At the beginning of the year	366,080	315,655	330,652	291,749
Charge/(reversal) of timing differences-recognised in profit or loss	50,384	1,351	74,407	(6,497)
Origination of timing differences- recognised in Other Comprehensive Income on revaluation of land	405,125	49,074	379,975	45,400
At the end of the year	821,589	366,080	785,034	330,652
Composition of deferred tax liability				
Property plant & equipment	200,934	139,976	198,382	137,789
Gains on revaluation of land	545,813	140,688	511,463	131,488
Investment property-buildings	-	-	1,498	1,305
Investment property-land	-	-	34,350	9,200
Leased assets	74,842	85,416	39,341	50,870
Net deferred tax liability	821,589	366,080	785,034	330,652
Closing deferred tax liability @ 30%	821,589	-	785,034	-
Closing deferred tax liability @ 24%	-	172,293	-	169,358
Closing deferred tax liability @ 18%	-	32,493	-	-
Closing deferred tax liability @ 14%	-	20,606	-	20,606
Closing deferred tax liability @ 10%	-	140,688	-	140,688
	821,589	366,080	785,034	330,652

Notes to the Financial Statements

33.2 Deferred Tax Liabilities contd.

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 were 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 412,500,000 related to the land revaluation. Capital gain tax applicable on realisation of investment assets has been increased from 10% to 30% with effect from 1 October 2022.

33.3 Expenses Recognised in Statement of Other Comprehensive Income

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
(Reversal)/origination of timing differences-recognised in Other Comprehensive Income (Note 33.1)	(7,046)	(13,136)	(6,583)	(11,686)
Origination of timing differences-recognised in Other Comprehensive Income (Note 33.2)	(405,125)	(49,074)	(379,975)	(45,400)
	(412,171)	(62,210)	(386,558)	(57,086)

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 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.

	Group		Company	
	2023 LKR '000	2022 LKR '000	2023 LKR '000	2022 LKR '000
At the beginning of the year	311,945	281,348	215,307	227,074
Additions during the year	121,767	197,119	78,141	148,913
Interest expense	23,911	32,278	5,146	23,228
Adjustments-termination of lease contracts	(15,312)	(8,334)	(13,534)	(8,334)
Adjustment for rent concessions	-	(1,737)	-	(1,257)
Payments made during the year	(193,470)	(188,729)	(159,653)	(174,317)
At the end of the year	248,841	311,945	125,407	215,307
Classified as non-current liabilities	153,884	218,740	96,524	81,961
Classified as current liabilities	94,957	93,205	28,883	133,346
	248,841	311,945	125,407	215,307
Amounts recognised in profit or loss				
Interest on lease liabilities	23,911	32,278	5,146	23,228
Total cash outflow for leases	193,470	188,729	159,653	174,317
Maturity analysis of lease liability - discounted cash flows				
Less than 2 years	135,569	186,635	50,056	148,662
2-5 years	75,592	76,529	41,872	25,947
6-10 years	29,869	32,436	25,668	24,354
Over 10 years	7,811	16,345	7,811	16,344
	248,841	311,945	125,407	215,307
Maturity analysis of lease payments - undiscounted cash flows				
Less than 2 years	167,725	229,078	65,171	161,396
2- 5 years	121,012	102,140	82,200	41,038
6-10 years	104,306	70,701	99,694	61,270
Over 10 years	39,619	53,531	39,619	53,531
	432,662	455,450	286,684	317,235

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	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Trade payables	550,871	2,722,358	56,350	735,837
Taxes payable	112,863	70,109	17,319	257
Contract liabilities				
Advances received from customers	173,314	489,683	39,897	68,613
Free service contracts	5,103	5,694	545	1,396
Extended warranty	94	337	94	337
Accrued and other payables	300,960	226,597	230,425	101,108
	1,143,205	3,514,778	344,630	907,548

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	
		31.03.2023	31.03.2022	31.03.2023	31.03.2022
		LKR '000	LKR '000	LKR '000	LKR '000
Unimo Enterprises Limited	Subsidiary	-	-	1,072	4,409
U M L Property Developments Limited	Subsidiary	-	-	32,731	7,359
		-	-	33,803	11,768

37. CURRENT TAXATION

	Group		Company	
	2023	2022	2023	2022
	LKR '000	LKR '000	LKR '000	LKR '000
At the beginning of the year	30,785	68,284	55,219	76,454
Income tax charge for the year	240,262	78,576	213,149	62,708
	271,047	146,860	268,368	139,162
Under provision in respect of previous years	(1,215)	22,140	(1,213)	15,676
WHT set off against income tax	-	(8,238)	-	(8,094)
ESC set off against income tax	9,187	(35,987)	-	(14,554)
Income tax paid	(208,365)	(93,990)	(178,952)	(76,971)
At the end of the year	70,654	30,785	88,203	55,219

The income tax liability comprises of:

	Group		Company	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	LKR '000	LKR '000	LKR '000	LKR '000
37.1 Current tax liabilities	90,198	59,514	88,203	55,219
37.2 Current tax receivable	(19,544)	(28,729)	-	-
	70,654	30,785	88,203	55,219

Notes to the Financial Statements

38. CASH FLOW INFORMATION**38.1 Reconciliation of (loss)/profit before tax to cash flows from operating activities**

	Note	Group		Company	
		31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
(Loss)/profit before income tax expense		(312,436)	449,235	789,333	352,526
Adjustments for;					
Provision for depreciation/amortisation	18	182,398	221,761	159,901	182,423
Profit on disposal of property, plant and equipment	13	(34,674)	(53,125)	(33,514)	(46,485)
Net gain on disposal of financial assets at the fair value through profit or loss	12.4	(8,330)	(13,559)	(8,330)	(13,559)
Net change in fair value - financial asset at fair value through profit or loss	12.4	(13,855)	44,575	(13,855)	44,575
Change in fair value of investment property	12.4	-	-	(22,000)	(36,740)
Interest expense	14.1	662,703	76,729	35,665	32,540
Interest income	14.1	(88,404)	(86,613)	(81,127)	(121,989)
Dividend income from equity investments	13	(10,536)	(20,972)	(9,533)	(17,468)
Dividend received from subsidiary	13	-	-	(43,031)	(75,000)
Impairment on trade receivables and losses on warranty claims	12.3	24,214	(5,792)	(12,116)	1,137
Provision for employee benefit obligations	32	51,906	18,410	44,959	16,232
Amortisation of right-of use assets	21	162,316	146,450	145,427	141,036
Return on reimbursable right	32.6	(4,557)	(3,742)	(3,823)	(3,334)
Write-down/(write-back) of inventory to lower of cost or NRV (net realisable value)	12	124,355	(31,659)	14,560	4,490
WIP write offs	18	188	723	188	-
Fair value adjustment on unit trust and commercial papers	12.4	(3,053)	(7,635)	(156,501)	(22,432)
Operating profit before working capital changes		732,235	734,786	806,203	437,952
Decrease/(increase) in inventories		566,487	(2,812,818)	(300,096)	(536,153)
Decrease/(increase) in trade and other receivables		448,360	(1,043,256)	29,677	(311,550)
(Increase)/decrease in amounts due from related parties		(5,845)	-	(7,402)	314,705
Increase in amounts due to related parties		-	-	22,035	8,927
(Decrease)/increase in trade and other payables		(2,371,573)	1,195,616	(562,918)	287,633
Cash (outflow)/inflow from operating activities		(630,336)	(1,925,672)	(12,501)	201,514

38.2 Reconciliation of liabilities arising from financing activities

	Group		Company	
	31.03.2023 LKR '000	31.03.2022 LKR '000	31.03.2023 LKR '000	31.03.2022 LKR '000
Bank borrowings				
At the beginning of the year	1,849,399	2,105,799	-	500,000
Proceeds from borrowings	8,404,990	7,916,096	768,726	1,020,000
Repayments of borrowings	(7,353,599)	(8,172,496)	(768,726)	(1,520,000)
At the end of the year	2,900,790	1,849,399	-	-

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 31.03.2023 LKR '000	Outstanding as at 31.03.2022 LKR '000
Unimo Enterprises Limited	Sampath Bank PLC	Letter of credits, overdraft and term loans	1,445,000	1,248,727	527,911
	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	193,991	530,649
	Hatton National Bank PLC	Letter of credits, overdraft and term loans	1,500,000	1,420,871	1,203,770
	Pan Asia Banking Corporation PLC	Letter of credits, overdraft and term loans	600,000	594,192	12,880
	Commercial Bank of Ceylon PLC	Letter of credits, overdraft and term loans	1,000,000	1,000,000	-
	Nations Trust Bank PLC	Letter of credits, overdraft and term loans	2,200,000	725,995	1,255,504
U M L Heavy Equipment Limited	Pan Asia Banking Corporation PLC	Letter of credits, overdraft and term loans	400,000	40,000	-
	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

Unimo Enterprises Limited has given bank guarantees to Sri Lanka Customs amounting to LKR 2,350 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 9.4 million as at the reporting date.

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

Notes to the Financial Statements

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	
	2023 LKR.'000	2022 LKR.'000	2023 LKR.'000	2022 LKR.'000
Short term employment benefits	288,835	244,880	255,106	213,797
Post employment benefits-defined contribution plans	29,200	24,333	25,155	21,681
	318,035	269,213	280,261	235,478

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 2022/23 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	1,368,600	28%	Market rates
U M L Heavy Equipment Ltd	Subsidiary	Intercompany loans granted/ settled and investment in commercial papers	458,800	9%	Market rates

Transactions with subsidiaries and related entities.

a. Transactions with subsidiaries

Company	UEL LKR '000	UMPDL LKR '000	U M L Heavy LKR '000	Total 2022/23 LKR '000	Total 2021/22 LKR '000
Sale of spare parts	7,441	-	-	7,441	4,164
Purchase of tyres	1,971	-	-	1,971	4,022
Sale of fixed assets	-	-	64	64	-
Sale of lubricants	1,982	-	4	1,986	11,979
Repairs & services provided	126,308	-	1,341	127,649	88,854
Services obtained	2,002	-	-	2,002	394
Interest received	425,046	-	170,720	595,766	112,733
Interest paid	-	4,997	-	4,997	-
Expenses incurred	64,064	1,475	23,268	88,807	85,230
Reimbursement of expenses	7,023	-	-	7,023	11,588
Hiring income received	2,274	-	2,005	4,279	4,234
Hiring rentals paid for vehicles	801	-	-	801	801
Rentals received for premises occupied	40,396	-	-	40,396	22,025
Rentals paid for premises occupied	-	98,043	-	98,043	98,043
Commission received	-	-	-	-	778
Fees on financial services provided	82,450	-	8,150	90,600	60,999
Dividend received	-	43,031	-	43,031	75,000
Investments in commercial papers	1,355,000	-	398,800	1,753,800	3,800,000
Commercial papers settlements	1,547,847	-	-	1,547,847	1,845,126
Loans granted	13,600	-	60,000	73,600	2,033,016
Loans settlements	13,600	-	60,000	73,600	2,301,700

b. Transactions between subsidiaries

Unimo Enterprises Limited with U M L Heavy Equipment Limited	Total 2022/23 LKR '000	Total 2021/22 LKR '000
Reimbursement of expenses	1,265	-
Sale of tyres	-	138
Sale of fixed assets	3,469	-
Expenses incurred	-	683

c. Transactions with the Parent Company-R I L Property PLC

United Motors Lanka PLC	Total 2022/23 LKR '000	Total 2021/22 LKR '000
Repairs and services provided	1,979	1,402

Unimo Enterprises Limited	Total 2022/23 LKR '000	Total 2021/22 LKR '000
Reimbursement of expenses	67	-
Sale of vehicle	8,845	18,490

Notes to the Financial Statements

40.5 Recurrent Related Party Transactions contd.**d. Transactions with other related entities of parent company-Pap Solar One (Pvt) Limited**

	Total 2022/23 LKR '000	Total 2021/22 LKR '000
Repairs and services provided	369	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 2023 are in the proportions indicated below.

Subsidiary	Ownership interest	
	2023	2022
Unimo Enterprises Limited	100%	100%
U M L Property Developments Limited	100%	100%
U M L Heavy Equipment Limited	100%	100%

Group has no non-controlling interest to be reported as all its subsidiaries are fully owned.

Analysis of consolidated profit after income tax expense	Group	
	2023 LKR '000	2022 LKR '000
Parent company	552,516	272,806
Subsidiaries	(717,380)	145,406
	(164,864)	418,212
Inter-company elimination	33,773	(103,194)
Consolidated (loss)/profit after income tax expenses	(131,091)	315,018

42. EVENTS OCCURRING AFTER THE REPORTING PERIOD AND OTHER MATTERS**Dividends on ordinary shares**

After satisfying the solvency test, in accordance with Section 57 of the Companies Act, No.07 of 2007, the Board of Directors recommended a final dividend of LKR. 1.25 per share for the year ended 31 March 2023 amounting to LKR. 126,125,783 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 2023.

Other matters

- 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.
- In the financial year 2021/22, Unimo Enterprises Limited (UEL) a fully owned subsidiary of United Motors Lanka PLC had a dispute with a licensed commercial bank regarding settlement of some letters of credit (LC'). As advised by the lawyers under the terms and conditions applicable to respective LCs, including the "Trade Financing General Agreement" there is no provision for the said bank to delay debiting of the Company's bank account, specially after making a settlement to the principal. The bank is obliged to debit the Company (UEL) concurrently at the rate prevailed on that day.

However, on 19 May 2023, the bank debited the company's (UEL) current account at the rate of 1 USD = LKR 308 in settlement of letters of credit that are in dispute. The total amount debited by overdrawing the company's account on the above basis amounted to LKR 580 million. In the last financial year, the bank has already recovered LKR 382 million from the company at the rate of 1 USD = LKR 203, without settling the LCs. As a result of the above, the bank has charged an additional LKR 198 million to the company's account. Further, the bank has charged another LKR 27 million as overdue interest. The Company is not in agreement with the above action taken by the bank and will challenge the actions of the bank in consultation with our lawyers.

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

SHARE INFORMATION

The audited income statement for the year ended 31 March 2023 and the audited statement of financial position as at March 31, 2023 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 2021/22).

The Company duly submitted the audited interim financial statements for the year 2022/23 to the CSE within applicable statutory deadlines (The Company also duly complied with this requirement for 2021/22).

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 2023 was 3,609 (3,635 as at 31 March 2022)

a) Resident/non-resident as at 31 March 2023

Range of shareholdings No. of shares	Resident			Non -Resident			Total		
	No of share holders	No of shares	% of total holding	No of share holders	No of shares	% of total holding	No of share holders	No of shares	% of total holding
1 - 1,000	2,345	795,908	0.79	29	15,455	0.02	2,374	811,363	0.80
1,001 - 10,000	1,054	3,712,731	3.68	21	82,869	0.08	1,075	3,795,600	3.76
10,001 - 100,000	127	3,016,994	2.99	08	337,750	0.33	135	3,354,744	3.33
100,001 - 1,000,000	17	3,590,498	3.56	-	-	0.00	17	3,590,498	3.56
Over 1,000,000	06	78,232,768	77.53	02	11,115,653	11.02	08	89,348,421	88.55
Total	3,549	89,348,899	88.55	60	11,551,727	11.45	3,609	100,900,626	100.00

b) Individuals/institutions

	31 March 2023			31 March 2022		
	No of shareholders	Total holdings No. of shares	% of Total holdings	No of shareholders	Total holdings No. of shares	% of Total holdings
Individual	3,471	36,557,407	36.23	3,488	32,144,024	31.86
Institutions	138	64,343,219	63.77	147	68,756,602	68.14
Total	3,609	100,900,626	100.00	3,635	100,900,626	100.00

c) Public shareholding

	31 March 2023	31 March 2022
Percentage (%)	24.47	24.47
No. of shareholders	3,593	3,619
The float adjusted market capitalization (LKR)	1,479,333,109	1,360,617,856

The float adjusted market capitalization of the Company falls under option 5 of Rule 7.14.1 (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

	2022/23	2021/22	2020/21	2019/20	2018/19
Market					
Number of transactions	4,720,261	8,698,799	4,762,434	1,255,759	810,331
Number of shares traded	21,853,709,928	54,819,648,085	37,966,240,706	10,255,022,162	4,925,186,283
Value of shares traded (LKR million)	500,918	1,151,628	675,136	186,176	167,420
Market days	235	240	229	231	240
Company					
Number of transactions	2,139	6,874	5,455	1770	1,240
Number of shares traded	1,858,045	6,843,652	6,282,463	1,662,689	1,850,189
Value of shares traded (LKR million)	107	600	409	109	154
Market days	211	234	210	204	189

4. Market Capitalization and Market Prices

a) Market capitalization

Year	Shareholder's fund LKR (million)	Ordinary shares in issue LKR (million)	UML market capitalization LKR (million)	CSE market capitalization LKR (billion)	As a % of CSE market capitalization	Market capitalization Rank
2022/2023	14,240	100.90	6,043.95	3,903.54	0.15	107
2021/2022	13,812	100.90	5,559.62	3,826.50	0.15	107
2020/2021	13,315	100.90	5,821.97	3,111.26	0.19	99
2019/2020	12,505	100.90	4,580.88	2,128.27	0.21	78

b) Market prices

	2022/23	2021/22	2020/21	2019/20	2018/19
Highest (LKR)	67.50 (05.04.2022)	110.00 (16.12.2021)	83.00 (18.12.2020)	80.00 (29.07.2019)	87.40 (23.07.2018)
Lowest (LKR)	50.00 (29.08.2022)	55.00 (20.04.2021)	45.00 (01.06.2020)	45.00 (20.03.2020)	66.00 (29.03.2019)
Last Traded Price (LKR)	59.90	55.10	57.70	45.40	66.80

5. Dividends Paid

	2022/23	2021/22	2020/21	2019/20	2018/19
Dividend (LKR'000)	151,351	252,252	151,351	403,603	151,351
Profit (LKR'000)	552,516	272,806	766,639	117,327	730,365
Dividend payout ratio	27.39	92.47	19.74	344.83	20.72
Dividend per share (LKR)	1.50	2.50	1.50	4.00	1.50

6. Value Creation for Shareholders

	2022/23	2021/22	Change %
Net asset value per share-Company (LKR)	141.12	136.88	3.09
Earnings per share (LKR)	5.48	2.70	102.96
Market price per share (LKR)	59.90	55.10	8.71
Return on equity (%) -After Tax	3.88	1.98	95.95

Share Information

7. Twenty Largest Shareholders

Shareholder	31 March 2023		31 March 2022	
	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	1,369,743	1.36
8 Amana Bank PLC/Mr. M.Z.M. Ghouse	636,000	0.63	-	-
9 Rubber Investment Trust Ltd A/C No.01	389,427	0.39	-	-
10 Seylan Bank PLC /Mr. M.N. Deen	359,175	0.36	-	-
11 Amana Bank PLC/Mr. M.N. Deen	255,683	0.25	-	-
12 Mr. S.D. Yaseen	243,300	0.24	243,300	0.24
13 Ms. L.E.M. Yaseen	200,000	0.20	200,000	0.20
14 M.S. Bahaudeen	184,497	0.18	146,004	0.14
15 Hatton National Bank PLC/Mohamed Zulficar Mohamed	171,000	0.17	-	-
16 Mr. P. Rathnayaka	156,000	0.16	156,000	0.15
17 Mercantile Investments and Finance PLC	150,000	0.15	150,000	0.15
18 Akbar Brothers Pvt Ltd A/C No. 1	136,648	0.14	136,648	0.14
19 Mr. S.A.C. Keerthisinghe & Ms. D.M.J.S. Dissanayaka	131,000	0.13	120,000	0.12
20 Mr. M. Anndreino Yaseen	119,430	0.12	119,430	0.12
* Others (shareholders under 20 largest shareholders as at 31 March 2022)	-	-	1,403,737	1.39
Total	92,480,581	91.67	92,023,540	91.20

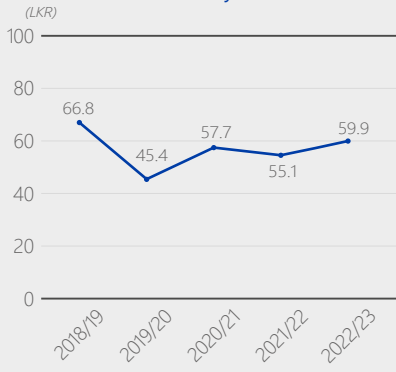
Shareholders included in the twenty largest shareholdings as at 31 March 2022.

Shareholdings as at March 2022	No. of shares	% of total shareholding
Mr. M.N. Deen	558,230	0.55
Mr. M.Z.M. Ghouse	480,783	0.48
Mr. P.S. Weerasekera	125,870	0.12
Mr. V.A. Yaseen	119,427	0.12
Mr. J.A. Yaseen	119,427	0.12
Total	1,403,737	1.39

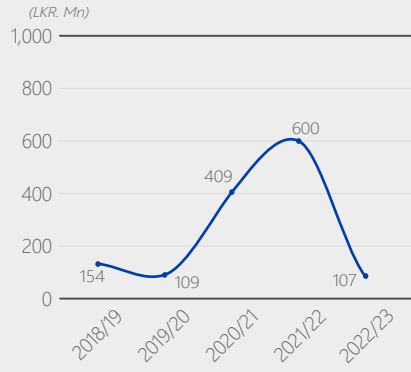
8. Directors' Shareholding

Name of Director	Capacity	No of shares as at 31 March 2023	% of total holdings	Movement during the year	No of shares as at 01 April 2022	% of total holdings
Mr. Devaka Cooray	Chairman/ Non-Executive Director	50,000	0.050	-	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	-	-	-	-	-
Mr. Ruwindhu Peiris	Non-Executive Director	-	-	-	-	-
Mr. Thushara Jayasekara	Executive Director	-	-	-	-	-

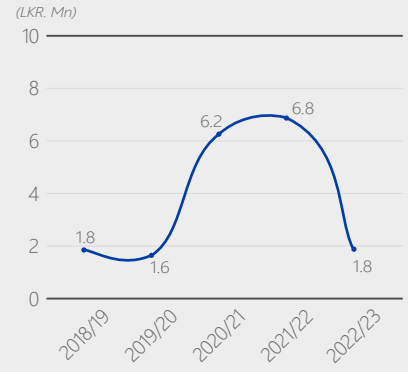
Market Price - year end



Values of shares traded



Number of shares traded



TEN YEAR SUMMARY - GROUP

(in LKR '000)

Reported as per For the year ended 31 March	SLFRS / LKAS									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Turnover	10,736,341	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
(Loss)/profit before taxation	(312,436)	449,235	646,392	(547,882)	423,468	866,458	1,438,602	2,353,603	1,625,881	2,174,345
Income tax	181,345	(134,217)	(142,717)	138,207	12,455	(197,558)	(312,495)	(651,380)	(363,549)	(566,624)
(Loss)/profit for the year	(131,091)	315,018	503,675	(409,675)	435,923	668,900	1,126,107	1,702,223	1,262,332	1,607,721
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	5,829,573	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
Other components of the equity & retained earnings	7,462,463	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
Shareholders' funds	13,628,371	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
Total equity	13,628,371	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
Assets employed										
Current assets	9,150,304	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
Non current assets	10,007,635	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
Total assets	19,157,939	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
Current liabilities	(4,319,483)	(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)
Non current liabilities	(1,210,085)	(809,258)	(782,089)	(671,926)	(360,265)	(252,790)	(212,865)	(181,188)	(181,374)	(173,866)
Total liabilities	(5,529,568)	(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)
Net assets	13,628,371	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
Profitability										
Earnings per share (LKR)	(1.30)	3.12	4.99	(4.06)	4.32	6.63	11.16	16.87	12.51	15.93
Net assets per share *										
At the year end (LKR)	135.07	137.55	131.81	126.08	127.64	125.87	106.46	102.20	103.42	80.25
Return on average										
Net assets (%)	(0.96)	2.27	3.79	(3.32)	3.38	5.27	10.48	16.51	12.10	19.86
Others										
Market price per share (LKR)	59.90	55.10	57.70	45.40	66.80	76.00	78.00	83.00	88.10	123.00
Price earnings ratio	(46.11)	17.65	11.56	(11.18)	15.46	11.46	6.99	4.92	7.04	7.72
Annual sales growth (%)	(16.67)	(4.83)	37.50	(22.90)	(13.23)	(17.90)	17.13	45.22	(4.55)	(26.10)
Current ratio (times)	2.12	1.93	2.06	1.62	2.10	2.39	1.70	1.90	2.88	3.15

* 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 2023

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
2022/2023		100,900,626	-	336,335,420	59.90

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 uncollectability.

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

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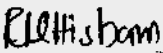
NOTICE OF MEETING

Notice is hereby given that the Thirty-Fourth (34th) Annual General Meeting of United Motors Lanka PLC will be held as a virtual meeting at 10.00 a.m. on Wednesday, 28 June 2023, 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 2023 and the Report of the Auditors thereon.
02. (i) To re-elect, Prof. Malik Ranasinghe who retires by rotation in terms of Article 83 of the Articles of Association of the Company.
(ii) To re-elect, Ms. Coralie Pietersz who retires in terms of Article 83 of the Articles of Association of the Company.
(iii) 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 74 years of age and that he be re-appointed as a Director of the Company."
03. To declare a final dividend of LKR 1.25 per share for the year ended 31 March 2023 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 donations for 2023/24.
06. To consider any other business of which due notice has been given.

By Order of the Board



Ms. Rinoza Hisham
Company Secretary

Colombo
30 May 2023

Notice of Meeting

Note:

1. The Thirty-Fourth (34th) Annual General Meeting of United Motors Lanka PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audiovisual means in the manner specified below:
 - i Shareholder participation
 - a The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
 - b The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio-visual means only.
 - c The shareholders who wish to participate in the meeting will be able to join the meeting through audio or audio-visual means. To facilitate this process, the shareholders are required to furnish their details requested in the notice of meeting and forward same to agm2023@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.
 - 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 agm2023@unitedmotors.lk or facsimile to +94 11 2448113 or by post to 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.
 - ii 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 agm2023@unitedmotors.lk or facsimile to +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 the same could be addressed at the meeting.
2. The Annual Report of the Company for the year ended 2022/23 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) Mutantrige 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) Thushara Banda Abeykoon Jayasekara | of Colombo |

as my/our proxy to represent me/us and*..... to vote on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company to be held as a virtual meeting at 10.00 a.m. on Wednesday, 28 June 2023, via audiovisual means and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors, the Audited Financial Statements for the year ended 31 March 2023 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect Prof. Malik Ranasinghe as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect Ms. Coralie Pietersz as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-appoint Mr. Ananda Atukorala as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To declare a final dividend of LKR 1.25 per share for the year ended 31 March 2023, as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
6.	To re-appoint PricewaterhouseCoopers (PwC), Chartered Accountants, as the Auditors for the ensuing year and to authorize the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7.	To authorize the Board of Directors to determine donations for 2023/24.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of Two Thousand and Twenty Three.

.....
Signature/s

* If you wish your Proxy to speak at the meeting you should insert the words "to speak and" in the place indicated and initial such insertion.

Notes:

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

Form of Proxy

INSTRUCTIONS FOR 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 your signature.
2. If you wish to appoint any person other than the Directors as your proxy, please insert the relevant details.
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 agm2023@unitedmotors.lk or facsimile to +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

PricewaterhouseCoopers
No. 100, Braybrooke Place,
Colombo-02

Lawyers

Messrs Julius & Creasy
41, Janadipathi Mawatha,
Colombo-01

Registrars

P. W. Corporate Secretarial (Pvt) Ltd,
3/17, Kynsey Road, Colombo 08.
Tel : 4640360/3
Fax : 4740588

Subsidiary Companies

Unimo Enterprises Limited
U M L Heavy Equipment Limited
U M L Property Developments 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
State Bank of China

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
(Resigned w.e.f. 31 March 2023)
Mr. Thushara Jayasekara

Company Secretary

Ms. Rinoza Hisham

Audit Committee

Chairperson

Ms. Coralie Pietersz

Mr. Ananda Atukorala
(Resigned w.e.f. 31 March 2023)
Ms. Hiroshini Fernando
Prof. Malik Ranasinghe
Mr. Stuart Chapman

Remuneration Committee

Chairman

Prof. Malik Ranasinghe

Mr. Devaka Cooray
(Appointed w.e.f. 23 November 2022)
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Mr. Stuart Chapman

Nomination Committee

Chairman

Mr. Stuart Chapman

Mr. Chanaka Yatawara
Mr. Ananda Atukorala
Ms. Hiroshini Fernando
Prof. Malik Ranasinghe

Related Party Transactions Review Committee

Chairman

Mr. Ananda Atukorala

Ms. Hiroshini Fernando
Prof. Malik Ranasinghe
Mr. Stuart Chapman
Mr. Ruwindhu Peiris
(Appointed w.e.f. 23 November 2022
and resigned w.e.f. 31 March 2023)

INVESTOR RELATIONS

For investor relations and clarifications on the report, please contact:

Company Secretary,

United Motors Lanka PLC,
No. 100, Hyde Park Corner,
Colombo 02, Sri Lanka
Email : rinozah@unitedmotors.lk
Tel : +94(011)4696019/6015



**United
Motors**

www.unitedmotors.lk